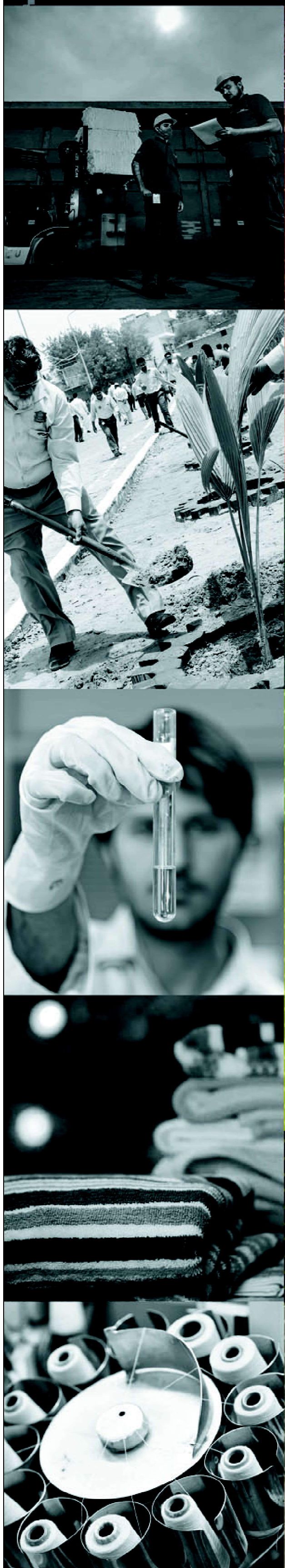
Feroze1888 Mills Limited

Manufacturers & Exporters of Specialized Yarn & Textile Terry Products



ANNUAL REPORT

2018

Excellent Execution Everytime

EXCELLENCE
IS NOT
A DESTINATION
ITS A CONTINOUS
JOURNEY
THAT NEVER
ENDS

CONTENTS 2018

COMPANY INFORMATION

Board of Directors

Mr. Jonathan R. Simon	Director/Chairman
Mr. Anas Rahman	Director/Vice Chairman
Mr. Khaleequr Rahman	Director
Mr. Shabbir Ahmed	Director
Mr. Abdul Rehman Yaqub	Director
Mr. Perwez Ahmed	Director
Mr. Nasim Hyder	Director
Mr. Rehan Rahman	Chief Executive

Audit Committee

Mr. Nasim Hyder	Chairman
Mr. Khaleequr Rehman	Member
Mr. Perwez Ahmed	Member

HR & Remuneration Committee

Mr. Khaleequr Rahman	Member
Mr. Nasim Hyder	Chairman
Mr. Anas Rahman	Member

Company Secretary
Mr. Muhammad Faheem

Bankers
Bank Al Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Ltd
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Ltd

Auditors
E Y Ford Rhodes
Chartered Accountants
Progressive Plaza,
Beaumount Road, Karachi

Legal Advisor
Mohsin Tayebaly & Co
Block 6, PECHS, Shahra-e-Faisal,
Karachi

Registered Office
H-23/4A, Scheme # 3,
Landhi Industrial Area,
Landhi, Karachi.

Office Building
160 Banglore Town,
Shara-e-Faisal, Karachi.

Factory
Sindh
Plot # H-23/4-A and
H-23-/4-B, Scheme # 3.
Landhi Industrial Area,
Landhi, Krachi
B-4/A, SITE, Karachi
Plot # A-5, SITE, Karachi.
Plot # C-3, SITE, Karachi.
Plot # C-31 SITE, Karachi
Plot # F-89, SITE, Karachi
Plot # F-125, SITE, Karachi
Plot # F-342, SITE, Karachi
Plot # D-202, SITE, Karachi
Plot # 342/A, Haroonabad, SITE,
Karachi
Survey # 81, 242, 72 to 75, 165,
166, 171, 172, 176 to 181, 186 to
190, N.C # 92, 156, 210, 211, 243,
Deh Moachko, Tapo Gabopat,
Keamari Town, Karachi

Balochistan
Plot# D-12 to D-17, K-1 to K-3, M-34,
HITE, all in Mauza Pathra, Tehsil Hub,
Disctirct Lasbela, Balochistan

Share Registrar/Transfer Agent
Famco Associate (Pvt.) Ltd
8-F, Next to Hotel Faran Nursery,
Block-6, PECHS,
Shahrah-e-Faisal,
Karachi.

Website
http://www.feroze1888.com

VISION

Our aim is to be a market leader in terry textile manufacturing with our strong commitments to 3Ps (People-Planet-Prosperity). We will prosper by crediting unmatchable value for our global customer & stakeholders through our exceptional quality products & services.

MISSION

We are leading vertically integrated industry known for its state of the art machinery, infrastructure, standardized systems, production processes and adopting ideology of 3Ps (People-Planet-Prosperity). We are committed to the ongoing learning, development & growth of our valued employees. Our Focus is on building an environment of prosperity & gratification for all our customers & stakeholders through our operational excellence & solution based innovations.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 46th Annual General Meeting of the Company will be held on Monday, October 15, 2018 at 10:00 a.m. at B-4/A, SITE, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Un-consolidated and Consolidated Financial Statements of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' report thereon.

2. To consider and approve final cash dividend for the year ended June 30, 2018 @ Rs.2.45 per share (24.5%) to all shareholders of the company as recommended by the Board of Directors in addition to already paid interim dividend @ Rs. 1.20 per share (12%).

3. To appoint auditors for the year ended June 30, 2019 and to fix their remuneration. The retiring auditors Messrs. EY Ford Rhodes, Chartered Accountants being eligible have offered themselves for re-appoinment.

SPECIAL BUSINESS

4. To consider and if deemed appropriate, pass with or without modifications, the following resolution as a Special Resolution for the purpose of authorizing the Chief Executive of the Company to dispose of its subsidiary company M/s. Xublimity (Pvt.) Ltd, through members' voluntary winding up under the provisions of the Companies Act, 2017.

   "RESOLVED that subject to the fulfillment of the requirements of the Companies Act, 2017 (the "Act") and as required under section 183(3) (b). The Chief Executive of the company be and are hereby authorized to dispose of its subsidiary Company by members' voluntarily winding up.

   "FURTHER RESOLVED that Mr. Rehan Rahman, Chief Executive of the Company be and is hereby authorized to take necessary steps and to do all the acts and deeds so as to carry this resolution into effect in accordance with the provisions of the Company Act, 2017.

A statement as required by section 134(3) of the Companies Act, 2017 in respect of the Special Business to be considered at the Annual General Meeting.

OTHER BUSINESS

To transact any other business that may be placed before the meeting with the permission of the Chair.

By order of the Board
(Muhammad Faheem)
Company Secretary

Karachi: 04 August 2018

NOTES:

1. Share Transfer Books of the Company will remain closed from Wednesday, October 10, 2018 to Tuesday, October 16, 2018 (both days inclusive). Transfer received at the office of Share Registrar at the close of business on Tuesday October 09, 2018 will be considered in time to attend and vote at the meeting and for the purpose of above entitlement to the transferees.

2. A member of the Company entitled to attend and vote at this meeting may appoint a proxy to attend, speak and vote instead of him/her. A proxy must be a member of the company. An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must to be valid be received at the Registered Office of the Company or at the Office of the Share Registrar not later than forty eight hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a Member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments shall be rendered invalid. The proxy shall produce his/her Original National Identify Card or Passport to prove his/her identity.

3. Members are requested to submit copies of their CNICs and promptly notify any change in their address by writing to the office of the registrar.

4. Members should quote their Folio/CDC number in all correspondence and at the time of attending the Meeting.

5. In pursuance of section 242 of the Company Act, 2017 which mandates all listed companies to pay dividend only by way of electronic mode directly into the bank account of entitle shareholder designated by them. Therefore, through this notice all shareholders are requested to update their bank account details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to company Share Registrar, M/s. Famco Associates (Pvt.) Ltd.

   Please note that after October 31, 2017 all dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

6. Shareholders are informed that the Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. Theses tax rates are as under:

a) For Filers of Income Tax Return	15%
b) For Non-filer of Income Tax Return	20%

   Shareholders are advised to provide their CNIC/NTN to Share Registrar of the Company for availing the benefit of withholding tax rate applicable to filers.

7. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our share registrar M/S. FAMCO Associates (Pvt.) Ltd to collect/enquire about their unclaimed dividend or pending shares, if any.

   Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the Securities and Exchange Commission of Pakistan.

8. SECP SRO 787(I)/2014 Dated September 8, 2014, the company can Circulate its annual Financial Statement along with Company's Notice of Annual General Meeting through email to its shareholders of the company who wish to receive Annual Audited Report via email are requested to provide the complete consent form to the company email consent form already available at our website.

9. Members can also exercise their right of e-Voting subject to the requirements of Section 143 and 144 of the Companies Act, 2017 and the applicable clause of the Companies (Postal Ballot) Regulations, 2018.

10. GUIDELINES FOR CDC ACCOUNT HOLDERS ISSUED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

for personal attendance:

(i) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

for appointing proxy

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy must be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) number shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his/her Original CNIC or Original Passport at the time of the meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless is has been provided earlier) along with proxy form to the Company.

Registered Office:
Feroze1888 Mills Limited
H-23/4A, Scheme 3 Landhi Industrial Area,
Karachi

Share Registrar:
FAMCO Associates (Pvt.) Ltd
8-F, Next to Hotel Faran, Nursery, Block 6,
PECHS, Shahrae-Faisal Karachi

Statement of Material Facts
U/S 134(3) of the Companies Act, 2017

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting to be held on October 15, 2018.

Agenda # 4

The company incorporated its subsidiary on April 20, 2017 with the object to provide software business solution and other IT services. The directors are of the opinion that it is not viable to continue the project therefore, it has been decided to wind up the company under members' voluntary winding up.

The directors/sponsors/majority shareholders of the Company have no interest directly or indirectly in the proposed winding up of Xublimity (Pvt.) Limited except that some of the Directors of the Company are Directors of Xublimity (Pvt.) Limited as nominee of the Company of Feroze1888 Mills Limited.

Chairman's Review

I am pleased to present the performance review and the role played by the Board in achieving the company's objectives for the financial year ended 30 June 2018.

ECONOMIC OUTLOOK

The overall economic indicators of Pakistan presented a very positive vibe in fiscal Year 2018. As a result economic growth has continued to gain traction, albeit at varying speeds across the sectors, founded on the government's commitment to higher growth and low inflation. Pakistan's GDP achieved a 13-year high growth of 5.8% in the outgoing fiscal year FY2018 while average GDP growth remained 4.7 percent in the three preceding years.

Pakistan's external position continued to remain under stress.The current account deficit, which remains the single largest challenge for economic managers, shot to a record high of $17.994 billion (5.7% of GDP) at the end of fiscal year ended June 30, 2018. A favorable impact of a strong recovery in exports and increase in workers' remittances was more than offset by growing imports. In the absence of matching financial flows, a notable portion of this higher current account deficit was financed by using the country's own resources. As a result, SBP's liquid FX reserves witnessed a net reduction of US$ 6.7 billion to reach US$ 9.5 billion.

Textile industry continues to be the largest employer in the manufacturing sector, however, industry is struggling to cope up with the multiple challenges that are adversely impacting the progress both in the external and internal fronts. The textile industry is facing the stiff competition from China, India, Bangladesh, Taiwan and other emerging countries in the region. The relative competitiveness of industry is dependent upon the cotton and yarn prices, exchange rate and utility cost. The other concerns like reduction in duty drawback, higher cost of labour and pending refunds are posing a risk to the growth of textile industry. We hope that the government will utilize the potential of this industry and come out with national textile policy targeting substantial growth in textile exports and creating additional jobs in the industry.

BUSINESS PERFORMANCE

The company strengthened its market leadership by focusing on maintaining quality, continued investment in capacity and operational excellence. The Company's operational efficiencies in terms of enhancement in capacities and development of resources to achieve future targets have been the essential element throughout the year.

During the year under review, the consolidated net profit after tax of the company is PKR 2,752 millionas compared to PKR 2,490 million of last year, that has an increaseof 10.55% over last year, driven by our cost efficient operations, better planning, coverage of cotton at right time and exchange rate.This net profit translated into Earning pershare (EPS) of Rs.7.30 per share against Rs.6.61 of last year.

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS:

I believe that our corporate functions have given their best performance keeping our customers and our stakeholders on our top priority. Despite the challenging market condition and continued depressed margins, the company has increased the profitability through the persistent endeavor by the directors.The Board has played an effective role in managing the affairs of the company and attaining its objectives.

1. Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Furthermore, the Board sets annual goals and targets for the management in all major performance areas.

2. Board members are familiar with the current vision, mission and values and support them. The Board revisits the mission and vision statement from time to time.

3. The Board has ensured the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and / or internal audit activities.

4. All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee.

5. The Board Audit Committee (BAC) and Human Resources and Remuneration committee met regularly to strengthen the functions of the Board.

6. The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate directions and oversight to the management on timely basis.

7. The Board members effectively bring the diversity to the Board and constituted a mix of independent and non-executive directors. The non-executive and independent directors were equally involved in all the important board decisions.

8. The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.

I wish and anticipate that the Board will continue with the same spirit and will concentrate to the best return of our shareholders. The Company shall continue its role to serve Pakistan by contributing towards the development of the economy particularly the textile sector through sustainable innovation, diversification and improvement in product to enhance growth and export of the company and country as well.

I would conclude by extending my gratitude to the Board for their earnest contributions towards the advancement of the Company. I acknowledge our Chief Executive Officer and his team for their enduring and diligent efforts and thank all our stakeholders, business partners as well as customers for their continued guidance and support.

Jonathan R. Simon

Chairman and Director

Karachi: 04 August 2018

DIRECTORS' REPORT

Your directors are pleased to present the 46th Annual Report together with the audited financial statements for the year ended June 30, 2018.

Business Review and Performance

The year has concluded with multiple challenges and uncertain business environment. The management is fully aware of the challenges and is continuously working on different strategies. The focus of the management during the year is to invest in plant & machinery to increase production with improve efficiencies, better yield, low cost of production and including lessor reliance on outsourcing.

The key factors affecting the profitability can generally be attributed to the upward rise in basic raw material yarn prices for the last few years constantly burdening the cost of product, declining sales prices because of the high competitive environment, supply and demand gap, energy crisis escalated by low gas pressures, condition of increase sales to get 3% duty drawback of local taxes and levies etc. The rupee devaluation remains supported the industry in the short term. The gross profit margin is 22.16% and net profit margin 12.64% whereas; these were 23.28% and 11.89% in the same period of last year.

On a macro level, we observed that the country's external account continued to deteriorate as higher import bill and slow foreign currency inflows posted a record current account deficit in current fiscal year.

Earnings per share

Earnings per share for the year ended June 30, 2018 was Rs. 7.3 compared with Rs. 6.61 per share last year.

Dividend

Keeping in view the financial results of the Company, the Board of Directors of the Company has recommended a final cash dividend of @24.50% i.e., Rs.2.45 per share (in addition to @ 12% Rs. 1.20 per share interim cash dividend) for all shareholders of the Company and accordingly the following appropriation has been made.

Subsidiary Company

Feroze1888 Mills Limited has a subsidiary company "M/s. Xublimity (Pvt) limited" with 76% of its shares.

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the nature of business, performance of the Company, explanation of significant deviations from last year, future prospects and uncertainties.

Future Outlook

To improve the economic outlook of the country the government needs to take noteworthy measures to promote the exports and develop the industrial sector of the country. For years, the textile sector has been country's backbone as it provides employment and export revenues.

The Pakistan has achieved a thirteen year growth rate of 5.8 percent and exports picked up in the last year with the help of duty drawback of tax (DDT) under export package, after a serious decline in the past few years, however, the notification of extension of DDT is still awaited for the year 2018-19. The State Bank of Pakistan in its monetary policy issued on 14th July, 2017 stated that in order to curb aggregate demand and ensure near term stability, to increase the policy rate by 100 bps to 7.5 percent effective from 16th July, 2018.

The exports of towel posted a paltry growth and the forecast of the year 2018-19 is also not very encouraging because of the competitive environment and demand supply gap.

Decrease in cotton acreage, per hectare yield, climate change and irregular rainfall and imprudent government policies have taken a heavy toll on cotton production and the target set for 2018 missed by 15 percent which has left the exporters with the only choice to import cotton to meet the requirement and when the import of cotton is the last resort, the duty on cotton will worsen the situation and leave Pakistan industry globally uncompetitive. To protect the textile industry, mainstay of our economy, all duties and non-tariff barriers on cotton should be removed till such time when cotton production can meet the demand.

Corporate Social Responsibility

The Company always committed to prioritize its social responsibilities in the best interest of all stakeholders and overall business environment. This being a continuous process, the conservation of natural resources, reduction in wastages, enhancement of recycling, improvement of energy efficiency and enhancement of environmental performance by reducing spills and releases were the top priorities while observing the "Corporate Social Responsibility". Like prior years targets were set for reduction in the natural gas consumption and use of water based on the achievements made in prior years.

The "Medical Assistance Clinic" has provided consultancy to hundreds of patients a month with free treatments to employees in non-management cadre and with very nominal fee for those working in management cadre.

The continued initiatives included;

- Waste water treatment
- conservation of natural resources
- reduction in wastages
- enhancement of recycling, improvement of energy efficiency, and
- enhancement of environmental performance by reducing spills and releases

Board of Directors and Meetings

Five, four and one meetings of Board of Directors, Audit Committee and HR & Remuneration Committee were respectively held during the year. Attendance by the directors/members is given below:

Board of Directors:	
Mr. Anas Rahman	05
Mr. Abdul Rehman Yaqub	04
Mr. Jonathan R. Simon	05
Mr. Khaleequr Rahman	05
Mr. Nasim Hyder	05
Mr. Perwez Ahmed	05
Mr. Rehan Rahman	05
Mr. Shabbir Ahmed	05
Audit Committee:	
Mr. Khaleequr Rahman	03
Mr. Nasim Hyder	04
Mr. Perwez Ahmed	04
Mr. Rehan Rahman	04
HR & Remuneration Committee:	
Mr. Anas Rahman	01
Mr. Khaleequr Rahman	01
Mr. Nasim Hyder	01

During the year, the Company Secretary conducted briefing sessions for directors to acquaint them with the changes in Corporate Laws and Regulations.

During the year share trade by Directors and their spouse were notified in writing to the Company Secretary along with the price, number of share, form of share certificate and nature of transaction. All such transactions have been disclosed in the pattern of shareholdings.

The Statement of Compliance with the Best Practice of Code of Corporate Governance is annexed.

Directors' Remuneration

The remuneration of the Board members is approved by the Board itself. The Company does not pay remuneration to any director except Chief Executive Officer (CEO) however; fee for attending the meetings is paid. For information on remuneration of Directors and CEO in 2017-18, please refer notes to the Financial Statements.

