



FEROZE1888 MILLS LIMITED



**Financial Statements
For The Three Months Ended
September 30, 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 Resource & : Anas Rahman

Remuneration Committee : 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, Shahra-e-Faisal,

Karachi

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

Website : www.feroze1888.com



Feroze1888 Mills Limited

Directors' Report

Your directors are pleased to present the un-audited financial statements for the three months ended on September 30, 2014.

Operational and Financial Performance

In the quarter under review your Company has performed well and results are marginally better than the corresponding quarter of last year. Raw material prices were generally stable and business environment generally remained stable except for a very substantial increase in the rate of gas infrastructure development cess and Rupee/US\$ parity volatility during the last two months of the quarter. While considering the overall environment we had considered the continued energy crisis, law and order situation and political rifts as ground realities with which we are living for years now.

The government has to realize that the textile industry which is earning the major junk of the foreign exchange survives on thin margin and exports contracts are entered into in advance for periods like 3 to 6 months and any change in forex rates in a short period does not only severally affects the export proceeds but also the raw material cost. The exchange rate which was though close to Rupee 99 to a US\$ and remained stable till first week of August crossed Rs. 100 barrier by third week of August and was close to Rs. 102 by the end of August 2014. During September it's floated between Rs. 102.00 to Rs. 102.80. The devaluation though benefits the company in short term only, if the same continues till the realization of money but the same immediately pose challenges specially rise in raw material prices like cotton and yarn and tough bargain by customers.

The persistent efforts to have efficient capacity utilization, product improvement/innovation and cost rationalization contributed significantly towards not only maintaining the track record but achieving improvement therein. We had been also benefited with the availability of substantially upgraded spinning operations carried last year and addition of latest looms in our production capacities. The both brought economies of scales besides lower operational and maintenance cost. These all factors helped us to achieve all our operational targets and a reduced reliance on outside manufacturing.

The financial results had also reflected improvements both in figures and in ratios. Net sales for the quarter were Rs 4,514 million against Rs 4,386 million in the same period, last year. Gross profit improved to Rs 771.42 million from Rs 724.81 million. The Gross Profit margin improved to 17.09% from 16.52%. The administrative and selling expenses increased from Rs 237.75 million to Rs 251.65 million mainly due to increase in salaries, rupee devaluation and general inflation. In absolute terms, administrative and selling expenses increased marginally to 5.58% from 5.42% of net sales. The profit before tax improved to Rs 542.04 million from Rs 520.43 million, whereas profit after tax was Rs 495.27 million compared to Rs 474.254 million last year. In percentage term the same rose from 10.81% to 11.40%. Earnings per share have also improved from Rs. 1.26 to Rs. 1.31. The profit for the quarter had been higher by Rs. 50 million but for enhancement in the rates of gas infrastructure development cess.

FUTURE PROSPECTS

For our policy maker, now and in years to come, achieving sustainability in macro-economic fundamentals will remain a key challenge. Structural reforms are required for widening the tax base and gradual phasing out of subsidies. Privatization of loss-making companies will reduce financial burden on the economy and those must be carried as per plans and commitments.



Feroze1888 Mills Limited

Security problems and energy challenges like past many years will continue to remain biggest impediment to the industrial growth. Now it's high time to take a brave decision that whether it's really advantageous and wise to produce energy with higher cost furnace oil and diesel and let the economical natural resource (Gas) burnt on road in automobiles. It must be realized that textile industry will not be able to pocket more share in the export market unless a long term vision and policy is set for its consistent growth.

In our region and especially in the neighboring country, the textile industry is provided with heavy subsidies and incentives along with meaningful protective barriers. Though our textile industry is also allowed/promised of few concessions and subsidies but that only creates debts owed to the sector. The Government should also realize that meeting of commitment to the industrial sector and especially to sectors like textile which operates on thin margin after taking into account the concessions and subsidies allowed by government, the timely payments are too essential. Considering the cash flow issues of the Government, now it's hard time and it seems imperative to allow adjustment of one concession or refunds or due with any other liability of the government as all these in any case goes to same account without even any distinction as to federal or provincial. This would not only solve the issue to some extent but would also reduce the hassles of follow-up for getting refunds and would create more reliance and confidence on the system besides providing relief.

