



FEROZE 1888 MILLS LTD

Manufacturers and Exporters of Specialized Yarn & Textile Terry Products

Weaving a Better World®

50/

Determination for Success

Continuing The Legacy of 50 Years of Excellence

Annual Report 2020

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The background of the slide features a large, circular image of a person's silhouette standing on a rocky peak with arms raised in triumph against a dramatic, orange-hued sunset sky. The person is positioned on the right side of the frame. The overall design includes abstract, overlapping green and yellow curved shapes in the top-left and bottom-right corners.

Success Will

*What makes us different is our strength
of character & will to succeed against
all odds.*

VISION

Our aim is to be a market leader in terry textile manufacturing with our strong commitment to 3Ps (People–Planet–Prosperity). We will prosper by creating unmatched value for our global customers & stakeholders through our exceptional quality products & services.

MISSION

We are a leading vertically integrated industry known for its state of the art machinery, infrastructure, standardized systems, production processes and adopting the 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.

CODE OF CONDUCT

Business Ethics

Feroze1888 is committed to conduct its business in an honest, ethical and legal manner. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work.

Compliance with Law and Regulations

The Company is committed to comply and take all required actions for compliance with all applicable laws, rules and regulations of state or local jurisdiction in which the Company conducts business. Every director and employee, no matter what position he or she holds, is responsible for ensuring compliance with applicable laws.

Commitment & Accountability - Safeguarding Organization's Interest

It is expected from every employee that he/she remains honest & committed with his/her work at all times. Employee is not only expected to own the entire process of his/her job but also uphold the true spirit of accountability; in that, protecting the Company's assets, safeguarding the Company's interest, avoiding conflict of interest & ensuring that we do not involve in any unlawful activity even after office hours that may ruin the organization's reputation is emphasized.

Spreading grapevine/rumors, exchanging or sharing any information within the organization or outside either by word of mouth, email, text message or social media; which may create chaos and portray the organization in a bad light, are all deemed as breach of commitment.

Zero Tolerance for Harassment

Harassment in any form including verbal / emotional (e.g. making or using derogatory comments, name calling, racial jokes etc.), physical (e.g. assault, impeding, blocking movements etc.), sexual (e.g. touching, leering, making inappropriate gestures, suggestive objects or pictures, cartoons or posters etc.) is strictly prohibited.

Gift & Entertainment Policy

Gifts / entertainment / gratitude of any kind, that are offered by vendors, suppliers, current & potential employees, potential vendors and suppliers, or any other individual or organization, no matter the value will not be accepted by any employee, at any time, on or off the work premises as a result of providing / receiving any favor (whether justified or unjustified).

Confidentiality of Information

It is the responsibility of every employee to maintain confidentiality of information (during and after the employment term) related to Feroze1888 Mills that he/she may come across in any form as a result of his position or interactions. He / she should refrain from discussing any confidential business matters to outsiders or even insiders to whom the matter does not relate.

Intellectual Property

All employees are responsible and accountable for the corporate information and resources entrusted to them. Due diligence & care must be exercised to ensure the security & integrity of these corporate resources included but not limited to corporate data & corporate information system.

Non-Discrimination

The Company believes in creating an encouraging working environment which is free from discrimination. The Company also ensures that employees remain motivated and productive through the provision of equal growth opportunity.

CODE OF CONDUCT

Equal Employment Opportunity

The Company believes in providing equal opportunity for employment. The Company policies in this regard have to be complied with and no discrimination upon race, religion, age, national origin, gender, or disability is acceptable.

Corporate Social Responsibility

The Company is committed to carry its business in a sustainable manner and promote preservation and sustainability of the environment.

CORE VALUES - PROSPER



People Development

We are committed to invest in employees personal and professional development and creating an environment that instigate the ownership for self - learning.



Respect

We believe in crafting a culture of respect and dignity for all our customers, stakeholders, vendors, employees and community.



Ownership & Accountability

Our work is our pride: we take full ownership of it and hold ourselves accountable for all our actions, interactions within and between teams.



Success Will

We possess a strong will to succeed under all circumstances.



Proactive

We believe in being proactive while facing challenges, adopting technology, systems and procedures.



Excellence In Work

Our commitment is to enhance customer satisfaction by fostering an environment of self-reliance, efficiency and integrity in all that we do.



Reliability

We demonstrate reliability through our team work and consistent quality in products and services.

ETHICS AND CULTURE

Integrity and upholding our commitments are at the heart of Feroze1888 Mills business values. Our standards for doing business are based on transparency, impartiality and exhibiting thorough professionalism in our dealings with internal and external stakeholders. The management of Feroze1888 condemns fraudulent practices and focuses on developing teams and systems to work as per the established business ethics. The organization is known for its reputation for doing business as per defined ethical boundaries and for not tolerating any kind of misconduct that can hamper the reput. These principles are embedded in organization's code of conduct and further reinforced by policies and standard operating procedures.