Auditors

The auditors M/s Ernst & Young Ford Rhodes, Chartered Accountants, retires and being eligible, has offered them for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2018-19.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2018, required under the Companies Act 2017, and the Code of Corporate Governance, is annexed to this report.

Internal Controls

The Board has adopted effective policies and procedures for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The Internal Auditors, M/s PWC A.F. Ferguson & Company, conduct internal audit of the company and report directly to the Chairman of the Board Audit Committee.

Material Information

A Memorandum of Understanding (MOU) was signed between Feroze1888 Mills Limited and Indus Dyeing and Manufacturing Company Limited to explore the feasibility / viability of potentially entering into an arrangement one another on December 28, 2017. Both the parties have concluded not to proceed with any arrangement in this respect and that the MOU stands expired.

Consolidated Financial Statement

Consolidated financial statements for the period ended June 30, 2018 of the Company and its subsidiary Xublimity (Pvt) Limited are annexed.

Acknowledgement

The Directors are pleased to place on record their appreciation for the contributions made by the employees of the Company and look forward for same cordial relationship in coming years. In addition, management also acknowledges the role of all the financial institutions, customers, suppliers and other stakeholders for their continued support.

For and on behalf of the Board

Khaleequr Rahman	**Rehan Rahman**
Director	Chief Executive

Karachi: 04 August 2018

ڈائریکٹر رپورٹ

بصد تشکر، آپ کے ڈائریکٹرز کمپنی کی چھیالیسویں (46th) سالانہ رپورٹ بشمول آڈیٹڈ مالیاتی گوشوارے برائے اختتامی مالی سال 30 جون 2018ء پیش کرتے ہیں۔

کاروباری جائزہ اور کارکردگی

رواں مالی سال میں ٹیکسٹائل انڈسٹری کو متعدد مسائل و غیر یقینی صورت حال درپیش رہی۔ ادارے کی انتظامیہ تمام مسائل سے بخوبی واقف ہے اور ان سے نمٹنے کے لئے مختلف حکمتِ عملی اور لائحہ عمل کے ذریعے مسلسل کوشاں ہے۔ انتظامیہ کی توجہ اور کوششیں اس جانب مبذول رہیں کہ جدید مشینری و آلات میں سرمایہ کاری کے ذریعہ پیداواری صلاحیت اور کارکردگی میں خاطر خواہ اضافہ، بہتر پیداوار، پیداواری لاگت میں کمی اور بیرونی ذرائع پیداوار و معاہدوں پر غیر انحصاری کو ممکن بنایا جائے۔

منافع کو متاثر کرنے والے عوامل میں سے بنیادی وجہ خام مال (دھاگہ) کی بڑھتی ہوئی قیمت رہی جو کہ پچھلے کئی سالوں سے پیداواری لاگت میں اضافہ کا باعث بن رہی ہے، اس کے ساتھ ساتھ مسابقتی ماحول کی وجہ سے قیمتِ فروخت اور طلب و رسد میں کمی، توانائی کی غیر متواتر فراہمی اور حکومت کی طرف سے ٹیکس (ڈیوٹی ڈرا بیک آف لوکل ٹیکس اینڈ لیویز) میں ۳ فیصد کی چھوٹ فروخت میں اضافے سے مشروط کرنا جیسے مسائل بھی مشکلات کا باعث رہے۔ روپے کی ڈالر کے مقابلے میں گراوٹ نے مختصر دورانیے کے لئے کاروبار کو مالی استحکام فراہم کیا۔ رواں سال میں خام منافع ۲۲.۱۶ فیصد جبکہ خالص منافع ۱۲.۶۸ رہا جبکہ پچھلے سال اسی دورانیہ میں خام منافع ۲۳.۲۸ فیصد جبکہ خالص منافع ۱۱.۸۹ فیصد تھا۔

بادی النظر میں ہمارا مشاہدہ ہے ملک کے بیرونی اکاؤنٹ کی صورتحال مسلسل خرابی کا شکار ہے۔ رواں مالی سال میں درآمدی بلوں کی زیادتی اور زرمبادلہ کے قدرِ آہستہ اندرونی بہاؤ کی بدولت کرنٹ اکاؤنٹ میں ریکارڈ خسارہ دیکھا گیا ہے۔

فی حصص آمدنی

مالی سال ۳۰ جون ۲۰۱۸ کے اختتام پر فی حصص آمدن ۷.۳۰ روپے ریکارڈ کی گئی جو کہ گزشتہ مالی سال ۶.۶۱ روپے تھی۔

تقسیم شدہ منافع

کمپنی کے حالیہ مالیاتی نتائج کو مدِ نظر رکھتے ہوئے، کمپنی کے بورڈ آف ڈائریکٹر نے کمپنی کے تمام حصص یافتگان کیلئے ۲۴.۵۰ فیصد یعنی ۲.۴۵ روپے فی حصص (۱۲ فیصد یعنی ۱.۲۰ فی حصص عبوری ڈیویڈنڈ کے علاوہ) حتمی ڈیویڈنڈ کی سفارش کی ہے۔

ذیلی کمپنی

فیروز ۱۸۸۸ ملز لمیٹڈ کے ان کی اپنی ذیلی کمپنی "Xublimity (Pvt) Limited" میں ۷۶ فیصد (76%) حصص موجود ہیں۔

چیئرمین کا جائزہ

چیئرمین جائزے میں سالانہ رپورٹ، کاروباری استعداد کار، گزشتہ سال سے اعداد و شمار میں اہم تبدیلیوں کی وجہ، اگلے سال کے بارے میں جائزے سمیت غیر یقینی کاروباری معاملات پر خیالات شامل ہیں۔

مستقبل پر نظر

ملک کی معاشی صورتحال کو بہتر بنانے کیلئے حکومت کو برآمدات میں اضافے اور ٹیکسٹائل سیکٹر کو ترقی دینے کے لئے ٹھوس اقدامات کرنے کی ضرورت ہے۔ ٹیکسٹائل سیکٹر ملکی برآمداتی آمدنی بڑھانے اور لوگوں کو روزگار فراہم کرنے میں ریڑھ کی ہڈی کی حیثیت رکھتی ہے۔

پچھلے سالوں میں برآمدات میں غیر معمولی کمی کے بعد، برآمداتی پیکیج کے تحت ڈیوٹی ڈرا بیک آف ٹیکس (DDT) کی وجہ سے پچھلے سال برآمدات میں اضافہ دیکھنے میں آیا ہے۔ پاکستان نے تیرہ

سالوں میں برآمدی شرح ۸۰.۵ فیصد حاصل کرلی ہے۔لیکن ابھی تک سال برائے ۱۹-۲۰۱۸ء کیلئے DDT کے اجراء کے حکومتی فیصلے کے منتظر ہیں۔
اسٹیٹ بینک نے مورخہ ۱۴ جولائی ۲۰۱۸ء کو اپنی مالیاتی پالیسی کا اجراء کیا جو کہ ۱۶ جولائی ۲۰۱۸ء سے موثر ہے۔
طلب اور رسد کے عدم توازن اور سخت مسابقتی ماحول کی وجہ سے سال ۱۹-۲۰۱۸ء میں تولیہ کی برآمدت کی پیشن گوئی کچھ خاص حوصلہ افزا نہیں ہے۔
ملکی کپاس کی پیداوار سال ۲۰۱۸ء میں ہدف کا صرف ۸۵ فیصد پورا کرسکی جبکہ ۱۵ فیصد کپاس کی ضرورت کو درآمدات کی ذریعہ پورا کیا گیا۔ہدف سے کم پیداوار کی بنیادی وجہ موسم کی تبدیلی، بارش کی کمی نیتجتاً فی ایکڑ کم پیداوار اور زائد ٹیکسس کا حصول ہے جبکہ برآمدات پر عائد ڈیوٹی سے کپاس کی قیمت خرید میں نمایاں اضافے نے پاکستانی ٹیکسٹائل کو دنیا کی مسابقتی منڈیوں میں قدر غیر موثر کر دیا ہے۔ٹیکسٹائل کی صنعت کو موثر اور بین الاقوامی مسابقت کے قابل بنانے کے لیے کپاس پر عائد تمام محصول کو حکومتی سطح پر واپس لینا ناگزیر ہے تاوقتیکہ ملک کپاس کی پیداوار میں خود کفیل نہ ہو جائے۔

ہماری معاشرتی ذمہ داری (CSR)

آپ کی کمپنی کی مجلس نظماء نہ صرف اپنی معاشرتی ذمہ داریوں سے مکمل آگاہی رکھتی ہے بلکہ اس ضمن میں تمام تر کوششوں کے ساتھ متحرک اور مصروف عمل ہے۔ قدرتی وسائل کا تحفظ، صنعتی فضلہ میں کمی اور اس کو دوبارہ قابل استعمال بنانے، توانائی کی کارکردگی میں بہتری اور آلودہ پانی (spills) کے اخراج میں کمی کے ذریعے ماحولیاتی آلودگی میں اضافہ کا باعث نہ بنا CSR کی مد میں ہماری اوّلین ترجیحات ہیں اور ہمیشہ رہیں گی۔گزشتہ سالوں کی کامیاب کوششوں کی بناء پر اس سال بھی قدرتی گیس اور پانی کے استعمال میں کمی ہمارا بھرپور ہدف رہا ہے۔

کمپنی نے صحت، تحفظ، ماحولیات اور تعلیم جیسے موضوعات کی اہمیت کو سمجھتے ہوئے "Social Responsibility Squad" تشکیل دیا ہے جو کہ مختلف تقاریب کا انعقاد اور آگاہی فراہم کرتی ہے۔
کمپنی کا طبی مطب "Medical Assistance Clinic" ماہانہ سینکڑوں مزدورں کو مفت علاج اور ادویات فراہم کرتا ہے۔جبکہ نہایت معمولی فیس (Fees) کے عوض افسران کو بھی علاج کی سہولت فراہم کی جاتی ہے۔ہمارے جاری اقدامات میں مندرجہ ذیل کوششیں شامل ہیں:

- ضائع شدہ پانی کو قابل استعمال بنانا
- قدرتی وسائل و ماحولیاتی تحفظ
- صنعتی فضلے میں کمی
- صنعتی فضلے (Wastage) کو قابل استعمال بنانے کی صلاحیت میں اضافہ، توانائی کی استعداد کار میں اضافہ، اور
- آلودہ پانی کے اخراج میں کمی کے ذریعے ماحولیاتی کارکردگی میں اضافہ

سال کے دوران مجلس نظماء کے پانچ، آڈٹ کمیٹی کے چار اور HR&A کمیٹی کا ایک اجلاس منعقد ہوا۔نظماء/ارکان کی حاضری مندرجہ ذیل رہی۔

مجلس نظماء

جناب انس رحمان صاحب	۵
جناب عبدالرحمان یعقوب صاحب	۴
جناب جاتھن آر سائمن صاحب	۵
جناب خلیق الرحمان صاحب	۵
جناب نسیم حیدر صاحب	۵
جناب پرویز احمد صاحب	۵
جناب ریحان رحمان صاحب	۵
جناب شبیر احمد صاحب	۵

آڈٹ کمیٹی:

جناب خلیق الرحمان صاحب	۳
جناب نسیم حیدر صاحب	۴
جناب پرویز احمد صاحب	۴
جناب ریحان رحمان صاحب	۴

ایچ آر اینڈ آر کمیٹی:

جناب انس رحمان صاحب	۱
جناب خلیق الرحمان صاحب	۱
جناب نسیم حیدر صاحب	۱

کمپنی سیکریٹری نے سال کے دوران واقفیتی اجلاس منعقد کئے جس میں نظماء کو کاروباری وتجارتی قوائد وضوابط میں ہونے والی تبدیلیوں سے واقفیت اور آ گاہی فراہم کی گئی.

سال کے دوران کمپنی سیکرٹری کو ڈائریکٹرز، ان کی بیگمات اور بچوں نے حصص کی خرید وفروخت کے بارے میں تحریری طور پر مطلع کیا تھا.جس میں حصص کی تعداد، قیمت حصص کی قسم،اور خرید وفروخت کی وجہ کی تفصیلات تھیں اس طرح کی تمام ٹرانز یکشنز کو (Pattern of Shareholdings) حصص کاری کے طرز عمل میں ظاہر کیا گیا ہے۔

ضابطہ کاروباری نظم ونسق کی پیروی بشمول بہترین طرز عمل کی تعمیل کا بیان (Statement of Complinace) منسلک ہے۔

نظماء کا معاوضہ

نظماء کا معاوضہ مجلس نظماء خود طے کرتی ہے.کمپنی کسی ناظم کو کوئی معاوضہ نہیں دیتی ماسوائے چیف ایگزیکیوٹیو (Chief Executive)۔تاہم مجلس میں حاضری کی فیس دی جاتی ہے۔ناظمین اور چیف ایگزیکیوٹیو کے سال ۲۰۱۸۔۲۰۱۷ء میں دیئے گئے معاوضے کی تفصیلات سالانہ رپورٹ کے نوٹ (Notes) میں موجود ہے۔

محاسب (Auditors)

آڈیٹرادارے آرنسٹ اینڈ ینگ فورڈ روڈز، چارٹرڈ اکاؤنٹینٹ (EY Ford Rhodes, Chartered Accountants) جو اپنی ذمہ داریوں سے عہدہ برہ اور دوبارہ سے تقرری کے اہل ہیں، اپنی تقرری کے لئے پیش کش کر چکے ہیں۔جبکہ مجلسِ نظماء نے آڈٹ کمیٹی کی سفارش پہ عمل کرتے ہوئے آڈیٹرادارے آرنسٹ اینڈ ینگ فورڈ روڈز، چارٹرڈ اکاؤنٹینٹ (EY Ford Rhodes, Chartered Accountants) کو مالی سال ۱۹۔۲۰۱۸ کیلئے محاسب (External Auditor) کے طور پر تقرر کیلئے پیش کیا ہے۔

حصص کاری کا طرز عمل (Pattern of Shareholding)

کمپنی ایکٹ ۲۰۱۷ء ضابطہ کاروباری نظم ونسق (CCG) کے تحت درکار حصص کے طرز عمل کا گوشوارہ برائے مدت جون ۳۰ ۲۰۱۸ء اس رپورٹ کے ساتھ منسلک ہے۔

داخلی کنٹرول (Internal Control)

آپ کی کمپنی نے کاروبار کے منظم اور موثر عمل پیرا ہی کو یقینی بنانے کیلئے موثر پالیسوں اور طریقہ کار کو وضع کیا ہے.اس کے اثاثوں کا تحفظ، دھوکہ دہی اور غلطیوں کی روک تھام اور شناخت، مالیاتی ریکارڈ کا درست اور جامع رمکمل ہونا، اور قابل اعتماد مالیاتی گوشواروں کی بروقت تیاری کو یقینی بنایا ہے.ان تمام مقاصد کے حصول کے لئے انٹرنل آڈیٹر (M/sP.W.CA.F Fargouson and Company) اپنا داخلی آڈٹ عمل میں لاتی ہے اور رپورٹ براہ راست چیرمین آڈٹ کمیٹی کو دی جاتی ہے۔

اہم اطلاع (Material Information)

آپ کی کمپنی فیروز ۱۸۸۸ ملز اور میسرز انڈس ڈائینگ اینڈ مینوفیکچرنگ کمپنی کے مابین ایک یادداشت مورخہ ۲۸ دسمبر ۲۰۱۷ء کو عمل میں لائی گئی تھی مگر اس حوالے سے دونوں فریقین میں کوئی حتمی فیصلہ نہ ہو سکا اور باہمی رضامندی کے ساتھ یہ یادداشت (Memorandem) بنا کسی معاہدے کے اختتام پزیر ہوگئی۔

(Memorandem stands Expired)

مشترکہ سالانہ رپورٹ (Consolidated Financial Statement)

آپ کی کمپنی اور ذیلی کمپنی (Xublimity Pvt Ltd) کی مشترکہ سالانہ رپورٹ برائے اختتامی سال ۳۰ جون ۲۰۱۸ء منسلک ہے۔

اظہار تشکر (Aknowledgments)

نظماء کمپنی کے تمام ملازمین کی جانب سے کی گئی تمام کوششوں کے لئے تہہ دل سے مشکور ہیں اور امید کرتے ہیں کہ باہمی تعاون اور اعتماد کی فضا یونہی قائم رہے گی. اس کے ساتھ ساتھ انتظامیہ اپنے تمام صارفین، کاروباری شراکت دار، سپلائیرز اور بینکوں کے عملی تعاون کے لئے بھی ان سب کی مشکور ہے۔

خلیق الرحمان	ریحان رحمان
ڈائریکٹر	چیف ایگزیکٹو

کراچی:

۴۔اگست۔۲۰۱۸ء

KEY OPERATING AND FINANCIAL DATA

	2018	2017	2016	2015	2014	2013
					(Rs in million)	
Assets Employed						
Property, plant and equipment	10,846.98	8,262.15	6,749.86	5,775.61	5,210.87	4,547.77
Intangible assets	1.87	2.98	-	5.14	10.28	15.43
Investments, long term advances and deposits	8.33	7.71	6.39	5.73	5.36	5.31
Current Assets	12,494.80	10,465.65	8,752.71	6,918.26	7,414.04	6,904.32
Total Assets Employed	23,351.98	18,738.49	15,508.96	12,704.74	12,640.55	11,472.83
Financed By						
Shareholders' equity	16,167.20	14,507.83	11,687.23	8,932.63	7,060.03	5,664.70
Long term liabilities	750.33	437.14	434.15	383.25	472.09	606.25
Current Liabilities	6,434.44	3,793.52	2,306.93	2,308.21	4,027.76	4,121.21
Total Funds invested	23,351.98	18,738.49	14,428.31	11,624.09	11,559.88	10,392.16
					(Rs in thousand)	
VALUE ADDITION & ITS DISTRIBUTION						
Net Sales including sales tax	21,787,743	20,945,319	19,673,065	17,539,764	17,709,129	13,490,249
Bought in materials and services	14,994,560	14,878,333	12,866,039	11,722,564	12,830,424	9,303,758
Distribution cost	1,375,181	1,341,494	451,455	534,204	442,933	383,153
Administrative, financial and other charges	1,066,172	482,468	646,704	1,382,850	1,444,625	986,792
Government (including WPPF, WWF & Income tax)	217,676	113,804	458,957	356,362	320,526	230,860
Employees	2,100,727	1,700,419	1,439,827	1,218,158	973,148	1,340,051
Retained in business	2,752,097	2,489,677	3,810,083	2,325,626	1,697,473	1,245,635
Total Distribution	22,506,413	21,006,196	19,673,065	17,539,764	17,709,129	13,490,249
KEY FINANCIAL RATIOS						
Gross profit	22.16%	23.28%	28.35%	22.30%	18.90%	19.03%
Net profit/(loss) (after tax to sales)	12.64%	11.89%	19.38%	13.26%	9.59%	9.24%
Debt equity ratio	18:82	7:93	3:97	5:95	7:93	11:89
Current ratio	1.94	2.76	3.79	3	1.84	1.68
Return on assets ratio	0.12	0.13	0.25	0.18	0.13	0.11
Return on equity ratio	0.18	0.18	0.33	0.26	0.23	0.2
Inventory turnover ratio - Times	5.78	6.26	6.11	5.34	4.68	3.88
Fixed assets turnover ratio - Times	2.01	2.53	2.91	3.03	3.39	2.95
Assets turnover ratio - Times	0.93	1.12	1.27	1.38	1.36	1.18
SHARES AND EARNINGS						
Break-up Value without revaluation	38.93	34.52	31.02	23.71	18.74	15.03
Break-up Value with revaluation	42.91	38.50	33.88	26.57	21.6	17.9
Earning per Share from continued operation	7.30	6.61	10.11	6.17	4.5	3.31
No. of Shares ('000)	376,801	376,801	376,801	376,801	376,801	376,801
Dividend	1,092,722	1,168,083	1,055,489	453,026	302,150	302,150