The current year forecasts for raw cotton show supply to be well in excess of demand with bumper crops expected in most of the cotton growing countries. The heavy rains and floods affected the cotton crop in some part of Pakistan but this was compensated by better crop in other areas. Pakistan, India and US crops are anticipated to be higher than last year and this has put pressure on prices so far and is expected to continue which will in turn cause pressure on selling prices.

Like prior years, we will continue our focus on improving efficiencies and productivity both within the existing resources as well as by modernization. The examination of alternative sources of energy is also under study and consideration and we hope to find some workable solution within this fiscal year.

ACKNOWLEDGMENTS

Like always, the Board is pleased to place on record its appreciation for the contributions made by the employees of the Company and look forward for same cordial relationship in coming years. In addition, Board also acknowledges the role of all banks, customers, suppliers and other stakeholders for their continued support.

Khaleequr Rahman
Chairman

Karachi: October 27, 2014


Feroze1888 Mills Limited
**Condensed Interim Balance Sheet (Unaudited)
As at September 30, 2014**

	September 30, 2014	June 30, 2014
	Rupees '000	
ASSETS		
Non-current assets		
Property, plant and equipment	5,481,901	5,210,869
Intangible assets	8,997	10,283
Long term investment	10	10
Long term deposit	5,348	5,348
	<u>5,496,256</u>	<u>5,226,510</u>
Current assets		
Store, spares and chemicals	632,209	599,509
Stock in trade	3,151,842	3,133,460
Trade debtors - considered goods	3,343,683	2,630,993
Advances, prepayments and other receivables	869,281	787,999
Taxation	24,374	28,175
Cash & bank balances	373,656	233,902
	<u>8,395,045</u>	<u>7,414,038</u>
	<u>13,891,301</u>	<u>12,640,548</u>
SHARE CAPITAL & RESERVES		
Authorised share capital (400,000,000 ordinary shares of Rs 10/- each)	<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital	3,768,009	3,768,009
Reserves	758,663	758,663
Accumulated profit	<u>3,028,633</u>	<u>2,533,361</u>
	7,555,305	7,060,033
Surplus on revaluation of property	1,080,662	1,080,662
LIABILITIES		
Non-current liabilities		
Long term finances - secured	421,445	472,093
Current liabilities		
Trade & other payables	2,918,074	2,682,767
Accrued mark-up	25,386	31,121
Short term borrowings - secured	1,754,281	1,177,725
Current portion of long term finances	136,148	136,147
	<u>4,833,889</u>	<u>4,027,760</u>
	<u>13,891,301</u>	<u>12,640,548</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 Profit and Loss Account (Unaudited) For the Three Months Ended September 30, 2014

	September 30, 2014	September 30, 2013
	Rupees `000	
Sales	4,513,788	4,386,490
Cost of sales	(3,742,367)	(3,661,677)
Gross profit	<u>771,421</u>	<u>724,813</u>
Administrative cost	(142,175)	(127,126)
Distribution cost	(109,476)	(110,618)
Other operating cost	(37,222)	(36,541)
	<u>(288,873)</u>	<u>(274,285)</u>
	482,548	450,528
Finance cost	59,499	69,900
Profit before taxation	<u>542,047</u>	<u>520,428</u>
Taxation	(46,775)	(46,173)
Profit after taxation	<u><u>495,272</u></u>	<u><u>474,255</u></u>
Earning per share basic & diluted	<u>1.31</u>	<u>1.26</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

Condensed Interim Statement of Other Comprehensive Income (Unaudited) For the Three Months Ended September 30, 2014

	September 30, 2014	September 30, 2013
	Rupees `000	
Profit for the year	1,697,472	1,245,635
Other comprehensive income	-	-
Total comprehensive income for the year ended June 30, 2014	<u>1,697,472</u>	<u>1,245,635</u>
Profit for the period	495,272	474,255
Other comprehensive income	-	-
Total comprehensive income for the three months ended September 30, 2014	<u><u>495,272</u></u>	<u><u>474,255</u></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 Cash Flow Statement (Unaudited) For the Three Months Ended September 30, 2014

