



FEROZE1888 MILLS LIMITED

**Financial Statements
For The Nine Months Ended
March 31, 2014**



Feroze1888 Mills Limited

Company Information

Board of Directors	: Anas Rahman - Chief Executive Jawed Yunus Tabba Jonathan R.Simon Khaleequr Rahman - Chairman Pervez Saeed Perwez Ahmed Shabbir Ahmed Sheikh Zafar Ahmed
Audit Committee	: Jawed Yunus Tabba - Member Pervez Saeed - Chairman Perwez Ahmed - Member
Human Resourece & Remuneration Commttee	: Anas Rahman Jawed Yunus Tabba Khaleequr Rahman Shabbir Ahmed
Company Secretary	: Abdul Aleem, FCA
Bankers	: Bank Al Habib Limited Habib Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited
Auditors	: Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants 180-A, S.M.C.H.S. Karachi
Legal Advisor	: M. Adam Patel & Co.
Share Registrar	: FAMCO Associates (Pvt.) Ltd. 8-F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shakra-e-Fiasal, Karachi
Registered Office	: H-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi.
Website	: www.feroze1888.com



Feroze 1888 Mills Limited

Directors' Report

Your directors are pleased to present the un-audited financial statements for the three months ended on March 31, 2014.

Operational and Financial Performance

With the grace of Almighty Allah, like the two previous quarters the operational performance of your company were on track and as per plans without any setback and we were able to produce and sale substantially the similar quantities as in the previous two quarters with more operational efficiencies and addition of value added products.

In spite of continued operational successes your company was not able to earn profit of same volume as it was able to earn in the previous quarters due to sudden and sharp rupee appreciation. In the quarter under review in a very short span of time, revaluation or appreciation of rupee versus US dollar has been witnessed with net impact of more than 11 percent in few weeks which is historic in nature and unprecedented in last many years. Though these changes are expected to be gradual, however, rapid revaluation has been witnessed for the very first time and has virtually paralyzed the sector, as we were not able to foresee, react and even make proactive decisions. In all honesty all projections, theories and forecasts failed and it acted like tsunami and we find ourselves nothing but helpless. Resultantly your company earned Rs. 262.4 million whereas the profit earned in the period from July to December 2013 was Rs. 990.9 million. A Company like us who has to sell on credit from 30 to 120 days has not suffered only account of current sales but have to take the burden for prior months' sales as well and all the shock has been absorbed either by the quarter under review or would reflect in following months. The management as a continued practice made all out efforts to keep the all other manufacturing costs, administrative and selling cost under control and those are reflecting the same pattern as in the last quarter and this effective control has helped from further erosion of profit.

Future Outlook

The tenure, during which the change of rupee dollar parity had happened, has not left manufacturers with enough time to make business decisions going forward. There seems to be high speculation as to the direction of the dollar and no one can say for sure if any foreign inflows or outflows will impact the direction of the dollar as seen in the past. The decision and strategy made behind the closed doors is unknown and can only be guessed. The serious and only concern is the erratic movement in the dollar as it was just not realized that any economy and specially export sector needs time to absorb negative revaluation and sudden changes have irreparable and negative impact on the exporting industry. It is precisely for this sole reason that even strong economy in our neighborhood never gone for more than 1-2 percent revaluation at a time in spite of persistent pressure and demand. It is quite obvious that the on the cost side the benefits begins to be available gradually and obviously never proportionate and in textile value added sectors may be in months' time where cotton is purchased based on crop cycle and times to take price advantage etc. Every forum is now widely apprehending that this sharp and sudden appreciation will wreak our value-added exports. Our raw material cost, other material cost, utilities, administrative and finance cost would remain substantially same up to June, 2014 and unfortunately we are tied up as to sales value as well with our customers. Even beyond June 2014, except for raw material, we are not expecting cut in utilities prices in view of government's commitment with aid agencies and similarly no reduction in financing costs and rate of inflation is expected for many obvious reasons including state of economy analysis by the State Bank of Pakistan and others. Undoubtedly the appreciation so far occurred dented both our financial results and plans severely. Your company would not be earning at same rate as even in the quarter under review and unfortunately at the same time possibility of incurring loss during the last quarter can't be overruled altogether. Moreover we have to very carefully analyze our balancing and sustainability plans and any curtailment or deferment thereof would also affect the future earning potential of the Company.