FORM 34
PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2018

No. of Shareholders	Shareholding					Total Shares held
406	From	1	to	100	Share	14,345
262	From	101	to	500	Share	82,993
111	From	501	to	1,000	Share	99,649
149	From	1,001	to	5,000	Share	387,002
29	From	5,001	to	10,000	Share	216,463
8	From	10,001	to	15,000	Share	95,551
4	From	15,001	to	20,000	Share	75,500
5	From	20,001	to	25,000	Share	120,400
2	From	30,000	to	35,000	Share	60,500
3	From	35,001	to	40,000	Share	118,000
1	From	40,001	to	45,000	Share	40,500
3	From	50,001	to	55,000	Share	151,000
1	From	55,001	to	60,000	Share	56,500
1	From	60,001	to	65,000	Share	60,500
3	From	90,001	to	95,000	Share	273,772
1	From	105,001	to	110,000	Share	109,900
1	From	110,001	to	115,000	Share	112,000
1	From	120,001	to	125,000	Share	122,000
1	From	500,001	to	505,000	Share	501,105
1	From	3,755,001	to	3,760,000	Share	3,758,235
1	From	5,650,001	to	5,655,000	Share	5,652,015
2	From	7,165,001	to	7,170,000	Share	14,330,462
1	From	7,665,001	to	7,670,000	Share	7,665,231
1	From	7,735,001	to	7,740,000	Share	7,736,019
5	From	8,455,001	to	8,460,000	Share	42,282,060
1	From	8,505,001	to	8,510,000	Share	8,507,965
1	From	8,620,001	to	8,625,000	Share	8,623,114
1	From	10,505,001	to	10,510,000	Share	10,508,546
1	From	10,745,001	to	10,750,000	Share	10,746,332
1	From	12,705,001	to	12,710,000	Share	12,708,049
1	From	13,055,001	to	13,060,000	Share	13,057,542
1	From	15,235,001	to	15,240,000	Share	15,237,407
1	From	19,895,001	to	19,900,000	Share	19,897,685
1	From	20,175,001	to	20,180,000	Share	20,178,352
1	From	20,580,001	to	20,585,000	Share	20,582,223
1	From	21,810,001	to	21,815,000	Share	21,811,149
1	From	51,175,001	to	51,180,000	Share	51,176,107
1	From	79,640,001	to	79,645,000	Share	79,644,795
1016						**376,800,968**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2018

Shareholders' Category	Number of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouse	11	155,274,678	41.21
Associated Companies, undertaking and related parties	3	75,112,694	19.93
Mutual Fund	2	4,006	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions and others	1	65	0.00
Individuals	999	146,409,525	38.86
	1,016	376,800,968	100.00

PATERN OF SHAREHOLDING
ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)
AS AT JUNE 30, 2018

Shareholders' category		Number of shareholders	Number of shares held
Associated Companies, undertaking and related parties		3	75,112,694
Mutual Funds			
M/s.Investment Corporation of Pakistan		1	6
Directors and their spouse(s) and minor children			
Mr. Jonathan R.Simon	Director/Chairman	1	-
Mr. Anas Rahman	Director/Vice Chairman	1	7,165,231
Mr. Rehan Rahman	Chief Executive	1	8,456,412
Mr. Khaleequr Rahman	Director	1	13,057,542
Mr. Shabbir Ahmed	Director	1	79,644,795
Mr. Perwez Ahmed	Director	1	20,582,223
Mr. Abdul Rehman Yaqub	Director	1	-
Mr. Nasim Hyder	Director	1	500
Mrs.Shahnaz Rahman	Spouse	1	8,456,412
Mrs.Saba Perwez	Spouse	1	10,746,332
Mrs. Sana Rehan	Spouse	1	7,165,231
Executives	Executive	3	38,862,643
Public Sector Companies and Corporations			-
Bank, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takeful, Modarabas and Pension Funds		1	65
Shareholders holding 5% or more voting interest:			
Mr. Shabbir Ahmed		1	79,644,795
Mr. Sheikh Zafar Ahmed		1	19,897,685
Mr. Perwez Ahmed		1	20,582,223
Mr. Omair Rehman		1	21,811,149
M/s.1888 Mills LLC (Foreign Company)		1	20,178,352
M/s. Grangeford Ltd (Foreign Company)		1	51,176,107

Details of purchase, sale and gift of share by Directors their spouse and Substantial Shareholders during the year 2018

Mr. Sheikh Perwez Ahmed	660,000	Gift to brother
Mr. Sheikh Zafar Ahmed	660,000	Gift received from brother

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company	**Feroze1888 Mills Limited**
Year Ending	**June 30, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 including CE as per the following

a)	Male	8
b)	Female	-

2. The Composition of board is as follows:

a)	Independent Director	1
b)	Non-executive	6
c)	Executive	1

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The company stands complied with requirements of Director training program under the CCG.

   Name of Director who obtained certificate of DTP

Mr. Khaleequr Rehman	Non Executive
Mr. Anas Rahman	Non Executive
Mr. Shabbir Ahmed	Non Executive
Mr. Nasim Hyder	Non Executive
Mr. Rehan Rehman	Executive

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

Mr. Nasim Hyder	Chairman
Mr. Khaleequr Rehman	Member
Mr. Perwez Ahmed	Member

b) HR and Remuneration Committee

Mr. Khaleequr Rehman	Member
Mr. Nasim Hyder	Chairman
Mr. Anas Rahman	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee	Every Quarter
b) HR and Remuneration Committee	Once a year

15. The board has outsourced the internal audit function to AF Ferguson & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Jonathan R. Simon
Chairman of the Board

Karachi: 04 August 2018

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Feroze1888 Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Feroze1888 Mills Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

EY Ford Rhodes
Chartered Accountants

Place: Karachi
Date: 20 August 2018

INDEPENDENT AUDITORS' REPORT

To the members of Feroze1888 Mills Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed financial statements of Feroze1888 Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">1. Preparation of financial statements under the Companies Act, 2017</td></tr>
<tr><td>As referred to in note 3.1 to the accompanying financial statements, the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.

The Companies Act, 2017 forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to note 3.1 to the financial statements.

Further, the Company has changed its accounting policy relating to presentation and measurement of revaluation surplus on property, plant and equipment as a consequence of the application of the Companies Act, 2017 with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the financial statements.

The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Companies Act, 2017.</td><td>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Companies Act, 2017. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.

In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 5 to the financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.</td></tr>
<tr><td colspan="2">2. First year audit</td></tr>
<tr><td>We have been engaged to perform the audit of the Company for the first time i.e. for the year ended 30 June 2018. Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include gaining an initial understanding of the Company and its business including its control environment and information systems sufficient to make audit risk assessments and develop the audit strategy and plan, obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles, and communicating with the previous auditors.</td><td>We performed various procedures to obtain sufficient appropriate audit evidence regarding opening balances including the following:

We reviewed the predecessor auditors' work paper files and made additional inquiries of the predecessor auditor about matters that may affect our audit in the current period. Accordingly, we evaluated the results of our review of the predecessor auditors' work papers;

We evaluated the key accounting position and audit matters from prior years;

We assessed the overall control environment of the Company including communication with members of the those charged with governance and other key executives; and</td></tr>
</table>

	How the matter was addressed in our audit
	We evaluated whether accounting policies reflected in the opening balances have been consistently applied in the current year's financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.
3. Acquisition of new fixed assets	
The Company operates in a capital intensive industry and resultantly has invested significantly in assets of capital nature. As at 30 June 2018, the net book value of property, plant & equipment amounted to Rs. 10,846.978 million, including Rs. 3,436.175 million capitalized during the current year (as disclosed in note 6 to the accompanying financial statements). Capital expenditure incurred on land and machinery represents significant transaction in relation to the current year and involved substantial efforts. Accordingly for such reasons we have identified acquisition of new fixed assets a key audit matter.	We obtained an understanding of the Company's process with respect to capital expenditure including determination of useful lives and tested the Company's controls in this area relevant to our audit. We physically verified the newly acquired fixed assets and tested the amounts. We reviewed the relevant documents with reference to the acquisition of the newly acquired fixed assets and assessed whether the items of cost capitalized meets the recognition criteria of an asset in accordance with the applicable financial reporting standards. We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful live. We also considered the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements (refer note 6 of the accompanying financial statements).

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Company for the year ended 30 June 2017 were audited by another firm of Chartered Accountants, whose audit report dated 26 September 2017 expressed an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditors' report is Khurram Jameel.

EY Ford Rhodes
Chartered Accountants

Place: Karachi
Date: 20 August 2018

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017	2016
		(Rupees in '000)		
			Restated	Restated
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	**10,846,978**	8,262,151	6,749,864
Intangible assets	7	**1,870**	2,975	-
Long term investment	8	**-**	608	-
Long term deposits		**8,333**	7,103	6,397
		10,857,181	8,272,837	6,756,261
CURRENT ASSETS				
Stores and spares	9	**632,710**	498,033	567,422
Stock-in-trade	10	**3,892,270**	3,637,710	3,046,969
Trade debts	11	**5,191,492**	4,354,193	2,782,631
Advances, deposits, prepayments and other receivables	12	**2,143,315**	1,616,864	1,364,780
Taxation – net		**431,649**	265,920	-
Cash and bank balances	13	**203,364**	92,931	990,908
		12,494,800	10,465,651	8,752,710
		23,351,981	18,738,488	15,508,971
SHARE CAPITAL & RESERVES				
Authorised share capital 400,000,000 (2017: 400,000,000) ordinary shares of Rs. 10 each		**4,000,000**	4,000,000	4,000,000
Issued, subscribed and paid-up capital	14	**3,768,009**	3,768,009	3,768,009
Capital reserve		**758,663**	758,663	758,663
Revaluation surplus on property, plant and equipment		**1,499,008**	1,499,008	1,080,662
Accumulated profit		**10,141,524**	8,482,149	7,160,555
		16,167,204	14,507,829	12,767,889
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	15	**750,334**	437,142	434,150
CURRENT LIABILITIES				
Trade and other payables	16	**3,701,919**	3,177,288	2,293,479
Short term borrowings	17	**2,550,000**	500,000	-
Accrued mark-up	18	**18,642**	5,142	1,682
Taxation – net		**-**	-	4,959
Current portion of long term financing	15	**162,508**	110,008	5,850
Unclaimed dividend		**1,150**	1,079	549
Unpaid dividend		**224**	-	413
		6,434,443	3,793,517	2,306,932
CONTINGENCIES AND COMMITMENTS	19			
		23,351,981	18,738,488	15,508,971

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in '000)	
Sales	20	21,775,447	20,937,331
Cost of sales	21	(16,950,428)	(16,063,005)
Gross profit		4,825,019	4,874,326
Administrative cost	22	(948,354)	(791,937)
Distribution cost	23	(1,493,151)	(1,421,045)
Other income / (expenses) - net	24	506,364	156,605
		(1,935,141)	(2,369,587)
Operating profit		2,889,878	2,504,739
Finance cost	25	(85,729)	(55,039)
Profit before taxation		2,804,149	2,449,700
Taxation	26	(52,052)	39,977
Net profit for the year		2,752,097	2,489,677
Earnings per share - Basic and diluted	27	Rs. 7.30	Rs. 6.61

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
		Restated
Net profit for the year	**2,752,097**	2,489,677
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Revaluation surplus on property, plant and equipment	-	418,346
Total comprehensive income for the year	**2,752,097**	2,908,023

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,804,149	2,449,700
Adjustments for:			
Impairment		608	-
Depreciation		745,112	547,927
Amortization		261	25,746
Loss on disposal of property, plant and equipment		46,530	54,688
Finance cost		85,729	55,039
		878,240	683,400
		3,682,389	3,133,100
(Increase) / decrease in current assets			
Stores and spares		(134,677)	69,389
Stock-in-trade		(254,560)	(590,741)
Trade debts		(837,300)	(1,571,562)
Advances, deposits, prepayments and other receivables		(526,449)	(252,084)
		(1,752,986)	(2,344,998)
		1,929,404	788,102
Increase in current liabilities			
Trade and other payables		524,631	883,808
Cash generated from operations		2,454,034	1,671,910
Finance costs paid		(72,229)	(51,577)
Income taxes paid		(217,780)	(230,902)
Long-term deposits		(1,230)	(706)
Net cash generated from operating activities		2,162,795	1,388,725
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,441,082)	(1,762,999)
Proceeds from disposal of property, plant and equipment		65,455	37,721
Long term investments		-	(608)
Net cash used in investing activities		(3,375,627)	(1,725,886)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,092,427)	(1,167,966)
Long term financing – net		365,692	107,150
Net cash used in financing activities		(726,735)	(1,060,816)
Net decrease in cash and cash equivalents		(1,939,567)	(1,397,977)
Cash and cash equivalents at the beginning of the year		(407,069)	990,908
Cash and cash equivalents at the end of the year	30	(2,346,636)	(407,069)

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	**REHAN RAHMAN**	**MUHAMMAD FAHEEM**
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Capital Reserve: Reserve on Merger	Others	Revaluation surplus on property, plant and equipment	Accumulated profit	Total
	(Rupees in '000)					
Balance as at June 30, 2016 – as previously reported	3,768,009	543,413	215,250	-	7,160,555	11,687,227
Effect of change in Accounting policy (note–5)	-	-	-	1,080,662	-	1,080,662
Balance as at June 30, 2016 - re-stated	3,768,009	543,413	215,250	1,080,662	7,160,555	12,767,889
Net profit for the year	-	-	-	-	2,489,677	2,489,677
Other comprehensive income	-	-	-	418,346	-	418,346
Total comprehensive income for the year	-	-	-	418,346	2,489,677	2,908,023
Final cash dividend for the year ended June 30, 2016 @ Rs. 2.10 per share	-	-	-	-	(791,282)	(791,282)
Interim cash dividend for the year ended June 30, 2017 @ Re. 1.00 per share	-	-	-	-	(376,801)	(376,801)
Balance as at June 30, 2017	**3,768,009**	**543,413**	**215,250**	**1,499,008**	**8,482,149**	**14,507,829**
Net profit for the year	-	-	-	-	2,752,097	2,752,097
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,752,097	2,752,097
Final cash dividend for the year ended June 30, 2017 @ Rs. 1.70 per share	-	-	-	-	(640,561)	(640,561)
Interim cash dividend for the year ended June 30, 2018 @ Rs. 1.20 per share	-	-	-	-	(452,161)	(452,161)
Balance as at June 30, 2018	**3,768,009**	**543,413**	**215,250**	**1,499,008**	**10,141,524**	**16,167,204**

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan on October,1972 as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in production and export of towels.

1.2 **Geographical location and address of business units**

Registered Office	H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi
Office building	160, Bangalore Town Shahrah-e-Faisal Rd Darwaish Colony, Karachi,
Mill / Plant Sindh	Plot # H-23/4-A and H-23-/4-B, Scheme # 3. Landhi Industrial Area, Landhi, Krachi B-4/A, SITE, Karachi Plot # A-5, SITE, Karachi. Plot # C-3, SITE, Karachi. Plot # C-31 SITE, Karachi Plot # F-89, SITE, Karachi Plot # F-125, SITE, Karachi Plot # F-342, SITE, Karachi Plot # D-202, SITE, Karachi Plot # 342/A, Haroonabad, SITE, Karachi Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi
Balochistan	Plot# D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochistan

1.3 These are the separate financial statements of the Company in which investment in subsidiary is stated at cost less impairment, if any.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS OCCURRED DURING THE YEAR

- During the year, the Company has acquired property, plant and equipment amounting to Rs. 3,436,175 million. This include Rs. 151.364 million for land and 1554.706 million for plant and machinery. These acquisitions are expected to increase the Company's production capacity.

- Due to applicability of the Companies Act, 2017 (the Act), amounts reported for the previous period have been restated. (Refer note 3.1 and 5)

- For a detailed discussion about the Company's performance, refer to the Directors' Report.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Act; and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these unconsolidated financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of additional / amended disclosures as mentioned in note 1.2, 2, 5, 6.4, 11.1, 12.1, 26.2, 31.2, 31.3 and 36.

3.2 Basis of measurement

These unconsolidated financial statements have been prepared on the basis of historical cost convention except for Freehold and leasehold land which is carried at revalued amount.

3.3 New standards and amendments

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous unconsolidated financial year except that the Company has adopted the following amendments of IFRS which became effective for the current year:

IAS 7 – Statement of Cash Flows - Disclosure Initiative - (Amendment)
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the unconsolidated financial statements.

3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	**Effective date (annual periods beginning on after)**
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 16 - Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards and interpretations are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application except for IFRS 15 – Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

3.5 Significant accounting judgments and estimates

The preparation of unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgment, estimates and assumptions that affect the application of policies and the reported amounts of revenues, expenses, assets and liabilities.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the unconsolidated financial statements:

3.5.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available to the Company. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

3.5.2 Stock-in-trade and stores and spares

The Company reviews the net realizable value (NRV) of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.5.3 Taxation

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is stated at revalued amounts. Depreciation is charged to profit or loss applying the reducing balance method at the rates mentioned in note 6.1 to the unconsolidated financial statements except for lease hold improvement which are depreciated on straight line basis over the lease term. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month on which an asset is disposed off.

Maintenance and repairs are charged to profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of operating assets, if any, are recognized in the profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Increases in the carrying amounts arising on revaluation of land are recognized, in other comprehensiveincome and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to profit or loss.

The carrying values of property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Capital work in progress

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / erection year. These are transferred to relevant operating fixed assets as and when assets are available for use.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged on straight line method. Amortization on additions is charged in the month in which an asset comes into operation while no amortization is charged for the month in which the asset is disposed of.

4.3 Investment in subsidiary

Investment in subsidiary is stated at cost less provision for impairment, if any.

4.4 Stores and spares

These are valued at lower of moving average cost and estimated net realizable value (NRV) except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Provision, if required is made in the unconsolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

NRV represents estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale

4.5 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and estimated NRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Cost signifies in relation to:

Raw and packing material	-	Purchase cost on average basis
Finished goods and work-in-process	-	Cost of direct material, labor and proportion of manufacturing overheads
Stock-in-transit	-	Invoice value plus other charges paid thereon up to the statement of financial position date

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads.