	September 30, 2014	September 30, 2013
	Rupees `000	
Cash flow from operating activities		
Profit before taxation	542,047	520,428
Adjustment for non cash charges and other items:		
Depreciation & amortisation	91,304	85,167
Finance cost	41,432	77,493
Gain on sales of fixed assets	(783)	(789)
	<u>131,953</u>	<u>161,871</u>
Cash flow from operating activities before working capital changes	674,000	682,299
(Increase) / decrease in current asset		
Stores, spares and chemicals	(32,700)	(31,179)
Stock in trade	(18,382)	(289,588)
Trade debtors	(712,690)	(492,947)
Advances, prepayments & other receivables	(81,282)	18,146
Increase in current liabilities		
Trade and other payables	235,307	198,312
	<u>(609,747)</u>	<u>(597,256)</u>
Cash generated from operating activities	64,254	85,043
Finance cost paid	(47,168)	(104,561)
Income tax paid	(42,974)	(47,982)
	<u>(90,142)</u>	<u>(152,543)</u>
Net Cash used in Operating Activities	(25,888)	(67,500)
Cash flow from investing activities		
Fixed capital expenditure	(361,508)	(211,720)
Sales proceeds of fixed assets	1,242	1,362
Net Cash used in investing activities	(360,266)	(210,358)
Cash flow from financing activities		
Repayment of long term finances	(50,648)	(173,703)
Net decrease in cash and cash equivalent	(436,802)	(451,561)
Net cash and cash equivalent at beginning	(943,823)	(2,027,919)
Cash and cash equivalent at end	<u>(1,380,625)</u>	<u>(2,479,480)</u>
Cash and cash equivalents:		
Cash & bank balances	373,656	140,305
Short term borrowings - secured	(1,754,281)	(2,619,785)
	<u>(1,380,625)</u>	<u>(2,479,480)</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 Changes in Equity (Unaudited) For the Three Months Ended September 30, 2014

	Share Capital	Capital Reserves	Accumulated Profit	Total
	Rupees `000			
Balance as at July 01, 2013	3,768,009	758,663	1,138,038	5,664,710
Total comprehensive income for the year ended June 30, 2014	-	-	1,697,472	1,697,472
Transactions with owners				
Final cash dividend for the year ended June 30, 2013 - Final @ (i.e. Rs. 1.50 per share) for all shareholders except directors, their relatives and associates.	-	-	(393)	(393)
- Final @ (i.e. Rs. 0.30 per share) to directors, their relatives and associates.	-	-	(112,962)	(112,962)
Interim cash dividend for the year ended June 30, 2014 - Interim @ (i.e. Rs. 2.00 per share) for all shareholders except directors, their relatives and associates.	-	-	(524)	(524)
- Interim @ (i.e. Rs. 0.50 per share) to directors, their relatives and associates.	-	-	(188,269)	(188,269)
	-	-	(302,149)	(302,149)
Balance as at June 30, 2014	<u>3,768,009</u>	<u>758,663</u>	<u>2,533,361</u>	<u>7,060,033</u>
Total comprehensive income for the three months ended September 30, 2014	-	-	495,272	495,272
Balance as at September 30, 2014	<u>3,768,009</u>	<u>758,663</u>	<u>3,028,633</u>	<u>7,555,305</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

**Selected Notes To The Condensed Interim Financial
Information (Unaudited)
For the Three Months Ended September 30, 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, 2014.

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, 2014.

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	September 30,	September 30,
		2014	2013
		Rupees `000	
Sales	Associate	354,019	221,375
Purchases	Associate	7,176	47,460
Manufacturing and other expenses	Associate	213,108	233,626

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

Net Receivables /(Payable)	Associate	94,076	(79,585)
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4 Date of Authorisation

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on October 27, 2014.

5 General

Figures have been rounded-off to the nearest thousand rupees.

Anas Rahman
Chief Executive

Sheikh Zafar Ahmed
Director

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FEROZE1888 MILLS LIMITED

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