Acknowledgement

The Directors are pleased to place on record their appreciation for the contributions made by the employees of the Company and also acknowledge the role of all the banks, customers, suppliers and other stakeholders for their continued support.

For and on Behalf of the Board

Khaleequr Rahman
Chairman

Karachi: April 28, 2014



Feroze 1888 Mills Limited

Condensed Interim Balance Sheet

As at March 31, 2014

	Unaudited March 31, 2014	Audited June 30, 2013
-----Rupees in thousand-----		
Share Capital and Reserves		
Authorized capital		
400,000,000 Ordinary shares of Rs.10/- each	4,000,000	4,000,000
Issued, subscribed and paid-up capital (376,800,968 ordinary shares of Rs. 10 each)	3,768,009	3,768,009
Reserves	758,663	758,663
Accumulated profit	2,089,154	1,138,038
	6,615,826	5,664,710
Surplus on revaluation of property, plant and equipment	1,080,662	1,080,662
Long term finance from banks	483,602	606,252
Current Liabilities		
Trade & other payables	3,211,806	1,802,672
Accrued markup	58,885	61,846
Short term borrowings	1,970,736	2,071,710
Current portion of long term finance	157,269	187,114
	5,398,696	4,123,342
	13,578,786	11,474,966
Non Current Assets		
Property, plant and equipment	4,905,657	4,545,236
Intangible assets	11,569	15,426
Long term investment	10	10
Long term deposit	5,349	5,300
	4,922,585	4,565,972
Current Assets		
Stores and spares	538,878	373,799
Stock-in-trade	4,420,298	3,464,152
Trade debts - considered good	2,667,960	2,222,197
Advances, prepayments and other receivables	719,512	772,681
Taxation - net	43,150	32,374
Cash and bank balances	266,403	43,791
	8,656,201	6,908,994
	13,578,786	11,474,966

The annexed notes 1 to 5 form an integral part of these condensed interim financial information.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director



Feroze 1888 Mills Limited
**Condensed Interim Profit and
Loss Account (Unaudited)**
For the Nine Months Ended March 31, 2014

	Nine Months		Three months	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees in thousand			
Sales	13,402,443	10,015,239	4,432,707	3,488,257
Cost of sales	(10,728,197)	(8,115,695)	(3,483,819)	(2,688,902)
Gross profit	2,674,246	1,899,544	948,888	799,355
Administrative cost	(406,835)	(354,940)	(147,184)	(122,034)
Distribution cost	(324,393)	(295,590)	(109,285)	(83,907)
Finance cost	(449,458)	(190,917)	(357,108)	(70,463)
	(1,180,686)	(841,447)	(613,577)	(276,404)
Operating profit	1,493,560	1,058,097	335,311	522,951
Other income/(charges)	(9,016)	2,710	(1,280)	2,216
Workers' funds	(85,249)	(61,326)	(20,248)	(29,322)
	(94,265)	(58,616)	(21,528)	(27,106)
Profit before taxation	1,399,295	999,481	313,783	495,845
Provision for taxation	(146,030)	(103,918)	(51,414)	(38,649)
Profit after taxation	<u>1,253,265</u>	<u>895,563</u>	<u>262,369</u>	<u>457,196</u>
Earning per share basic and diluted	<u>3.33</u>	<u>2.38</u>	<u>0.70</u>	<u>1.21</u>

The annexed notes 1 to 5 form an integral part of these condensed interim financial information.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director



Feroze1888 Mills Limited

Condensed Interim Statement of Other Comprehensive Income (Unaudited) For the Nine Months Ended March 31, 2014

	Nine Months		Three months	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Rupees in thousand.....			
Profit for the period	1,253,265	895,563	262,369	457,196
Other comprehensive income	-	-	-	-
Total comprehensive income for the nine months	<u>1,253,265</u>	<u>895,563</u>	<u>262,369</u>	<u>457,196</u>

The annexed notes 1 to 5 form an integral part of these condensed interim financial information.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director



Feroze 1888 Mills Limited

Condensed Interim Cash Flow Statement (Unaudited)

For the Nine Months Ended March 31, 2014

July 01, 2013 to July 01, 2012 to
March 31, 2014 March 31, 2013

.....Rupees in thousand.....