Provision, if required is made in the unconsolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

4.6 Trade debts

Trade debts are recognized at invoice amount less provision for any uncollectible amounts. Provision for impairment is based on the management's assessment of customers / parties outstanding balances and credit worthiness. Bad debts are written off when there is no realistic prospect of recovery.

4.7 Cash and cash equivalents

These are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term borrowings.

4.8 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.9 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

4.10 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.11 Taxation

Current

Provision for current tax is based on the taxable income in accordance with Income Tax Ordinance, 2001.

Deferred

Since the major portion of income of the Company is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these unconsolidated financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales, whereas, temporary differences in respect of other income are expected to be negligible.

4.12 Staff benefits

Defined contribution plan

The Company operates an approved defined contribution provident fund for its eligible employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary.

Employees' compensation absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

4.13 Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

4.14 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable.

Revenue is recognized on dispatch of goods to customers.

4.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

4.17 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are de-recognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

4.18 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if and only if, the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously. Incomes and expenses arising from such assets and liabilities are also set off accordingly.

4.19 Functional and presentation currency

These unconsolidated financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency.

4.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.21 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the unconsolidated financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the unconsolidated financial statements in the period in which such transfers are made.

5 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS Standards requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property,Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of freehold and leasehold land stands amended as follows:

- Increases in the carrying amounts arising on revaluation of freehold and leasehold land are recognized in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at 30 June 2017			As at 30 June 2016		
Effect on statement of financial position	**As previously reported**	**As re-stated**	**Re-statement**	**As previously reported**	**As re-stated**	**Re-statement**
	(Rupees in '000)					
Revaluation Surplus on property, plant & equipment	1,499,008	-	(1,499,008)	1,080,662	-	(1,080,662)
Share capital and reserves	-	1,499,008	1,499,008	-	1,080,662	1,080,662
Effect on statement of changes in equity						
Changes in equity	-	1,499,008	1,499,008	-	1,080,662	1,080,662

	For the year ended 30 June 2017		
	As previously reported	**As re-stated**	**Re-statement**
	(Rupees in '000)		
Effect on statement of other comprehensive income			
Revaluation Surplus on property, plant and equipment	-	418,346	418,346

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

		Note	2018	2017
			(Rupees in '000)	
6	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	6.1	**8,939,671**	7,412,659
	Capital work-in-progress	6.7	**1,907,307**	849,492
			10,846,978	8,262,151

6.1 **Operating fixed assets**

	Free hold land	Building on Freehold Land	Lease hold land	Building on Leasehold Land	Leasehold improvements	Plant & Machinery	Electric fittings / Equipments	Office Equipment	Computers	Furniture and Fixtures	Vehicles	Arms and Ammunitions	Sub Total
As at July 01, 2016													
Cost	308,038	148,250	1,090,043	969,993	64,381	6,611,739	250,212	78,088	94,556	43,571	207,174	43	9,866,088
Accumulated depreciation	-	(88,840)	-	(441,923)	(6,190)	(3,120,008)	(124,521)	(26,596)	(64,643)	(25,427)	(72,706)	(34)	(3,970,888)
Net book value	**308,038**	**59,410**	**1,090,043**	**528,070**	**58,191**	**3,491,731**	**125,691**	**51,492**	**29,913**	**18,144**	**134,468**	**9**	**5,895,200**
Year ended June 30, 2017													
Opening net book value	308,038	59,410	1,090,043	528,070	58,191	3,491,731	125,691	51,492	29,913	18,144	134,468	9	5,895,200
Additions / transfers during the year	-	-	24,747	432,167	61,692	1,147,630	14,997	13,369	23,258	6,692	63,034	-	1,787,585
Transfer to intangible assets	-	-	-	-	-	(406)	-	(803)	(1,926)	-	-	-	(3,135)
Reclassification	-	-	-	-	-	3,513	(3,878)	368	-	-	-	(3)	-
Surplus on Revaluation	133,770	-	284,575	-	-	-	-	-	-	-	-	-	418,345
Adjustment	-	-	-	(1,213)	-	(13,000)	-	-	-	-	-	-	(14,213)
Disposals / transfers					-								
Cost	-	-	-	-	-	(341,008)	(25,560)	(7,105)	(5,934)	(7,317)	(20,424)	-	(407,348)
Accumulated depreciation	-	-	-	-	-	255,855	20,774	5,490	5,782	5,245	13,793	-	306,939
Net book value	-	-	-	-	-	(85,153)	(4,786)	(1,615)	(152)	(2,072)	(6,631)	-	(100,409)
Transfer to intangible assets	-	-	-	-	-	99	-	494	1,898	-	-	-	2,490
Reclassification	-	-	-	-	-	37	33	(219)	(1)	(30)	177	3	-
Depreciation for the year	-	(5,941)	-	(68,020)	(25,277)	(404,578)	(13,170)	(8,447)	(12,875)	(1,962)	(32,933)	(1)	(573,204)
Closing net book value	**441,808**	**53,469**	**1,399,365**	**891,004**	**94,606**	**4,139,873**	**118,886**	**54,639**	**40,115**	**20,772**	**158,114**	**8**	**7,412,659**
As at June 30, 2017													
Cost	441,808	148,250	1,399,365	1,400,947	126,073	7,408,468	235,771	83,917	109,954	42,946	249,783	40	11,647,322
Accumulated depreciation	-	(94,781)	-	(509,943)	(31,467)	(3,268,595)	(116,885)	(29,278)	(69,839)	(22,174)	(91,669)	(32)	(4,234,663)
Net book value	**441,808**	**53,469**	**1,399,365**	**891,004**	**94,606**	**4,139,873**	**118,886**	**54,639**	**40,115**	**20,772**	**158,114**	**8**	**7,412,659**
Year ended June 30, 2018													
Opening net book value	441,808	53,469	1,399,365	891,004	94,606	4,139,873	118,886	54,639	40,115	20,772	158,114	8	7,412,659
Additions / transfers during the year	-	-	151,364	451,441	94,588	1,554,706	22,098	7,190	25,010	12,503	59,460	-	2,378,360
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	40	-	-	-	(40)	-
Surplus on Revaluation	-	-		-	-	-	-	-	-	-	-		-
Adjustment	-	-	-	(5)	-	5,732	-	-	-	-	-	-	5,727
Disposals / transfers													
Cost	-	-	-	-	-	(300,191)	-	-	-	-	(36,108)	-	(336,299)
Accumulated depreciation	-	-	-	-	-	201,743	-	-	-		22,571	-	224,314
Net book value	-	-	-	-	-	(98,448)	-	-	-	-	(13,537)	-	(111,985)
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	22	-	-	-	(32)	-	-	-	32	22
Depreciation for the year	-	(5,347)	-	(112,931)	(60,818)	(488,542)	(13,133)	(8,811)	(16,053)	(2,325)	(37,152)	-	(745,112)
Closing net book value	**441,808**	**48,122**	**1,550,729**	**1,229,531**	**128,376**	**5,113,321**	**127,851**	**53,026**	**49,072**	**30,950**	**166,885**	**-**	**8,939,671**
As at June 30, 2018													
Cost	441,808	148,250	1,550,729	1,852,383	220,661	8,668,715	257,869	91,147	134,964	55,449	273,136	-	13,695,111
Accumulated depreciation	-	(100,128)	-	(622,852)	(92,285)	(3,555,394)	(130,018)	(38,121)	(85,892)	(24,499)	(106,251)	-	(4,755,440)
Net book value	**441,808**	**48,122**	**1,550,729**	**1,229,531**	**128,376**	**5,113,321**	**127,851**	**53,026**	**49,072**	**30,950**	**166,885**	**-**	**8,939,671**
Annual rates of depreciation	**0%**	**10%**	**0%**	**10%**	**40%-65%**	**10%**	**10%**	**15%**	**30%**	**10%**	**20%**	**15%**	

6.2 During the year ended 30 June 2017, four of the Company's plots of land were revalued resulting in surplus of Rs. 1,499.008million. The valuation was carried out by an independent valuer- M/s Joseph Lobo (Private) Limited on May 22, 2017 on the basis of present market values for similar sized plots in the vicinity of land and replacement values of similar type of land based on present cost (level 2).

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the asset or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cashflows). (level 3).

Had there been no revaluation the net book value of freehold and leasehold land would have been Rs. 145.676 million and Rs. 196.490 million, respectively.

6.3 Forced Sale value as of 30 June 2017 of freehold and leasehold land is Rs. 441.808 million and Rs. 1,399.365 million, respectively.

6.4 Particular of Immovable Asset in the name of the Company are as follows:

Location	Addresses	Total Area (In acres)
Karachi	Plot # H-23/4-A and H-23-/4-B, Scheme # 3. Landhi Industrial Area, Landhi, Krachi	24.93
Karachi	Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 1 86 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi	149.225
Karachi	Plot No. 342-A, Haroonabad Industrial Area, Karachi (200 Squar yards)	0.04
Baluchistan	Plot# D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochistan	18.75

6.5 Depreciation charge for the year has been allocated as under:-

	2018	2017
	-------(Rupees in '000)-------	
Cost of sales	**672,284**	529,187
Administrative cost	**72,828**	44,017
	745,112	573,204

6.6 Details of disposal of property, plant and equipment having book value of more than Rs. 500,000 during the year are as follows:

Particular	Cost	Accumulated Description	Book Value	Sale Proceed	Gain / (Loss)	Mode of Disposal	Particulars of purchasers
Plant and Machinery							
Gas Generator Waukesha Model VHP 7100G, 793.75 kva or 635kw	21,604	18,484	3,120	1,050	(2,070)	Negotiation	QSB Enterprises
Dryer Monfort Stenter Frame Typ e Montex	7,385	4,238	3,147	4,100	953	Negotiation	Shafiq Afridi
Winding Machine Autocone (Murata) 7-V 50 ut +Payer+OverHead	4,466	3,477	989	500	(489)	Negotiation	Ashraf Ali
Yarn Steaming - Steamer (Welker)	3,244	2,607	637	600	(37)	Negotiation	Ashraf Ali
Boiler Gresham - 10 Ton (WHR)	12,256	8,942	3,314	700	(2,614)	Negotiation	Mazhar Abbas
Turbine Gas P&W ST-18 +Panel+GasCompressor+HTTransf+Oil	56,898	34,769	22,129	5,300	(16,829)	Negotiation	Mazhar Abbas
Gas Generators Deutz MWM 1.4 MW	13,045	6,618	6,427	2,000	(4,427)	Negotiation	Electro Power Engineering
Gas Generators Deutz MWM 1.4 MW	16,399	8,394	8,005	2,500	(5,505)	Negotiation	Electro Power Engineering
Weaving Machine Sulzer G-6300 # 38 + Batching Unit	7,513	6,074	1,439	800	(639)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Sulzer G-6300 # 39 + Batching Unit	7,513	6,074	1,439	800	(639)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 59 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 62 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 64 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 54 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 57 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Turbine Gas Kawasaki +Panel+Gas Compressor	15,216	9,382	5,834	3,500	(2,334)	Negotiation	Mazhar Abbas
Gas Compressor Austocold XRV-163-103 for Kawasaki Genset	8,104	6,373	1,731	450	(1,281)	Negotiation	Mazhar Abbas
Warping Machine Sectional SupertronicBeninger Creel Type I-Type	5,251	4,107	1,144	450	(694)	Negotiation	Shafiq Afridi
Hiedleberg Printing Machine	2,857	1,043	1,814	390	(1,424)	Negotiation	Mr. Jamil Ahmed
Gas Generators Cat G3516 C 1600EKW	26,446	19,167	7,279	1,500	(5,779)	Negotiation	Mr. Asad Bacha
Weaving Machine Sulzer TPS-600 # 3 Jacquard + Batching Unit	5,352	4,209	1,143	1,200	57	Negotiation	Mr. Muhammad Ali Hashmani
Weaving Machine Sulzer TPS-600 # 1 Jacquard + Batching Unit	5,352	4,209	1,143	1,200	57	Negotiation	Mr. Muhammad Ali Hashmani
Tumbler Dryer 75Kg.(Steam Based) Millat Engineering	1,290	340	950	300	(650)	Negotiation	Mr. Kashif Waheed
Compact Devices of Ring Frame Shanghai P&E EJM-168 (516 Sp)	16,829	10,891	5,938	950	(4,988)	Negotiation	Mr. Muhammad Iqbal Butt
Pad Steam Machine at Contineous Dyeing	11,706	6,432	5,274	900	(4,374)	Negotiation	Mr. Muhammad Shahid
Sub total	**277,941**	**184,295**	**93,646**	**33,940**	**(59,706)**		
Motor Vehicle							
Toyota Corolla Gli 588 Reg#. Bfe-528 1299 Cc	1,828	554	1,274	1,312	38	Ex-Employee	Mr. Muhammad Tasleem
Toyota Corolla Gli 588 Reg#. Bcw-449 1299Cc	1,753	776	977	1,349	372	Ex-Employee	Mr Imran Zaheer
Suzuki Cultus E-li VxrReg # Bgt-931 993Cc	1,169	308	861	1,103	242	Negotiation	Mr. Farrrukh Ejaz Sheikh
Suzuki Cultus VXR BEQ-396 993Cc	1,109	481	628	868	240	Ex-Employee	Mr. Azfar Naveed Ansari
Suzuki Mehran Reg. # BLN-436	802	53	749	802	53	Insurance Claim	EFU General Insurance Limited
	6,661	**2,172**	**4,489**	**5,434**	**945**		
Grand total of 2018	**284,602**	**186,467**	**98,135**	**39,374**	**(58,761)**		
Grand total of 2017	406,088	305,759	100,329	45,002	(55,327)		

*None of the directors or the Company has any relationship with the purchaser or employee.

6.7 Capital work-in-progress

	2018			
	Opening balance	Additions	Transfers to operating assets / adjustment	Closing balance
	(Rupees in '000)			
Building on leasehold land	345,546	925,753	(451,441)	819,858
Plant and machinery	197,698	2,146,660	(1,456,105)	888,253
Furniture and fixtures	1,083	10,952	(11,577)	458
Equipments	7,468	38,065	(26,172)	19,361
Computer	-	589	(589)	-
Leasehold improvements	-	94,588	(94,588)	-
Advances to suppliers	297,697	-	(118,320)	179,377
	849,492	3,216,607	(2,158,792)	1,907,307

	2017			
	Opening balance	Additions	Transfers to operating assets / adjustment	Closing balance
	(Rupees in '000)			
Building on leasehold land	290,749	486,964	(432,167)	345,546
Plant and machinery	270,827	994,401	(1,067,530)	197,698
Furniture and fixtures	543	3,423	(2,883)	1,083
Equipments	16,072	14,657	(23,261)	7,468
Leasehold improvements	-	61,692	(61,692)	-
Advances to suppliers	276,472	21,225	-	297,697
	854,663	1,582,362	(1,587,533)	849,492

7 INTANGIBLE ASSETS – Software

	2018	2017
	(Rupees in '000)	
Cost		
Opening as at July 1	**36,058**	30,329
Additions during the year	**1,956**	2,799
Write-off/ transferred from operating fixed assets	**(2,799)**	2,930
Closing balance	**35,215**	36,058
Accumulated amortization		
Opening as at July 1	**(33,083)**	(30,329)
Charge for the year	**(262)**	(2,754)
Closing balance	**(33,345)**	(33,083)
Net book value as at June 30	**1,870**	2,975
Annual rates of amortization	**20%**	**20%**

8 LONG TERM INVESTMENT

	2018	2017
	(Rupees in '000)	
Investment in subsidiary	**608**	608
Less: Provision for impairment	**(608)**	-
	-	608

9 STORES AND SPARES

	2018	2017
General stores	**373,210**	345,631
Chemicals	**260,545**	205,684
Packing stores	**143,465**	132,182
	777,220	683,497
Stores and spares in transit	**40,954**	-
Less: Provision for slow moving	**(185,464)**	(185,464)
	632,710	498,033

10 STOCK-IN-TRADE

	2018	2017
Raw material	**1,575,528**	1,543,479
Work-in-process	**1,470,271**	1,574,768
Finished goods	**846,471**	519,463
	3,892,270	3,637,710

		Note	2018	2017
			(Rupees in '000)	
11	**TRADE DEBTS – considered good**			
	Export	**11.1**	**5,171,521**	4,342,906
	Local		**19,971**	11,287
			5,191,492	4,354,193

11.1 Particulars of export sales

	Confirmed LC	Documentary Collection	Others	Total
	(Rupees in '000)			
North America	2,037,808	1,070,620	1,767,212	4,875,640
Europe	56,701	56,181	152,363	265,245
Asia	10,413	17,619	-	28,032
Australia	2,604	-	-	2,604
2018	2,107,526	1,144,420	1,919,575	5,171,521
North America	1,089,187	1,011,052	1,980,647	4,080,886
Europe	16,164	58,833	102,308	177,305
Africa	33,620	-	-	33,620
Asia	25,845	20,020	-	45,865
Australia	5,230	-	-	5,230
2017	1,170,046	1,089,905	2,082,955	4,342,906

There are no defaulting parties as of 30 June, 2018.

		Note	2018	2017
			(Rupees in '000)	
12	**Advances, deposits, prepayments and other receivables**			
	Advances			
	- suppliers	**12.1**	**313,181**	203,128
	- employees		**575**	544
	- related party		**-**	144
			313,756	203,816
	Deposits			
	Security deposit: related party		**27,587**	26,587
	others		**-**	15,644
			27,587	42,231
	Prepayments		**7,562**	9,648
	Other receivables			
	Sales tax refundable		**299,027**	292,521
	Export rebate / duty drawback		**352,527**	374,195
	Due from Government	**12.2**	**1,121,347**	669,948
	Others		**21,509**	24,505
			1,794,410	1,361,169
			2,143,315	1,616,864

12.1 These represents interest free advances to suppliers having maturity latest by August 2018

Jusrisdiction	Name
North America	Uster Technologies Inc.
Europe	Cosme S.R.L. Elnec S.R.O. Hidramatic, Sau James Heal Mapro International Spa PrinzPolskaSp Z.O.O Schlafhorst Zweigniederlassung Der Saurer Germany Gmbh& Co. Kg SmitSrl Willy Grob Ag
Asia	Cangzhou Hengjia Pipeline Co, Ltd Checkpoint Apparel Labeling Solutions India Private Limited Hangzhou Vision Industrial Co, Ltd Jiaozuo Yuanbo Environment Protection Technology Co, Ltd KaulinMfg Co. Ltd. Peass Industrial Engineers Pvt Ltd Pegasus Sewing Machine Pte Ltd. Perfect Engineering Corporation Unionfull Group Ltd Winwin Machinery (Shanghai Pudong New Area) Co, Ltd Zhengzhou Guolian Machinery Co, Ltd Zhuoli Imaging Technology Co, Ltd Tariq International Ltd Fzc

		2018	2017
		------- (Rupees in '000) -------	
12.2	**Due from government**		
	- DLTL receivable	**951,098**	583,139
	- Technology Upgradation Fund Scheme	**122,560**	83,666
	- Markup receivables	**47,689**	3,143
		1,121,347	669,948
13	**CASH AND BANK BALANCES**		
	Cash in hand	**2,826**	2,393
	Cash at bank - current accounts	**200,538**	90,538
		203,364	92,931

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
Number of Shares			------- (Rupees in '000) -------	
116,728,612	116,728,612	Ordinary shares of Rs. 10/- each Fully paid in cash	**1,167,286**	1,167,286
859,020	859,020	Issued as bonus shares	**8,590**	8,590
259,213,336	259,213,336	Issued against consideration other than cash –assets	**2,592,133**	2,592,133
376,800,968	376,800,968		**3,768,009**	3,768,009

14.1 As at June 30, 2018, institutions and others held 71 and 376,800,897 shares, respectively (June 30, 2017: 4,071 and 376,796,897).Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

	Note	2018	2017
		(Rupees in '000)	
15 LONG TERM FINANCING - secured			
Term loans	15.1	912,842	547,150
Current portion		(162,508)	(110,008)
		750,334	437,142

15.1 Term loans

Banks	Term	Repayment period	2018	2017
Habib MetropolitanBank Limited	8 half yearly	2015-2020	**14,245**	19,945
	8 half yearly	2016-2021	**18,000**	24,000
	8 half yearly	2016-2021	**39,524**	52,700
	10 half yearly	2016-2021	**110,000**	110,000
	10 half yearly	2017-2023	**79,500**	-
	10 half yearly	2017-2023	**36,000**	-
	10 half yearly	2017-2023	**22,000**	-
	10 half yearly	2017-2023	**24,500**	-
	10 half yearly	2017-2023	**35,000**	-
	10 half yearly	2017-2023	**54,000**	-
	10 half yearly	2017-2023	**54,000**	-
	10 half yearly	2018-2024	**42,000**	-
Faysal Bank Limited	16 Quarterly	2016-2021	**37,234**	49,650
	16 Quarterly	2016-2021	**15,748**	21,000
	16 Quarterly	2016-2021	**28,500**	44,900
	16 Quarterly	2016-2021	**33,676**	38,000
	16 Quarterly	2016-2021	**49,048**	65,400
	16 Quarterly	2016-2021	**91,167**	121,555
	20 Quarterly	2018-2024	**22,300**	-
	20 Quarterly	2018-2024	**40,400**	-
	20 Quarterly	2018-2024	**31,000**	-
	20 Quarterly	2018-2024	**35,000**	-
			912,842	547,150

15.2 These loans have been obtained for acquiring imported and local textile machinery. The rate of markup is 2.5% to 3% (2017: 2.5% to 3%) per annum. These are secured against specific charge on plant and machinery.

	Note	2018	2017
		(Rupees in '000)	
16 TRADE AND OTHER PAYABLES			
Creditors	16.1	**1,445,663**	1,512,333
Accrued liabilities (including GIDC Cess of Rs. 1,483 2017 Rs. 1,081 millions)		**1,977,099**	1,410,544
Workers' profits participation fund	16.2	**136,693**	129,775
Workers' welfare fund		**76,605**	59,919
Advance from customers		**14,507**	29,092
Payable to provident fund		**15,577**	13,619
Others		**35,775**	22,006
		3,701,919	3,177,288

16.1 This include an amount of Rs. 106.37 million (2017: Rs. 149.58 million) payable to related parties.

		Note	2018	2017
			(Rupees in '000)	
16.2	**Workers' profits participation fund (WPPF)**			
	Opening balance		**129,775**	213,043
	Interest on WPPF		**85**	41
	Charge for the year		**136,641**	129,775
			266,501	342,859
	Less: Payment during the year		**(129,808)**	(213,084)
	Closing balance		**136,693**	129,775
17	**SHORT-TERM BORROWINGS - secured**			
	Finance against import / export	**17.1**	**2,550,000**	500,000

17.1 Represents utilized portion of export finance and running finance facilities amounting to Rs 6,310 million (June 30, 2017: Rs. 5,810 million) and Rs. 180 million (June 30, 2017: 180 million) respectively, repayable / renewable latest by April 1, 2018. These carry mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 0.5% per annum and 3 months KIBOR plus 0.25% to 1.50% per annum, respectively. These are secured against first paripassu charge over stock-in-trade, receivables and other current assets of the Company.

		2018	2017
18	**ACCRUED MARK-UP**	(Rupees in '000)	
	Long term financing	**5,521**	3,432
	Short term borrowings	**13,121**	1,710
		18,642	5,142

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

No contingencies exist as at reporting date.

19.2 Commitments

		2018	2017
19.3	- Outstanding letters of credit	**334,948**	127,702
	- Outstanding letters of guarantee	**652,453**	420,746
	- Capital expenditure	**615,950**	1,091,563
20	**SALES - net**		
	Local	**326,525**	223,224
	Export	**21,213,874**	20,519,708
		21,540,399	20,742,932
	Export rebate	**321,075**	273,691
		21,861,474	21,016,623
	Less:		
	Sales tax	**(12,296)**	(7,988)
	Trade discounts	**(73,731)**	(71,304)
		(86,027)	(79,292)
		21,775,447	20,937,331

	Note	2018	2017
		(Rupees in '000)	
21 COST OF SALES			
Opening stock of finished goods		519,463	545,215
Add: cost of goods manufactured	21.1	17,277,436	16,037,253
		17,796,899	16,582,468
Less: closing stock of finished goods		(846,471)	(519,463)
		16,950,428	16,063,005
21.1 Cost of goods manufactured			
Raw material consumed	21.1.1 & 12.2	9,395,318	9,621,948
Stores and spares consumed		2,545,052	2,439,399
Salaries, wages and other benefits	21.1.2	2,813,777	2,330,652
Fuel, power and water		1,476,080	1,418,124
Insurance expense		28,252	21,912
Repair and maintenance		40,354	84,503
Vehicle running expenses		14,358	11,214
Communication and transportation		50,955	43,518
Rent expenses		109,172	105,716
Other manufacturing expenses		37,076	34,314
Amortization		261	461
Depreciation	6.5	672,284	529,187
		17,172,939	16,640,948
Opening work-in-process		1,574,768	971,073
Closing work-in-process		(1,470,271)	(1,574,768)
		17,277,436	16,037,253
21.1.1 Raw material consumed			
Opening stock		1,543,480	1,530,681
Purchases during the year		9,412,366	9,634,746
		10,960,846	11,165,427
Less: closing stock		(1,575,528)	(1,543,479)
		9,385,318	9,621,948

21.1.2 This includes an amount of Rs. 54.74 million (2017: Rs. 45.89 million) in respect of staff retirement benefits.

	Note	2018	2017
		(Rupees in '000)	
22 ADMINISTRATIVE COST			
Salaries and benefits	22.1	639,605	526,737
Impairment loss on investment		608	-
Repairs and maintenance		26,504	21,494
Rent, rates, taxes and license fee		31,576	15,091
Vehicle running expenses		29,013	23,515
Conveyance and traveling		9,033	25,815
Utilities		17,796	14,833
Printing and stationery		709	1,012
Postage, telegram and telephone		21,466	20,723
Legal and professional		18,249	17,976
Fees and subscriptions		11,660	12,371
Amortization		-	8
Depreciation	6.5	72,828	44,017
Miscellaneous expenses		69,307	68,345
		948,354	791,937

22.1 This includes amount of Rs. 28.22 million (2017: Rs. 22.92 million) in respect of staff retirement benefits.

23 DISTRIBUTION COST

	Note	2018	2017
		(Rupees in '000)	
Salaries and benefits	23.1	**117,970**	79,551
Freight and insurance		**237,497**	190,788
Inspection and forwarding charges		**146,503**	169,197
Marketing and other related expenses		**932,488**	931,637
Export development surcharge		**55,437**	47,532
Others		**3,256**	2,340
		1,493,151	1,421,045

23.1 This includes amount of Rs. 5.91 million (2017: Rs. 3.54 million) in respect of staff retirement benefits.

24 OTHER INCOME / (EXPENSES) - net

	Note	2018	2017
		(Rupees in '000)	
Loss on disposal of property, plant and equipment		**46,530**	54,688
Workers' profit participation fund		**136,641**	129,775
Workers' welfare fund		**16,686**	16,019
Donations	24.1	**10,100**	15,763
Exchange differences on realization of export receivables		**(718,671)**	(60,878)
Auditors' remuneration	24.2	**2,350**	1,238
		(506,364)	(156,605)

24.1 Represents donation made to Citizens-Police Liaison Committee, The Indus Hospital and Patients' Welfare Association. None of the directors and their spouses had any interest in these donations.

24.2 Auditors' remuneration

	2018	2017
	(Rupees in '000)	
Audit fee	**1,800**	938
Half yearly review	**500**	200
Other certification	**50**	100
	2,350	1,238

25 FINANCE COST

	2018	2017
Mark-up / interest on		
- Long term financing	**20,741**	13,353
- Short term borrowings	**22,668**	2,347
- WPPF	**85**	41
	43,494	15,741
Bank charges	**42,235**	39,298
	85,729	55,039

26 TAXATION

	2018	2017
Current	**64,898**	130,765
Prior	**(12,846)**	(170,742)
	52,052	(39,977)

26.1 The Company has filed its return of income up to tax year 2017. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed. The Company is subject to Final Tax Regime under Section 169 of the Income Tax Ordinance, 2001, therefore, relationship between income tax expense and accounting profit has not been presented.

26.2 Managements' assessment of Tax Provision

The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

	Provision for taxation	Tax assessed	Excess / (Short)
	(Rupees in '000)		
2017	240,595	212,199	28,396
2016	221,968	222,095	(127)
2015	201,988	184,871	17,117

27 EARNINGS PER SHARE –basic and diluted

	2018	2017
	(Rupees in '000)	
Net profit after the year	**2,752,097**	2,489,677
Weighted average number of ordinary shares in issue	**376,800,968**	376,800,968
Earnings per share-basic	**Rs. 7.30**	Rs. 6.61

27.1 There is no dilutive effect on basic earnings per share of the company.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018				2017			
	(Rupees `000)							
Particular	Chief Executive	Directors	Executives	Total	Chief Executive	Director	Executive	Total
Managerial Remuneration	**18,886**	**-**	**391,484**	**410,370**	14,715	-	256,688	271,403
Bonus	**1,200**	**-**	**24,491**	**25,691**	948	-	15,135	16,083
Retirement benefits	**1,259**	**-**	**22,879**	**24,138**	1,026	-	14,754	15,780
Fees	**-**	**5,950**	**-**	**5,950**	-	6,770	-	6,770
	21,345	**5,950**	**438,854**	**466,149**	16,689	6,770	286,577	310,036
Numbers	1	-	102	103	1	-	66	67

28.1 The Chief Executive, directors and certain executives are provided with the Company's maintained cars.

28.2 The meeting fees has been paid to non-executive directors only other than that no remuneration has been paid to non-executive directors.

29 PROVIDENT FUND DISCLOSURES

	2018 Unaudited	2017 Audited
	(Rupees in '000)	
Size of the trust	**649,504**	609,656
Cost of investment	**626,599**	545,777
Fair value of investment	**610,183**	559,107
	2018	**2017**
	Percentage	
Percentage of investment made	**96%**	89.5%

Major categories of investment of provident fund are as follows:

	2018 ---------------- Unaudited ---------------- Investment (Rupees in '000)	% of investment as size of the fund	2017 ---------------- Audited ---------------- Investment (Rupees in '000)	% of investment as size of the fund
Shares in listed Companies	17,242	2.8	-	-
Mutual fund	153,325	25.2	152,549	27.3
Investment in fixed deposit	439,616	72.0	356,223	63.7
Sukuk & Ijara Certificates	-	-	50,335	9.0
	610,183	100	559,107	100

29.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

	Note	2018	2017
		(Rupees in '000)	
30 CASH AND CASH EQUIVALENTS			
Cash and bank balance	13	203,364	92,931
Short term borrowings	17	(2,550,000)	(500,000)
		(2,346,636)	(407,069)

31 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise subsidiaries, associates, directors, major shareholders of the Company, key management personnel and staff provident fund. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

31.1 Relationship	Nature of transaction	2018	2017
Subsidiary	Manufacturing and other Services expenses	2,600	144
Associates	Sale of goods	1,162,895	935,465
	Purchase	6,344	20,653
	Manufacturing and other expenses	1,033,367	1,063,857
	Net Payable	69,035	122,850

31.1.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place

S.No	Company Name	Basis of Association	Aggregate % of shareholding
1	Xublimity (Private) Limited	Subsidiary	76%
2	1888 Mills, USA	Associate (common directorship)	-
3	Central Services Company Private Limited	Associate (common directorship)	-
4	Friendship Private Limited	Associate (common directorship)	-
5	UTI Industries Private Limited	Associate (common directorship)	-
6	Friendship Dairies Private Limited	Associate (common directorship)	-

	2018	2017
	(Rupees in '000)	
Key Management Personnel		
Remuneration paid	**44,390**	32,424
Post-employment benefits	**2,761**	1,649

31.2 **Associated Companies Incorporated Outside Pakistan**

Name& Address	Basis of Association	Chief Executive	Operational Status	Auditors' Opinion
1888 Mills LLC USA 1520 Kensington Road Suite 115 Oakbrook IL 60523 Aurora United States of America	Common Directorship	Johnathan R. Simon	Active	Unmodified Opinion

31.3 **Particulars of Major Foreign Shareholders Holding More Than 5% of Paid-Up in the Company**

Name& Address	Legal Status	Chief Executive	Name and Particulars of Pakistani Resident associated with Shareholder
1888 Mills LLC USA - 1 520 Kensington Road Suite 115 Oakbrook IL 60523 Aurora United States of America	Limited Liability Company	Johnathan R. Simon	Rehan Rahman–CEO of the Company
Grangeford Limited - P.O Box 32, Road Town, Tortola, British Virgin Island	International Business Company	Abdul Rehman Yaqoob	Rehan Rahman–CEO of the Company

32 PRODUCTION CAPACITY IN METERS

Towel	Looms	Capacity	Actual
2018	**319**	**113,141,407**	**102,454,891**
2017	307	111,237,319	104,218,395

32.1 Actual production achieved is lower than the capacity due to change in product mix caused by orders.

33 FINANCIAL RISK MANAGEMENTOBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors review and agree policies for managing each of these risks which are summarized below:

33.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

33.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss.

Therefore, a change in interest rates at the reporting date would not affect profit and loss account:

	2018	2017
	(Rupees in '000)	
Long term financing	**912,842**	547,150
Short-term borrowing	**2,550,000**	500,000
	3,462,842	1,047,150

33.1.2 Currency risk

Currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

Exposure to currency risk

The Company's exposure to foreign currency risk is as follows:

	2018	2017
	USD	USD
Trade debts	**42,314**	41,470
Trade Payable	**(1,227)**	(2,373)
	41,087	39,097

The following significant exchange rates have been applied

2018 USD to PKR				2017 USD to PKR			
Reporting date Rate		Average rate		Reporting date Rate		Average rate	
buying	selling	buying	selling	buying	selling	buying	selling
121.40	**121.60**	**110.43**	**110.63**	106.40	106.70	104.55	104.75

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against USD and PKR against Euro at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2018	2017
	(Rupees in '000)	
Effect on profit		
USD 10%	**(499,618)**	(417,165)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and assets and liabilities of the Company.

33.1.3 Equity price risk

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices. The Company does not have investment in quoted securities.

33.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2018	2017
	(Rupees in '000)	
Long term deposits	**8,333**	7,103
Trade debts	**5,191,492**	4,354,193
Advances and other receivables	**370,414**	280,200
Bank balances	**200,538**	90,538
	5,770,777	4,723,034

Quality of financial assets

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2018	2017
	(Rupees in '000)	
Bank balances		
A1+	176,393	22,465
A-1+	24,145	68,073
	200,538	90,538
Trade debt		
The aging of trade debts at the statement of		
financial position date was:	4,652,848	3,682,171
Not past due	538,644	672,008
Past due 1-60 days	-	9
Past due 61 days -90 days	-	5
More than 90 days	5,191,492	4,354,193

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2018	Upto 1 year	1 – 5 years	More than five years	Total
	(Rupees in '000)			
Long term financing	162,508	685,694	64,640	912,842
Trade and other payables	3,488,621	-	-	3,488,621
Accrued mark-up	18,641	-	-	18,641
Short term borrowings	2,550,000	-	-	2,550,000
	6,219,770	685,694	64,640	6,970,104

2017	Upto 1 year	1 – 5 years	More than five years	Total
	(Rupees in '000)			
Long term financing	110,008	415,142	22,000	547,150
Trade and other payables	2,987,594	-	-	2,987,594
Accrued mark-up	5,142	-	-	5,142
Short term borrowings	500,000	-	-	500,000
	3,602,744	415,142	22,000	4,039,886

33.3.1 Changes in liabilities from financing activities

	01 July 2017	Cash flows	30 June 2018
	----------------- (Rupees in '000)		-----------------
Long term financing	547,150	365,692	912,842

33.4 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements appropriate their fair values.

33.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2018 and 2017 are as follows:

	2018	2017
	-------(Rupees in '000)	---------
Long-term financing	**750,334**	437,142
Accrued Markup	**18,642**	5,142
Short-term borrowings	**2,550,000**	500,000
Total debt	**3,318,976**	942,284
Cash and cash equivalents	**(203,364)**	(92,931)
Net debt	**3,115,612**	849,353
Share capital	**3,768,009**	3,768,009
Reserves	**12,399,195**	10,739,820
Total capital	**16,167,204**	14,507,829
Capital and net debt	**19,282,816**	15,357,182
Gearing ratio	**16.16%**	5.53%

34 OPERATING SEGMENTS

These unconsolidated financial statements have been prepared on the basis of a single reportable segment.

- Revenue from export sales represents 98.45% (2017: 99.55%) of the total gross revenue of the Company.
- All non-current assets of the Company at June 30, 2018 are located in Pakistan.
- Sales made by the Company to two customers which constitutes 41% and 20%, respectively.

35 DIVIDEND AND APPROPRIATIONS

35.1 Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on August 04, 2018 has proposed final cash dividend @ Rs. 2.45 per share amounting to Rs. 923.162 million (2017: Rs. 1.70 per share amounting to Rs. 640.561 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Re. 1.20 per share amounting to Rs. 452.161 million (2017: 376.801 million) approved by the Board of Directors for the year ended June 30, 2017.

35.2 The Finance Act, 2017 introduced a tax on every public company at the rate of 7.50% on profit before tax if the company fails to distribute at least 40% of its profit after tax as cash or stock dividend within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed / approved cash dividend amounting to Rs. 1,375 million for the financial and tax year 2018 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2018.