Cash flow from operating activities

Profit before tax for the period	1,399,295	999,481
Adjustment for non cash items		
Depreciation & amortization	273,688	266,827
Finance cost	449,457	190,917
Gain on disposal of property, plant and equipment	(749)	(3,030)
	722,396	454,714

Operating profit before working capital changes

2,121,691 1,454,195

Working Capital Changes

(Increase)/decreas in current assets

Stores and spares	(165,079)	(10,585)
Stock-in-trade	(956,146)	(716,244)
Trade debtors	(445,763)	(485,542)
Advances, prepayments and other receivables	53,169	(714,879)
Increase/(decrease) in current liabilities		
Trade and other payables	1,334,086	(92,543)
	(179,733)	(2,019,793)

Cash generated from/(used in) operating activities

1,941,958 (565,598)

Finance cost paid

(452,418) (190,315)

Income tax deducted

(156,806) (103,918)

(609,224) (294,233)

Net cash generated from/(used in) operating activities

1,339,782 (859,831)

Cash flow from investing activities:

Acquisition of property plant, and equipment	(653,149)	(146,130)
Sale proceeds on disposal of property, plant and equipment	23,647	11,391
Long term deposits	(49)	(40)

Net Cash used in investing activities

(629,551) (134,779)

Cash flow from financing activities

Dividend paid	(227,101)	(188,794)
Repayment of long term finance	(152,496)	(152,717)

Net Cash used in financing activities

(379,597) (341,511)

Net increase/(decrease) in cash and cash equivalent

323,586 (1,336,122)

Cash and cash equivalent at the beginning

(2,027,919) (1,592,499)

Cash and cash equivalent at the end

(1,704,333) (2,928,621)

Cash and Cash equivalents

Cash and bank balances 266,403 23,347

Short term borrowings

(1,970,736) (2,951,968)

(1,704,333) (2,928,621)

The annexed notes 1 to 5 form an integral part of these condensed interim financial information.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director



Feroze 1888 Mills Limited

Condensed Interim Changes in Equity (Unaudited) For the Nine Months Ended March 31, 2014

	Share Capital	Reserves	Accumulated Profit	Total
	----- Rupees in thousand -----			
Balance as at June 30, 2012 (Audited)	3,768,009	758,663	194,552	4,721,224
Total comprehensive income for the nine months ended March 31, 2013	-	-	895,563	895,563
Final Cash Dividend at Rs. 0.50 to directors, their relatives and associates and Rs. 2 per share to others	-	-	(188,793)	(188,793)
Balance as at March 31, 2013 (Unaudited)	3,768,009	758,663	901,322	5,427,994
Total comprehensive income for the quarter ended June 30, 2013	-	-	236,716	236,716
Balance as at June 30, 2013 (Audited)	3,768,009	758,663	1,138,038	5,664,710
Total comprehensive income for the nine months ended March 31, 2014	-	-	1,253,265	1,253,265
Transactions with owners:				
- Final cash dividend for the year ended June 30, 2013				
- @ Rs. 1.50 per share for all shareholders except directors, their relative and associates	-	-	(393)	(393)
- @ Rs. 0.30 per share to directors, their relative and associates	-	-	(112,963)	(112,963)
- Interim cash dividend				
- @ Rs. 2.00 per share for all shareholders except directors, their relative and associates	-	-	(524)	(524)
- @ Rs. 0.50 per share to directors, their relative and associates	-	-	(188,269)	(188,269)
			(302,149)	(302,149)
Balance as at March 31, 2014 (Unaudited)	<u>3,768,009</u>	<u>758,663</u>	<u>2,089,154</u>	<u>6,615,826</u>

The annexed notes 1 to 5 form an integral part of these condensed interim financial information.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director



Feroze 1888 Mills Limited

Selected Notes To The Condensed Interim Financial Information (Unaudited) For The Nine Months Ended March 31, 2014

1 The condensed interim financial information has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2013.

2 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the preceding year ended June 30, 2013.

3 Transactions with related parties

Related parties comprise associated companies, directors and key management personnel. The transactions with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

Nature of Transaction	Relationship	July 01, 2013 to March 31, 2014	July 01, 2012 to March 31, 2013
----- Rupees in thousand -----			
Sale of goods	Associate	860,880	1,045,463
Purchases	Associate	320,128	194,957
Other services/charges	Associate	703,743	522,915

Balances with related parties at the end of the period are as follows:

Balance receivable / (payable)	100,506	(16,075)
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4 Authorization for Issue

The condensed interim financial information have been authorized for issue on April 28, 2014 by the Board of Directors of the Company.

5 Figures have been rounded to the nearest thousand rupees.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director

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