36 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2018		2017	
	-------(Number)-------			
	Total	Factory	Total	Factory
Total number of employees as at June 30	**3,693**	**3,597**	3,100	2,956
Average number of employees during the year	**3,575**	**3,557**	3,067	2,929

37 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidatedfinancial statements were authorized for issue on **04 August 2018** by the Board of Directors of the Company.

38 GENERAL

All figures in the unconsolidatedfinancial statements are rounded off to the nearest thousand.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITOR'S REPORT

To the members of Feroze1888 Mills Limited

Opinion

We have audited the annexed consolidated financial statements of Feroze1888 Mills Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income,the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Preparation of consolidated financial statements under the Act, 2017	
As referred to in note 3.1 to the accompanying consolidated financial statements, the Companies Act, 2017 became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 30 June 2018. The Companies Act, 2017 forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. In the case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements as referred to note 3.1 to the consolidated financial statements. Further, the Group has changed its accounting policy relating to presentation and measurement of revaluation surplus on property, plant and equipment as a consequence of the application of the Companies Act, 2017 with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the consolidated financial statements. The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Companies Act, 2017.	We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due to the application of the Companies Act, 2017. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements. In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 5 to the consolidated financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Group.
2. First year audit	
We have been engaged to perform the audit of the Group for the first time i.e. for the year ended 30 June 2018. Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include gaining an initial understanding of the Group and its business including its control environment and information systems sufficient to make audit risk assessments and develop the audit strategy and plan, obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles, and communicating with the previous auditors.	We performed various procedures to obtain sufficient appropriate audit evidence regarding opening balances including the following: We reviewed the predecessor auditors' work paper files and made additional inquiries of the predecessor auditor about matters that may affect our audit in the current period. Accordingly, we evaluated the results of our review of the predecessor auditors' work papers; We evaluated the key accounting position and audit matters from prior years; We assessed the overall control environment of the Group including communication with members of the those charged with governance and other key executives; and

Key audit matters	How the matter was addressed in our audit
	We evaluated whether accounting policies reflected in the opening balances have been consistently applied in the current year's consolidated financial statements, and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.
3. Acquisition of new fixed assets	
The Holding Company operates in a capital intensive industry and resultantly has invested significantly in assets of capital nature. As at 30 June 2018, the net book value of property, plant & equipment amounted to Rs. 10,846.978 million, including Rs. 3,436.175 million capitalized during the current year (as disclosed in note 6 to the accompanying consolidated financial statements). Capital expenditure incurred on land and machinery represents significant transaction in relation to the current year and involved substantial efforts. Accordingly for such reasons we have identified acquisition of new fixed assets a key audit matter.	We obtained an understanding of the Group's process with respect to capital expenditure including determination of useful lives and tested the Group's controls in this area relevant to our audit. We physically verified the newly acquired fixed assets and tested the amounts. We reviewed the relevant documents with reference to the acquisition of the newly acquired fixed assets and assessed whether the items of cost capitalized meets the recognition criteria of an asset in accordance with the applicable financial reporting standards. We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful live. We also considered the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements (refer note 6 to the accompanying consolidated financial statements).

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended 30 June 2017 were audited by another firm of Chartered Accountants, whose audit report dated 26 September 2017 expressed an unqualified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Jameel.

EY Ford Rhodes
Chartered Accountants

Place: Karachi
Date: 20 August 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018	2017	2016
		(Rupees in '000)		
			Restated	Restated
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	**10,846,978**	8,262,151	6,749,864
Intangible assets	7	**1,870**	2,975	-
Long term deposits		**8,333**	7,103	6,397
		10,857,181	8,272,229	6,756,261
CURRENT ASSETS				
Stores and spares	8	**632,710**	498,033	567,422
Stock-in-trade	9	**3,892,270**	3,637,710	3,046,969
Trade debts	10	**5,191,492**	4,354,193	2,782,631
Advances, deposits, prepayments and other receivables	11	**2,143,315**	1,616,720	1,364,780
Taxation – net		**431,616**	265,920	-
Cash and bank balances	12	**203,534**	93,730	990,908
		12,494,937	10,466,306	8,752,710
		23,352,118	18,738,535	15,508,971
SHARE CAPITAL & RESERVES				
Authorised share capital				
400,000,000 (2017: 400,000,000) ordinary shares of Rs. 10 each		**4,000,000**	4,000,000	4,000,000
Issued, subscribed and paid-up capital	13	**3,768,009**	3,768,009	3,768,009
Capital reserve		**758,663**	758,663	758,663
Revaluation surplus on property, plant and equipment		**1,499,008**	1,499,008	1,080,662
Accumulated profit		**10,141,583**	8,482,039	7,160,555
		16,167,263	14,507,719	12,767,889
Non-controlling interest		**18**	157	-
		16,167,281	14,507,876	12,767,889
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	14	**750,334**	437,142	434,150
CURRENT LIABILITIES				
Trade and other payables	15	**3,701,979**	3,177,288	2,293,479
Short term borrowings	16	**2,550,000**	500,000	-
Accrued mark-up	17	**18,642**	5,142	1,682
Taxation – net		**-**	-	4,959
Current portion of long term financing	14	**162,508**	110,008	5,850
Unclaimed dividend		**1,150**	1,079	549
Unpaid dividend		**224**	-	413
		6,434,503	3,793,517	2,306,932
CONTINGENCIESAND COMMITMENTS	18			
		23,352,118	18,738,535	15,508,971

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	**REHAN RAHMAN**	**MUHAMMAD FAHEEM**
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in '000)	
Sales	19	21,775,447	20,937,331
Cost of sales	20	(16,949,752)	(16,063,005)
Gross profit		4,825,695	4,874,326
Administrative cost	21	(948,936)	(792,082)
Distribution cost	22	(1,493,151)	(1,421,045)
Other income / (expenses) – net	23	506,334	(156,605)
		(1,935,753)	(2,369,732)
Operating profit		2,889,942	2,504,594
Finance cost	24	(85,730)	(55,039)
Profit before taxation		2,804,212	2,449,555
Taxation	25	(52,085)	39,977
Net profit for the year		2,752,127	2,489,532
Earnings per share - Basic and diluted	26	Rs. 7.30	Rs. 6.61
Share of Profit / (loss) attributable relating to:			
Owners of the Holding Company		2,752,266	2,489,567
Non-controlling interest		(139)	(35)
		2,752,127	2,489,532

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
Net profit for the year	**2,752,127**	2,489,532
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Revaluation surplus onproperty, plant and equipment	-	418,346
Total comprehensive income for the year	**2,752,127**	2,907,878

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	REHAN RAHMAN	MUHAMMAD FAHEEM
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,804,212**	2,449,555
Adjustments for:			
Depreciation		**745,112**	547,927
Amortization		**261**	25,746
Losson disposal of property, plant and equipment		**46,530**	54,688
Finance cost		**85,730**	72,031
		877,633	700,392
		3,681,845	3,149,947
(Increase) / decrease in current assets			
Stores and spares		**(134,677)**	69,389
Stock-in-trade		**(254,560)**	(590,741)
Trade debts		**(837,300)**	(1,571,562)
Advances, deposits, prepayments and other receivables		**(526,449)**	(251,940)
		(1,752,986)	(2,344,854)
		1,928,859	805,093
Increase in current liabilities			
Trade and other payables		**524,691**	883,809
Cash generated from operations		**2,453,550**	1,688,902
Finance costs paid		**(72,230)**	(68,570)
Income taxes paid		**(217,924)**	(230,902)
Long-term deposits		**(1,230)**	(706)
Net cash generated from operating activities		**2,162,166**	1,388,724
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(3,441,082)**	(1,762,999)
Proceeds from disposal of property, plant and equipment		**65,455**	37,721
Net cash used in investing activities		**(3,375,627)**	(1,725,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(1,092,427)**	(1,167,966)
Acquisition of Non-controlling interest		**-**	192
Long term financing – net		**365,692**	107,150
Net cash used in financing activities		**(726,735)**	(1,060,624)
Net decrease in cash and cash equivalents		**(1,940,196)**	(1,397,178)
Cash and cash equivalents at the beginning of the year		**(406,270)**	990,908
Cash and cash equivalents at the end of the year	29	**(2,346,466)**	406,270

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	**REHAN RAHMAN**	**MUHAMMAD FAHEEM**
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

UNCONSOLIDATED STATEMENT OFCHANGES INEQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Capital profft	Capital Reserve: Reserve on Merger	Capital Reserve: Others	Revaluation surplus on property, plant and equipment	Accumulated profit	Non-Controlling interest	Total
	(Rupees in '000)						
Balance as at June 30, 2016 – as previously reported	3,768,009	543,413	215,250	-	7,160,555	-	11,687,227
Effect of change in Accounting policy (note–5)	-	-	-	1,080,662	-	-	1,080,662
Balance as at June 30, 2016 - re-stated	3,768,009	543,413	215,250	1,080,662	7,160,555	-	12,767,889
Acquired during the year	-	-	-	-	-	192	192
Net profit for the year	-	-	-	-	2,489,567	(35)	2,489,532
Other comprehensive income	-	-	-	418,346	-	-	418,346
Total comprehensive income for the year	-	-	-	418,346	2,489,567	(35)	2,907,878
Final cash dividend for the year ended June 30, 2016 @ Rs. 2.10 per share	-	-	-	-	(791,282)	-	(791,282)
Interim cash dividend for the year ended June 30, 2017 @ Re. 1.00 per share	-	-	-	-	(376,801)	-	(376,801)
Balance as at June 30, 2017	3,768,009	543,413	215,250	1,499,008	8,482,039	157	14,507,876
Net profit for the year	-	-	-	-	2,752,266	(139)	2,752,127
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,752,266	(139)	2,752,127
Final cash dividend for the year ended June 30, 2017 @ Rs. 1.70 per share	-	-	-	-	(640,561)	-	(640,561)
Interim cash dividend for the year ended June 30, 2018 @ Rs. 1.20 per share	-	-	-	-	(452,161)	-	(452,161)
Balance as at June 30, 2018	3,768,009	543,413	215,250	1,499,008	10,141,583	18	16,167,281

The annexed notes from 1 to 37 form an integral part of these unconsolidated financial statements.

KHALEEQUR RAHMAN	**REHAN RAHMAN**	**MUHAMMAD FAHEEM**
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER

NOTESTOTHE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. THE GROUP AND ITS OPERATIONS

1.1 Feroze1888 Mills Limited (the Holding Company) was incorporated in Pakistan on October,1972 as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in production and export of towels.

The Group consists of:

	2018	2017
	Percentage of holding	
Holding Company		
Feroze1888 Mills Limited	75.98%	75.98%
Subsidiary Company		
Xublimity (Private) Limited		

Xublimity (Private) Limited was incorporated on April 20, 2017 as private limited company under the repealed ordinance, 1984. Its principal business activity is the development and sale of various IT-based solutions, hardware solutions etc.

1.2 Geographical location and address of business units

egistered Office	H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi
Office building	160, Bangalore Town Shahrah-e-Faisal Rd Darwaish Colony, Karachi,
Mill / Plant Sindh	Plot # H-23/4-A and H-23-/4-B, Scheme # 3. Landhi Industrial Area, Landhi, Krachi B-4/A, SITE, Karachi Plot # A-5, SITE, Karachi. Plot # C-3, SITE, Karachi. Plot # C-31 SITE, Karachi Plot # F-89, SITE, Karachi Plot # F-125, SITE, Karachi Plot # F-342, SITE, Karachi Plot # D-202, SITE, Karachi Plot # 342/A, Haroonabad, SITE, Karachi Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi
Balochistan	Plot# D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochistan

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS OCCURRED DURING THE YEAR

- During the year, the Group has acquired property, plant and equipment amounting to Rs. 3,436.175million which includes Rs. 151.364 million for land and 1554.706 million for plant and machinery. These acquisitions are expected to increase the Holding Company's production capacity

- Due to applicability of the Companies Act, 2017 (the Act), amounts reported for the previous period have been restated. (refer notes 3.1 and 5)

- For a detailed discussion about the Group's performance, refer to the Directors' Report

3 BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act; and

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

3.2 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost convention except for freehold and leasehold land which is carried at revalued amount.

3.3 New standards and amendments

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous consolidated financial year except that the Group has adopted the following amendments of IFRS which became effective for the current year:

IAS 7 – Statement of Cash Flows - Disclosure Initiative - (Amendment)
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the consolidated financial statements.

3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 - Financial Instruments	01 July 2018
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 - Revenue from Contracts with Customers	01 July 2018
IFRS 16 - Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards and interpretations are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application except for IFRS 15 – Revenue from contracts with customers. The Group is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Group expects that such improvements to the standards will not have any impact on the Group's consolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

3.5 Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgment, estimates and assumptions that affect the application of policies and the reported amounts of revenues, expenses, assets and liabilities.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

3.5.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available to the Group. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

3.5.2 Stock-in-trade and stores and spares

The Groupreviews the net realizable value (NRV) of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.5.3 Taxation

In applying the estimate for income tax payable, the Group takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is stated at revalued amounts. Depreciation is charged to profit or loss applying the reducing balance method at the rates mentioned in note 6.1 to the consolidatedfinancial statements except for lease hold improvement which are depreciated on straight line basis over the lease term. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month on which an asset is disposed off.

Maintenance and repairs are charged to profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposals of operating assets, if any, are recognized in the profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Increases in the carrying amounts arising on revaluation of land are recognized, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is firstrecognized in profit or loss. Decreases that reverse previous increasesof the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to profit or loss.

The carrying values of property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Capital work in progress

These are stated at cost less impairment, if any, and represent expenditures incurred and advances made in respect of specific assets during the construction / erection year. These are transferred to relevant operating fixed assets as and when assets are available for use.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged on straight line method. Amortization on additions is charged in the month in which an asset comes into operation while no amortization is charged for the month in which the asset is disposed off.

4.3 Stores and spares

These are valued at lower of moving average cost and estimated net realizable value (NRV) except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Provision, if required is made in the consolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

NRV represents estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale

4.4 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and estimatedNRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position date.

Cost signifies in relation to:

Raw and packing material	- Purchase cost on average basis
Finished goods and work-in-process	- Cost of direct material, labor and proportion of manufacturing overheads
Stock-in-transit	- Invoice value plus other charges paid thereon up to the statement of financial position date

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads.

Provision, if required is made in the consolidated financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

4.5 Trade debts

Trade debts are recognized at invoice amount less provision for any uncollectible amounts. Provision for impairment is based on the management's assessment of customers / parties outstanding balances and credit worthiness. Bad debts are written off when there is no realistic prospect of recovery.

4.6 Cash and cash equivalents

These are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term borrowings.

4.7 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.8 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

4.9 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

4.10 Taxation

Current

Provision for current tax is based on the taxable income in accordance with Income Tax Ordinance, 2001.

Deferred

Since the major portion of income of the Group is subject to tax under Final Tax Regime, no deferred tax liability has been accounted for in these consolidated financial statements as the Group's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales, whereas, temporary differences in respect of other income are expected to be negligible.

4.11 Staff benefits

Defined contribution plan

The Group operates an approved defined contribution provident fund for its eligible employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary.

Employees' compensation absences

The Groupaccounts for the liability in respect of employees' compensated absences in the year in which these are earned.

4.12 Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

4.13 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Groupand revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable.

Sales are recognized on dispatch of goods to customers.

4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.15 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

4.16 Financial instruments

All financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument and are de-recognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

4.17 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if and only if, the Group has a legally enforceable right to setoff the recognized amounts and the Group intends to settle either on a net basis or realize the asset and settle the liability simultaneously. Incomes and expenses arising from such assets and liabilities are also set off accordingly.

4.18 Functional and presentation currency

These consolidated financial statements are prepared in Pak Rupees, which is the Group's functional and presentation currency.

4.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.20 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the consolidated financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the consolidated financial statements in the period in which such transfers are made.

5 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance withthe IFRS Standards requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Group's policy for surplus on revaluation of freehold and leasehold land stands amended as follows:

- Increases in the carrying amounts arising on revaluation of freehold and leasehold land are recognized in other comprehensive income and accumulated in reserves in shareholders' equity.

  To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at 30 June 2017			As at 30 June 2016		
Effect on statement of financial position	**As previously reported**	**As re-stated**	**Re-statement**	**As previously reported**	**As re-stated**	**Re-statement**
	(Rupees in '000)					
Revaluation surplus on property, plant & equipment	1,499,008	-	(1,499,008)	1,080,662	-	(1,080,662)
Share capital and reserves	-	1,499,008	1,499,008	-	1,080,662	1,080,662
Effect on statement of changes in equity						
Changes in equity	-	1,499,008	1,499,008	-	1,080,662	1,080,662

	For the year ended 30 June 2017		
	As previously reported	**As re-stated**	**Re-statement**
	(Rupees in '000)		
Effect on statement of other comprehensive income			
Surplus on revaluation of property, plant and equipment	-	418,346	418,346

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

	Note	2018	2017
		(Rupees in '000)	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**8,939,671**	7,412,659
Capital work-in-progress	6.7	**1,907,307**	849,492
		10,846,978	8,262,151

6.1 **Operating fixed assets**

	Free hold land	Building on Freehold Land	Lease hold land	Building on Leasehold Land	Leasehold improvements	Plant & Machinery	Electric fittings / Equipments	Office Equipment	Computers	Furniture and Fixtures	Vehicles	Arms and Ammunitions	Sub Total
As at July 01, 2016													
Cost	308,038	148,250	1,090,043	969,993	64,381	6,611,739	250,212	78,088	94,556	43,571	207,174	43	9,866,088
Accumulated depreciation	-	(88,840)	-	(441,923)	(6,190)	(3,120,008)	(124,521)	(26,596)	(64,643)	(25,427)	(72,706)	(34)	(3,970,888)
Net book value	**308,038**	**59,410**	**1,090,043**	**528,070**	**58,191**	**3,491,731**	**125,691**	**51,492**	**29,913**	**18,144**	**134,468**	**9**	**5,895,200**
Year ended June 30, 2017													
Opening net book value	308,038	59,410	1,090,043	528,070	58,191	3,491,731	125,691	51,492	29,913	18,144	134,468	9	5,895,200
Additions / transfers during the year	-	-	24,747	432,167	61,692	1,147,630	14,997	13,369	23,258	6,692	63,034	-	1,787,585
Transfer to intangible assets	-	-	-	-	-	(406)	-	(803)	(1,926)	-	-	-	(3,135)
Reclassification	-	-	-	-	-	3,513	(3,878)	368	-	-	-	(3)	-
Surplus on Revaluation	133,770	-	284,575	-	-	-	-	-	-	-	-	-	418,345
Adjustment	-	-	-	(1,213)	-	(13,000)	-	-	-	-	-	-	(14,213)
Disposals / transfers					-								
Cost	-	-	-	-	-	(341,008)	(25,560)	(7,105)	(5,934)	(7,317)	(20,424)	-	(407,348)
Accumulated depreciation	-	-	-	-	-	255,855	20,774	5,490	5,782	5,245	13,793	-	306,939
Net book value	-	-	-	-	-	(85,153)	(4,786)	(1,615)	(152)	(2,072)	(6,631)	-	(100,409)
Transfer to intangible assets	-	-	-	-	-	99	-	494	1,898	-	-	-	2,490
Reclassification	-	-	-	-	-	37	33	(219)	(1)	(30)	177	3	-
Depreciation for the year	-	(5,941)	-	(68,020)	(25,277)	(404,578)	(13,170)	(8,447)	(12,875)	(1,962)	(32,933)	(1)	(573,204)
Closing net book value	**441,808**	**53,469**	**1,399,365**	**891,004**	**94,606**	**4,139,873**	**118,886**	**54,639**	**40,115**	**20,772**	**158,114**	**8**	**7,412,659**
As at June 30, 2017													
Cost	441,808	148,250	1,399,365	1,400,947	126,073	7,408,468	235,771	83,917	109,954	42,946	249,783	40	11,647,322
Accumulated depreciation	-	(94,781)	-	(509,943)	(31,467)	(3,268,595)	(116,885)	(29,278)	(69,839)	(22,174)	(91,669)	(32)	(4,234,663)
Net book value	**441,808**	**53,469**	**1,399,365**	**891,004**	**94,606**	**4,139,873**	**118,886**	**54,639**	**40,115**	**20,772**	**158,114**	**8**	**7,412,659**
Year ended June 30, 2018													
Opening net book value	441,808	53,469	1,399,365	891,004	94,606	4,139,873	118,886	54,639	40,115	20,772	158,114	8	7,412,659
Additions / transfers during the year	-	-	151,364	451,441	94,588	1,554,706	22,098	7,190	25,010	12,503	59,460	-	2,378,360
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	40	-	-	-	(40)	-
Surplus on Revaluation	-	-		-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	(5)	-	5,732	-	-	-	-	-	-	5,727
Disposals / transfers													
Cost	-	-	-	-	-	(300,191)	-	-	-	-	(36,108)	-	(336,299)
Accumulated depreciation	-	-	-	-	-	201,743	-	-	-		22,571	-	224,314
Net book value	-	-	-	-	-	(98,448)	-	-	-	-	(13,537)	-	(111,985)
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	22	-	-	-	(32)	-	-	-	32	22
Depreciation for the year	-	(5,347)	-	(112,931)	(60,818)	(488,542)	(13,133)	(8,811)	(16,053)	(2,325)	(37,152)	-	(745,112)
Closing net book value	**441,808**	**48,122**	**1,550,729**	**1,229,531**	**128,376**	**5,113,321**	**127,851**	**53,026**	**49,072**	**30,950**	**166,885**	**-**	**8,939,671**
As at June 30, 2018													
Cost	441,808	148,250	1,550,729	1,852,383	220,661	8,668,715	257,869	91,147	134,964	55,449	273,136	-	13,695,111
Accumulated depreciation	-	(100,128)	-	(622,852)	(92,285)	(3,555,394)	(130,018)	(38,121)	(85,892)	(24,499)	(106,251)	-	(4,755,440)
Net book value	**441,808**	**48,122**	**1,550,729**	**1,229,531**	**128,376**	**5,113,321**	**127,851**	**53,026**	**49,072**	**30,950**	**166,885**	**-**	**8,939,671**
Annual rates of depreciation	**0%**	**10%**	**0%**	**10%**	**40% - 65%**	**10%**	**10%**	**15%**	**30%**	**10%**	**20%**	**15%**	

6.2 During the year ended 30 June 2017, four of the Group's plots of land were revalued resulting in surplus of Rs. 1,499.008 million. The valuation was carried out by an independent valuer- M/s Joseph Lobo (Private) Limited on May 22, 2017 on the basis of present market values for similar sized plots in the vicinity of land and replacement values of similar type of land based on present cost (level 2).

The different levels have been defined in IFRS 13 as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e., derived from prices) (level 2); and
- Inputs for the asset or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cashflows). (level 3).

Had there been no revaluation the net book value of freehold and leasehold land would have been Rs. 145.676 million and Rs. 196.490 million, respectively.

6.3 Forced Sale value as of 30 June 2017 of freehold and lease hold land is Rs. 441.808 million and Rs. 1,399.365 million, respectively.

6.4 Particular of Immovable Asset in the name of the Company are as follows:

Location	Addresses	Total Area (In acres)
Karachi	Plot # H-23/4-A and H-23-/4-B, Scheme # 3. Landhi Industrial Area, Landhi, Krachi	24.93
Karachi	Survey # 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 1 86 to 190, N.C # 92, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi	149.225
Karachi	Plot No. 342-A, Haroonabad Industrial Area, Karachi (200 Squar yards)	0.04
Baluchistan	Plot# D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochistan	18.75

	2018	2017
	-------**(Rupees in '000)**-------	
6.5 Depreciation charge for the year has been allocated as under:-		
Cost of sales	**672,284**	529,187
Administrative cost	**72,828**	44,017
	745,112	573,204

6.6 Details of disposal of property, plant and equipment having book value of more than Rs. 500,000 during the year are as follows:

Particular	Cost	Accumulated Description	Book Value	Sale Proceed	Gain / (Loss)	Mode of Disposal	Particulars of purchasers
Plant and Machinery							
Gas Generator Waukesha Model VHP 7100G, 793.75 kva or 635kw	21,604	18,484	3,120	1,050	(2,070)	Negotiation	QSB Enterprises
Dryer Monfort Stenter Frame Type Montex	7,385	4,238	3,147	4,100	953	Negotiation	Shafiq Afridi
Winding Machine Autocone (Murata) 7-V 50 ut +Payer+OverHead	4,466	3,477	989	500	(489)	Negotiation	Ashraf Ali
Yarn Steaming - Steamer (Welker)	3,244	2,607	637	600	(37)	Negotiation	Ashraf Ali
Boiler Gresham - 10 Ton (WHR)	12,256	8,942	3,314	700	(2,614)	Negotiation	Mazhar Abbas
Turbine Gas P&W ST-18 +Panel+GasCompressor+HTTransf+Oil	56,898	34,769	22,129	5,300	(16,829)	Negotiation	Mazhar Abbas
Gas Generators Deutz MWM 1.4 MW	13,045	6,618	6,427	2,000	(4,427)	Negotiation	Electro Power Engineering
Gas Generators Deutz MWM 1.4 MW	16,399	8,394	8,005	2,500	(5,505)	Negotiation	Electro Power Engineering
Weaving Machine Sulzer G-6300 # 38 + Batching Unit	7,513	6,074	1,439	800	(639)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Sulzer G-6300 # 39 + Batching Unit	7,513	6,074	1,439	800	(639)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 59 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 62 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 64 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 54 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Weaving Machine Smit GS-900 # 57 Dobby + Batching Unit	5,843	3,693	2,150	950	(1,200)	Negotiation	Muhammad Ali Hashmani
Turbine Gas Kawasaki +Panel+Gas Compressor	15,216	9,382	5,834	3,500	(2,334)	Negotiation	Mazhar Abbas
Gas Compressor Austocold XRV-163-103 for Kawasaki Genset	8,104	6,373	1,731	450	(1,281)	Negotiation	Mazhar Abbas
Warping Machine Sectional SupertronicBeninger Creel Type I-Type	5,251	4,107	1,144	450	(694)	Negotiation	Shafiq Afridi
Hiedleberg Printing Machine	2,857	1,043	1,814	390	(1,424)	Negotiation	Mr. Jamil Ahmed
Gas Generators Cat G3516 C 1600EKW	26,446	19,167	7,279	1,500	(5,779)	Negotiation	Mr. Asad Bacha
Weaving Machine Sulzer TPS-600 # 3 Jacquard + Batching Unit	5,352	4,209	1,143	1,200	57	Negotiation	Mr. Muhammad Ali Hashmani
Weaving Machine Sulzer TPS-600 # 1 Jacquard + Batching Unit	5,352	4,209	1,143	1,200	57	Negotiation	Mr. Muhammad Ali Hashmani
Tumbler Dryer 75Kg.(Steam Based) Millat Engineering	1,290	340	950	300	(650)	Negotiation	Mr. Kashif Waheed
Compact Devices of Ring Frame Shanghai P&E EJM-168 (516 Sp)	16,829	10,891	5,938	950	(4,988)	Negotiation	Mr. Muhammad Iqbal Butt
Pad Steam Machine at Contineous Dyeing	11,706	6,432	5,274	900	(4,374)	Negotiation	Mr. Muhammad Shahid
Sub total	**277,941**	**184,295**	**93,646**	**33,940**	**(59,706)**		
Motor Vehicle							
Toyota Corolla Gli 588 Reg#. Bfe-528 1299 Cc	1,828	554	1,274	1,312	38	Ex-Employee	Mr. Muhammad Tasleem
Toyota Corolla Gli 588 Reg#. Bcw-449 1299Cc	1,753	776	977	1,349	372	Ex-Employee	Mr Imran Zaheer
Suzuki Cultus E-li VxrReg # Bgt-931 993Cc	1,169	308	861	1,103	242	Negotiation	Mr. Farrrukh Ejaz Sheikh
Suzuki Cultus VXR BEQ-396 993Cc	1,109	481	628	868	240	Ex-Employee	Mr. Azfar Naveed Ansari
Suzuki Mehran Reg. # BLN-436	802	53	749	802	53	Insurance Claim	EFU General Insurance Limited
	6,661	**2,172**	**4,489**	**5,434**	**945**		
Grand total of 2018	**284,602**	**186,467**	**98,135**	**39,374**	**(58,761)**		
Grand total of 2017	406,088	305,759	100,329	45,002	(55,327)		

*None of the directors or the Group has any relationship with the purchaser or employee

6.7 Capital work-in-progress

	2018			
	Opening balance	Additions	Transfers to operating assets / adjustment	Closing balance
	------------------	(Rupees in '000)	------------------	
Building on leasehold land	345,546	925,753	(451,441)	819,858
Plant and machinery	197,698	2,146,660	(1,456,105)	888,253
Furniture and fixtures	1,083	10,952	(11,577)	458
Equipments	7,468	38,065	(26,172)	19,361
Computer	-	589	(589)	-
Leasehold improvements	-	94,588	(94,588)	-
Advances to suppliers	297,697	-	(118,320)	179,377
	849,492	3,216,607	(2,158,792)	1,907,307

	2017			
	Opening balance	Additions	Transfers to operating assets / adjustment	Closing balance
	(Rupees in '000)			
Building on leasehold land	290,749	486,964	(432,167)	345,546
Plant and machinery	270,827	994,401	(1,067,530)	197,698
Furniture and fixtures	543	3,423	(2,883)	1,083
Equipments	16,072	14,657	(23,261)	7,468
Leasehold improvements	-	61,692	(61,692)	-
Advances to suppliers	276,472	21,225	-	297,697
	854,663	1,582,362	(1,587,533)	849,492

		Note	2018	2017
7	**INTANGIBLE ASSETS – Software**		(Rupees in '000)	
	Cost			
	Opening as at July 1		**36,058**	30,329
	Additions during the year		**1,956**	2,799
	Write-off/ transferred from operating fixed assets		**(2,799)**	2,930
	Closing balance		**35,215**	36,058
	Accumulated amortization			
	Opening as at July 1		**(33,083)**	(30,329)
	Charge for the year		**(262)**	(2,754)
	Closing balance		**(33,345)**	(33,083)
	Net book value as at June 30		**1,870**	2,975
	Annual rates of amortization		**20%**	20%

		Note	2018	2017
8	**STORES AND SPARES**		(Rupees in '000)	
	General stores		**373,210**	345,631
	Chemicals		**260,545**	205,684
	Packing stores		**143,465**	132,182
			777,220	683,497
	Stores and spares in transit		**40,954**	-
	Less: Provision for slow moving		**(185,464)**	(185,464)
			632,710	498,033
9	**STOCK-IN-TRADE**			
	Raw material		**1,575,528**	1,543,479
	Work-in-process		**1,470,271**	1,574,768
	Finished goods		**846,471**	519,463
			3,892,270	3,637,710
10	**TRADE DEBTS – considered good**			
	Export	10.1	**5,171,521**	4,342,906
	Local		**19,971**	11,287
			5,191,492	4,354,193

10.1 Particulars of export sales

	Confirmed LC	Documentary Collection	Others	Total
	(Rupees in '000)			
North America	2,037,808	1,070,620	1,767,212	4,875,640
Europe	56,701	56,181	152,363	265,245
Asia	10,413	17,619	-	28,032
Australia	2,604	-	-	2,604
2018	2,107,526	1,144,420	1,919,575	5,171,521
North America	1,089,187	1,011,052	1,980,647	4,080,886
Europe	16,164	58,833	102,308	177,305
Africa	33,620	-	-	33,620
Asia	25,845	20,020	-	45,865
Australia	5,230	-	-	5,230
2017	1,170,046	1,089,905	2,082,955	4,342,906

There are no defaulting parties as of 30 June 2018.

11 Advances, deposits, prepayments and other receivables

	Note	2018	2017
		(Rupees in '000)	
Advances			
- suppliers	11.1	313,181	203,128
- employees		575	544
		313,756	203,672
Deposits			
Security deposit: related party		27,587	26,587
others		-	15,644
		27,587	42,231
Prepayments		7,562	9,648
Other receivables			
Sales tax refundable		299,027	292,521
Export rebate / duty drawback		352,527	374,195
Due from Government	11.2	1,121,347	669,948
Others		21,509	24,505
		1,794,410	1,361,169
		2,143,315	1,616,864

11.1 These represents interest free advances to suppliers having maturity latest by August 2018

Jusrisdiction	Name
North America	Uster Technologies Inc.
Europe	Cosme S.R.L. Elnec S.R.O. Hidramatic, Sau James Heal Mapro International Spa Prinz Polska Sp Z.O.O Schlafhorst Zweignieder lassung Der Saurer Germany Gmbh& Co. Kg SmitSrl Willy Grob Ag
Asia	Cangzhou Hengjia Pipeline Co, Ltd Checkpoint Apparel Labeling Solutions India Private Limited Hangzhou Vision Industrial Co, Ltd Jiaozuo Yuanbo Environment Protection Technology Co, Ltd Kaulin Mfg Co. Ltd. Peass Industrial Engineers Pvt Ltd Pegasus Sewing Machine Pte Ltd. Perfect Engineering Corporation Unionfull Group Ltd Winwin Machinery (Shanghai Pudong New Area) Co, Ltd Zhengzhou Guolian Machinery Co, Ltd Zhuoli Imaging Technology Co, Ltd Tariq International Ltd Fzc

		Note	2018	2017
			------- (Rupees in '000) -------	
11.2	**Due from government**			
	- DLTL receivable		**951,098**	583,139
	- Technology Upgradation Fund Scheme		**122,560**	83,666
	- Others		**47,689**	3,143
			1,121,347	669,948
12	**CASH AND BANK BALANCES**			
	Cash in hand		**2,826**	2,393
	Cash at bank - current accounts		**200,708**	91,337
			203,534	93,730

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
Number of Shares				
116,728,612	116,728,612	Ordinary shares of Rs. 10/- each Fully paid in cash	**1,167,286**	1,167,286
859,020	859,020	Issued as bonus shares	**8,590**	8,590
259,213,336	259,213,336	Issued against consideration other than cash –assets	**2,592,133**	2,592,133
376,800,968	376,800,968		**3,768,009**	3,768,009

13.1 As at June 30, 2018, institutions and others held 71 and 376,800,897 shares, respectively (June 30, 2017: 4,071 and 376,796,897).Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

14 LONG TERM FINANCING - secured

	Note	2018	2017
		(Rupees in '000)	
Term loans	14.1	**912,842**	547,150
Current portion		**(162,508)**	(110,008)
		750,334	437,142

14.1 Term loans

Banks	Term	Repayment period	2018	2017
Habib MetropolitanBank Limited	8 half yearly	2015-2020	**14,245**	19,945
	8 half yearly	2016-2021	**18,000**	24,000
	8 half yearly	2016-2021	**39,524**	52,700
	10 half yearly	2016-2021	**110,000**	110,000
	10 half yearly	2017-2023	**79,500**	-
	10 half yearly	2017-2023	**36,000**	-
	10 half yearly	2017-2023	**22,000**	-
	10 half yearly	2017-2023	**24,500**	-
	10 half yearly	2017-2023	**35,000**	-
	10 half yearly	2017-2023	**54,000**	-
	10 half yearly	2017-2023	**54,000**	-
	10 half yearly	2018-2024	**42,000**	-
Faysal Bank Limited	16 Quarterly	2016-2021	**37,234**	49,650
	16 Quarterly	2016-2021	**15,748**	21,000
	16 Quarterly	2016-2021	**28,500**	44,900
	16 Quarterly	2016-2021	**33,676**	38,000
	16 Quarterly	2016-2021	**49,048**	65,400
	16 Quarterly	2016-2021	**91,167**	121,555
	20 Quarterly	2018-2024	**22,300**	-
	20 Quarterly	2018-2024	**40,400**	-
	20 Quarterly	2018-2024	**31,000**	-
	20 Quarterly	2018-2024	**35,000**	-
			912,842	547,150

14.2 These loans have been obtained for acquiring imported and local textile machinery. The rate of markup ranges from 2.5% to 3% (2017: 2.5% to 3%) per annum. These are secured against specific charge on plant and machinery.

15 TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in '000)	
Creditors	16.1	**1,445,663**	1,512,333
Accrued liabilities [including GIDC Cess of Rs. 1,483 (2017: Rs. 1,081) million]		**1,977,099**	1,410,544
Workers' profits participation fund	16.2	**136,693**	129,775
Workers' welfare fund		**76,605**	59,919
Advance from customers		**14,507**	29,092
Payable to provident fund		**15,577**	13,619
Others		**35,775**	22,006
		3,701,919	3,177,288

15.1 This include an amount of Rs. 106.37 million (2017: Rs. 149.58 million) payable to related parties.

	Note	2018	2017
		(Rupees in '000)	
15.2 Workers' profits participation fund (WPPF)			
Opening balance		**129,775**	213,043
Interest on WPPF		**85**	41
Charge for the year		**136,641**	129,775
		266,501	342,859
Less: Payment during the year		**(129,808)**	(213,084)
Closing balance		**136,693**	129,775
16 SHORT-TERM BORROWINGS - secured			
Finance against import / export	**16.1**	**2,550,000**	500,000

16.1 Represents utilized portion of export finance and running finance facilities amounting to Rs 6,310 million (June 30, 2017: Rs. 5,810 million) and Rs. 180 million (June 30, 2017: 180 million) respectively, repayable / renewable latest by April 1, 2018. These carry mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 0.5% per annum and 3 months KIBOR plus 0.25% to 1.50% per annum, respectively. These are secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Holding Company

	2018	2017
	(Rupees in '000)	
17 ACCRUED MARK-UP		
Long term financing	**5,521**	3,432
Short term borrowings	**13,121**	1,710
	18,642	5,142

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

No contingencies exist as at reporting date.

18.2 Commitments

	2018	2017
18.3 - Outstanding letters of credit	**334,948**	127,702
- Outstanding letters of guarantee	**652,453**	420,746
- Capital expenditure	**615,950**	1,091,563
19 SALES - net		
Local	**326,525**	223,224
Export	**21,213,874**	20,519,708
	21,540,399	20,742,932
Export rebate	**321,075**	273,691
	21,861,474	21,016,623
Less:		
Sales tax	**(12,296)**	(7,988)
Trade discounts	**(73,731)**	(71,304)
	(86,027)	(79,292)
	21,775,447	20,937,331

		Note	2018	2017
			(Rupees in '000)	
20	**COST OF SALES**			
	Opening stock of finished goods		519,463	545,215
	Add: cost of goods manufactured	20.1	17,276,760	16,037,253
			17,796,223	16,582,468
	Less: closing stock of finished goods		(846,471)	(519,463)
			16,949,752	16,063,005
20.1	**Cost of goods manufactured**			
	Raw material consumed	20.1.1 & 11.2	9,385,318	9,621,948
	Stores and spares consumed		2,545,052	2,439,399
	Salaries, wages and other benefits		2,815,701	2,330,652
	Fuel, power and water	20.1.2	1,476,080	1,418,124
	Insurance expense		28,252	21,912
	Repair and maintenance		37,754	84,503
	Vehicle running expenses		14,358	11,214
	Communication and transportation		50,955	43,518
	Rent expenses		109,172	105,716
	Other manufacturing expenses		37,076	34,314
	Amortization		261	461
	Depreciation	6.5	672,284	529,187
			17,172,263	16,640,948
	Opening work-in-process		1,574,768	971,073
	Closing work-in-process		(1,470,271)	(1,574,768)
			17,276,760	16,037,253
20.1.1	**Raw material consumed**			
	Opening stock		1,543,480	1,530,681
	Purchases during the year		9,417,366	9,634,746
			10,960,846	11,165,427
	Less: closing stock		(1,575,528)	(1,543,479)
			9,385,318	9,621,948
21	**ADMINISTRATIVE COST**			
	Salaries and benefits	21.1	640,119	526,737
	Repairs and maintenance		26,504	21,494
	Rent, rates, taxes and license fee		31,576	15,091
	Vehicle running expenses		29,013	23,515
	Conveyance and traveling		9,423	25,815
	Utilities		17,796	14,833
	Printing and stationery		709	1,012
	Postage, telegram and telephone		21,466	20,723
	Legal and professional		18,322	17,976
	Fees and subscriptions		11,670	12,516
	Amortization		173	8
	Depreciation	6.5	72,828	44,017
	Miscellaneous expenses		69,337	68,345
			948,936	792,082

21.1 This includes amount of Rs. 28.22 million (2017: Rs. 22.92 million) in respect of staff retirement benefits.

		Note	2018	2017
			(Rupees in '000)	
22	**DISTRIBUTION COST**			
	Salaries and benefits	**22.1**	**117,970**	79,551
	Freight and insurance		**237,497**	190,788
	Inspection and forwarding charges		**146,503**	169,197
	Marketing and other related expenses		**932,488**	931,637
	Export development surcharge		**55,437**	47,532
	Others		**3,256**	2,340
			1,493,151	1,421,045

22.1 This includes amount of Rs. 5.91 million (2017: Rs. 3.54 million) in respect of staff retirement benefits.

		Note	2018	2017
23	**OTHER INCOME / (EXPENSES) – net**		(Rupees in '000)	
	Loss on disposal of property, plant and equipment		**46,530**	54,688
	Workers' profit participation fund		**136,641**	129,775
	Workers' welfare fund		**16,686**	16,019
	Donations	**23.1**	**10,100**	15,763
	Exchange differences on realization of export receivables		**(718,671)**	(60,878)
	Auditors' remuneration	**23.2**	**2,380**	1,238
			(506,334)	156,605

23.1 Represents donation made to Citizens-Police Liaison Committee, The Indus Hospital and Patients' Welfare Association. None of the directors and their spouses had any interest in these donations.

		2018	2017
23.2	**Auditors' remuneration**	(Rupees in '000)	
	Audit fee	**1,830**	938
	Half yearly review	**500**	200
	Other certification	**50**	100
		2,380	1,238
24	**FINANCE COST**		
	Mark-up / interest on		
	- Long term financing	**20,741**	13,353
	- Short term borrowings	**22,668**	2,347
	- WPPF	**85**	41
		43,494	15,741
	Bank charges	**42,236**	39,298
		85,730	55,039
25	**TAXATION**		
	Current	**64,931**	130,765
	Prior	**(12,846)**	(170,742)
		52,085	(39,977)

25.1 The Group has filed its return of income up to tax year 2017. The return so filed is deemed to be an assessment order issued by the Taxation Authorities on the date the complete return is filed. The Group is subject to Final Tax Regime under Section 169 of the Income Tax Ordinance, 2001, therefore, relationship between income tax expense and accounting profit has not been presented.

25.2 Managements' assessment of Tax Provision

The Group computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

	Provision for taxation	Tax assessed	Excess / (Short)
	---------(Rupees in '000)---------		
2017	240,595	212,199	28,396
2016	221,968	222,095	(127)
2015	201,988	184,871	17,117

26 EARNINGS PER SHARE – basic and diluted

	2018	2017
	-------(Rupees in '000)---------	
Net profit after the year	**2,752,127**	2,489,677
Weighted average number of ordinary shares in issue	**376,800,968**	376,800,968
Earnings per share-basic	**Rs. 7.30**	Rs. 6.61

26.1 There is no dilutive effect on basic earnings per share of the Group.

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018				2017			
	(Rupees `000)							
Particular	Chief Executive	Directors	Executives	Total	Chief Executive	Director	Executive	Total
Managerial Remuneration	**18,886**	**-**	**391,484**	**410,370**	14,715	-	256,688	271,403
Bonus	**1,200**	**-**	**24,491**	**25,691**	948	-	15,135	16,083
Retirement benefits	**1,259**	**-**	**22,879**	**24,138**	1,026	-	14,754	15,780
Fees	**-**	**5,950**	**-**	**5,950**	-	6,770	-	6,770
	21,345	**5,950**	**438,854**	**466,149**	16,689	6,770	286,577	310,036
Numbers	1	-	102	103	1	-	66	67

28.1 The Chief Executive, directors and certain executives are provided with the Company's maintained cars.

28.2 The meeting fees has been paid to non-executive directors only others than that on remuneration has been paid to non-executive directors.

29 Provident fund disclosures

	2018 Unaudited	2017 Audited
	-------(Rupees in '000)---------	
Size of the trust	**649,504**	609,656
Cost of investment	**626,599**	545,777
Fair value of investment	**610,183**	559,107

	2018	2017
	----------- Percentage ----------	
Percentage of investment made	**96%**	89.5%

Major categories of investment of provident fund are as follows:

	2018 Unaudited Investment (Rupees in '000)	2018 Unaudited % of investment as size of the fund	2017 Audited Investment (Rupees in '000)	2017 Audited % of investment as size of the fund
Shares in listed Companies	17,242	2.8	-	-
Mutual fund	153,325	25.2	152,549	27.3
Investment in fixed deposit	439,616	72.0	356,223	63.7
Sukuk&Ijara Certificates	-	-	50,335	9.0
	610,183	100	559,107	100

28.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the rules formulated for this purpose.

	Note	2018	2017
		(Rupees in '000)	
29 CASH AND CASH EQUIVALENTS			
Cash and bank balance	12	**203,364**	92,931
Short term borrowings	16	**(2,550,000)**	(500,000)
		(2,346,636)	(407,069)

30 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise subsidiaries, associates, directors, major shareholders of the Group, key management personnel and staff provident fund. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

30.1 Relationship	**Nature of transaction**	**2018**	**2017**
		(Rupees in '000)	
Associates	Sale of goods	**1,162,895**	935,465
	Purchases	**6,344**	20,653
	Marketing and other related expenses	**1,033,367**	1,063,713
	Net payable	**69,035**	122,850

Following are the related parties with whom the Group had entered into transactions or have arrangement / agreement in place

S.No	**Company Name**	**Basis of Association**	**Aggregate % of shareholding**
1	1888 Mills, USA	Associate (common directorship)	-
2	Central Services Company Private Limited	Associate (common directorship)	-
3	Friendship Private Limited	Associate (common directorship)	-
4	Friendship Dairies Private Limited	Associate (common directorship)	-
5	UTI Industries Private Limited	Associate (common directorship)	-

	2018	2017
	(Rupees in '000)	
Key Management Personnel		
Remuneration paid	**44,390**	32,424
Post-employment benefits	**2,761**	1,649

30.2 Associated Companies Incorporated Outside Pakistan

Name& Address	Basis of Association	Chief Executive	Operational Status	Auditors' Opinion
1888 Mills LLC USA 1520 Kensington Road Suite 115 Oakbrook IL 60523 Aurora United States of America	Common Directorship	Johnathan R. Simon	Active	Unmodified Opinion

30.3 Particulars of Major Foreign Shareholders Holding More Than 5% of Paid-Up in the Group

Name& Address	Legal Status	Chief Executive	Name and Particulars of Pakistani Resident associated with Shareholder
1888 Mills LLC USA - 1 520 Kensington Road Suite 115 Oakbrook IL 60523 Aurora United States of America	Limited Liability Company	Johnathan R. Simon	Rehan Rahman–CEO of the Company
Grangeford Limited - P.O Box 32, Road Town, Tortola, British Virgin Island	International Business Company	Abdul Rehman Yaqoob	Rehan Rahman–CEO of the Company

32 PRODUCTION CAPACITY IN METERS

Towel	Looms	Capacity	Actual
2018	**319**	**113,141,407**	**102,454,891**
2017	307	111,237,319	104,218,395

31.1 Actual production achieved is lower than the capacity due to change in product mix caused by orders.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks i.e. market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The Group's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

32.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk, such as equity risk.

32.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Group are obtained in the functional currency. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss:

	2018	2017
	(Rupees in '000)	
Long term financing	**912,842**	547,150
Short-term borrowing	**2,550,000**	500,000
	3,462,842	1,047,150

32.1.2 Currency risk

Currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to the risk of changes in foreign exchange rates relate primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency).

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows:

	2018 USD	2017 USD
Trade debts	**42,314**	41,470
Trade Payable	**(1,227)**	(2,373)
	41,087	39,097

The following significant exchange rates have been applied:

2018 USD to PKR				2017 USD to PKR			
Reporting date Rate		Average rate		Reporting date Rate		Average rate	
buying	selling	buying	selling	buying	selling	buying	selling
121.40	**121.60**	**110.43**	**110.63**	106.40	106.70	104.55	104.75

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against USD and PKR against Euro at 30 June would have decreased / increased post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2018	2017
	(Rupees in '000)	
Effect on profit		
USD 10%	**(498,755)**	(417,165)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and assets and liabilities of the Group.

32.1.3 Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. The Group does not have investment in quoted securities.

32.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2018	2017
	(Rupees in '000)	
Long term deposits	**8,333**	7,103
Trade debts	**5,191,492**	4,354,193
Advances and other receivables	**370,414**	280,200
Bank balances	**200,708**	91,337
	5,770,947	4,732,833

Quality of financial assets

The credit quality of financial assets that can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2018	2017
	(Rupees in '000)	
Bank balances		
A1+	**176,563**	23,264
A-1+	**24,145**	68,073
	200,708	91,337

	2018	2017
	(Rupees in '000)	
Trade debt		
The aging of trade debts at the statement of financial position date was:		
Not past due	**4,652,848**	3,682,171
Past due 1-60 days	**538,644**	672,008
Past due 61 days -90 days	**-**	9
More than 90 days	**-**	5
	5,191,492	4,354,193

32.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2018	Upto 1 year	1 – 5 years	More than five years	Total
	(Rupees in '000)			
Long term financing	**162,508**	**685,694**	**64,640**	**912,842**
Trade and other payables	**3,488,621**	**-**	**-**	**3,488,621**
Accrued mark-up	**18,641**	**-**	**-**	**18,641**
Short term borrowings	**2,550,000**	**-**	**-**	**2,550,000**
	6,219,770	**685,694**	**64,640**	**6,970,104**

2017	Upto 1 year	1 – 5 years	More than five years	Total
	(Rupees in '000)			
Long term financing	110,008	415,142	22,000	547,150
Trade and other payables	2,987,593	-	-	2,987,593
Accrued mark-up	5,142	-	-	5,142
Short term borrowings	500,000	-	-	500,000
	3,602,743	415,142	22,000	4,039,885

	01 July 2017	Cash flows	30 June 2018
	(Rupees in '000)		
Long term financing	547,150	365,692	912,842

32.4 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements appropriate their fair values.

32.5 Capital risk management

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2018 and 2017 are as follows:

	2018	2017
	(Rupees in '000)	
Long-term financing	**750,334**	437,142
Accrued Markup	**18,642**	5,142
Short-term borrowings	**2,550,000**	500,000
Total debt	**3,318,976**	942,284
Cash and cash equivalents	**(203,534)**	(93,730)
Net debt	**3,115,442**	849,353
Share capital	**3,768,009**	3,768,009
Reserves	**12,399,254**	10,739,820
Total capital	**16,167,263**	14,507,829
Capital and net debt	**19,828,705**	15,356,293
Gearing ratio	**16.16%**	5.53%

33 OPERATING SEGMENTS

These unconsolidated financial statements have been prepared on the basis of a single reportable segment.

- Revenue from export sales represents 98.45% (2017: 99.55%) of the total gross revenue of the Group.
- All non-current assets of the Group at June 30, 2018 are located in Pakistan.
- Sales made by the Group to two customers which constitutes 41% and 20%, respectively.

34 DIVIDEND AND APPROPRIATIONS

34.1 Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on August 04, 2018 has proposed final cash dividend @ Rs. 2.45 per share amounting to Rs. 923.162 million (2017: Rs. 1.70 per share amounting to Rs. 640.561 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Re. 1.20 per share amounting to Rs. 452.161 million (2017: 376.801 million) approved by the Board of Directors for the year ended June 30, 2017.

34.2 The Finance Act, 2017 introduced a tax on every public Company at the rate of 7.50% on profit before tax if the Group fails to distribute at least 40% of its profit after tax as cash or stock dividend within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Group has proposed / approved cash dividend amounting to Rs. 1,375 million for the financial and tax year 2018 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Group believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2018.

35 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2018		2017	
	-------(Number)-------			
	Total	Factory	Total	Factory
Total number of employees as at June 30	**3,693**	**3,597**	3,103	3,100
Average number of employees during the year	**3,575**	**3,557**	3,069	3,067

36 DATE OF AUTHORIZATION FOR ISSUE

These consolidatedfinancial statements were authorized for issue on 04 August 2018 by the Board of Directors of the Group.

37 GENERAL

37.1 All figures in the consolidated financial statements are rounded off to the nearest thousand.

37.2 As the subsidiary company was incorporated on April 20, 2017, hence the corresponding figures for 2016 have been given of the Holding Company.

KHALEEQUR RAHMAN	**REHAN RAHMAN**	**MUHAMMAD FAHEEM**
DIRECTOR	CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER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SECP
*Mobile apps are also available for download for android and ios devices

Feroze1888 Mills Limited

PROXY FORM

I/We, ____

of ____

being a member of **FEROZE1888 MILLS LIMITED** holding ____________________

ordinary shares hereby appoint ______________________________

as per Share Register Folio No, ____________ and/or CDC Participant I.D. No. ____________

and Sub Account No. ____________ hereby appoint ______________________________

of ____

another member of the Company, as my/our proxy to vote for me/us and my behalf at the **46th Annual General Meeting** of the Company to be held at B-4/A, SITE, Karachi on Monday, October 15, 2018 at 10:00 a.m. and at any adjournement thereof.

Signed this ______________ day of __________ 2018.

Signed ______________________________

Please affix Rs. 5/-
Revenue
Stamp

WITNESSES:

1. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC or ____________________
   Passport No. ____________________

2. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC or ____________________
   Passport No. ____________________

Note :

- A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy should be a member of the Company.
- If a member is unable to attend the meeting, he/she/they may complete and sign this form and send it to the Company Secretary at the Registered Office so as to reach not less than 48 hours before the time appointed for holding the meeting.
- For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met:

(i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
(ii) Attested copies of NIC or the passport of the beneficial owner(s) and the proxy shall be proved with the proxy form.
(iii) The proxy shall produce his/her CNIC or original passport at the time of the meeting.
(iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Feroze1888 Mills Limited

کمپنی سیکریٹری
فیروز ۱۸۸۸ ملز لمیٹڈ
کراچی

پراکسی فارم

میں/ ہم --
ساکن --
بحیثیت ممبر (ز) فیروز ۱۸۸۸ ملز لمیٹڈ اور حق ملکیت رکھتے ہوئے --
عمومی شیئرز جس کا اندراج رجسٹر فولیو نمبر ------------------ اور ذیلی اکاؤنٹ نمبر ---------------- اپنی جانب سے نامزد کرتا ہوں
-- کو
ساکن سے --
اور ان کے نہ جانے پر مسمی/ مسماۃ --
ساکن ------------------------------ بطور پراکسی مقرر کرنا/ کرتے ہیں تا کہ وہ میری/ ہماری جگہ اور میری/ ہماری طرف سے کمپنی کے 46ویں سالانہ عام اجلاس بمقام رجسٹرڈ آفس B-4/A, SITE, Karachi 15 اکتوبر 2018 بوقت 10:00 بجے منعقد ہو رہا ہے، اس میں یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

بطور میرے/ ہمارے گواہ -------------------------- کو بتاریخ -- 2018
کو مندرجہ بالا کے لیے نامزد کیا گیا ہے -- موجودگی میں

دستخط ------------------
(دستخط کا کمپنی میں رجسٹرڈ نمونے سے مماثلت رکھنا ضروری ہے)

درست رقم کا ٹکٹ
چسپاں کریں
دستخط

(گواہ)
دستخط ------------------
نام ------------------
پتہ ----------------------------
شناختی کارڈ نمبر ------------------------
پاسپورٹ نمبر --------------------

(گواہ)
دستخط ------------------
نام ------------------
پتہ ----------------------------
شناختی کارڈ نمبر ------------------------
پاسپورٹ نمبر --------------------

نوٹ :
- پراکسیز کے مؤثر ہونے کے لیے لازمی ہے کہ وہ کمپنی کے رجسٹرڈ آفس یا شیئر رجسٹرار کو مہر شدہ اور دستخط کے ساتھ اجلاس سے کم از کم 48 گھنٹے قبل موصول ہو جائیں۔
- سی ڈی سی شیئر ہولڈرز اور ان کی پراکسیز سے درخواست کی جاتی ہے کہ کمپنی کو جمع کروانے سے قبل اس پراکسی فارم کے ساتھ اپنا کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی نقل جمع کروائیں۔

[redacted]

Feroze1888 Mills: Annual Report 2018

Together We Achieve
Together We Prosper