ETHICS

The cultural framework of any organization defines the Company's vision and the guidelines it has established to achieve that vision.

Our core values PROSPER® drive our energies and focus in building a value driven work culture. We believe in developing our valuable employees, enabling them to deliver their optimal best; helping them collaborate with each other for reliable results and instigating a never give up attitude with a consistent reinforcement of being proactive in dealing with all situations. We promote dynamic and creative lateral thinking and have complete trust in our employees' skills to achieve the goals. Diversity is our strength and we take pride in our culture of meeting high standards of professionalism and excellence and deliver nothing less but the best.

CULTURE

COMPANY INFORMATION

Board of Directors

Mr. Jonathan R. Simon	Director / Chairman
Mr. Nasim Hyder	Director / Vice Chairman
Mr. Khaleequr Rahman	Director
Mr. Shabbir Ahmed	Director
Mr. Abdul Rehman Yaqub	Director
Mr. Perwez Ahmed	Director
Mr. Anas Rahman	Director
Mr. Zain Ashraf Mukaty	Director
Ms. Huma Pasha	Director
Ms. Aminah Zahid Zaheer	Director
Mr. Rehan Rahman	Chief Executive Officer

Board Audit Committee

Mr. Nasim Hyder	Chairman
Mr. Khaleequr Rahman	Member
Mr. Zain Ashraf Mukaty	Member
Ms. Aminah Zahid Zaheer	Member

Board HR & remuneration Committee

Ms. Aminah Zahid Zaheer	Chairperson
Mr. Zain Ashraf Mukaty	Member
Mr. Nasim Hyder	Member

Chief Financial Officer

Ms. Javeria Siddiqui

Company Secretary

Mr. Muhammad Usama Siddiqui

Bankers

Bank Al Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited
Bank Alfalah Limited
Allied Bank Limited

External Auditors

EY Ford Rhodes. Chartered Accountants.
Progressive Plaza, Beaumont Road,
Karachi.

Internal Auditors

A.F. Ferguson & Co. Chartered Accountants.
State Life Building No. 1-C, I.I. Chundrigar Road,
City Railway Colony, Karachi.

Registered Office

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

Office Building

K&N Centre, 2nd and 3rd Floor, 160 Banglore Town,
Shahrah -e-Faisal, Karachi.

Factory Addresses

Sindh

Plot # H-23/4-A & H-23-/4-B, Scheme # 3,
Landhi Industrial Area, Landhi, Karachi.
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, 156, 210, 211, 243, Deh Moachko,
Tapo Gabopat, Keamari Town, Karachi.

Baluchistan

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

Legal Advisor

Mohsin Tayebaly & Co.
1st Floor, Dime Centre Khayaban-e-Iqbal,
Block 9, Clifton, Karachi.

Share Registrar/Transfer Agent

FAMCO Associates (Pvt.) Ltd
8-F, Next to Hotel Faran Nursery, Block-6,
PECHS, Shahrah-e-Faisal, Karachi.

Website

www.feroze1888.com

FEROZE1888 AT A GLANCE

Principal business activities, key products and markets

We are the leading Manufacturer and Exporter of Specialized Yarn & Textile Terry Products in Pakistan. Starting the journey in early 1970's, Feroze1888 has progressed gradually & today it enjoys an eminent presence amongst all. We maintain high sets of standards in all areas, ranging from the highest quality products to maximum employee satisfaction. Company has state of the art vertically integrated terry towel manufacturing facility. Being partnered with 1888 Mills, LLC (USA) , we are recognized as a progressive and global manufacturer of quality textiles for Home, Hospitality & Healthcare.

The ownership of upholding commitment to Triple Bottom Line (3Ps), untiring focus on operational excellence and creating unmatched value with our products and services for our customers is what makes us stand tall amongst other competitors in the market. Feroze1888 believes in providing a professional work environment with tremendous growth opportunities at all levels.

Our Motto:

- Excellent Execution Everytime
- Customer Satisfaction

Our Commitments:

- Environmental Friendly Production Processes
- Product Quality
- Conducive Work Environment
- Employee Engagement & Empowerment

Key Products and Markets:

The Company is principally engaged in production and export of terry products. The key export markets are the USA and Europe. Feroze1888 deals in wide range of terry products starting from the white, dyed, printed, dobby and jacquard available in variety of sizes and categories consisting of hand towel, bath towel, bath robe, kitchen towel and beach towel.

PRODUCT GLIMPSES



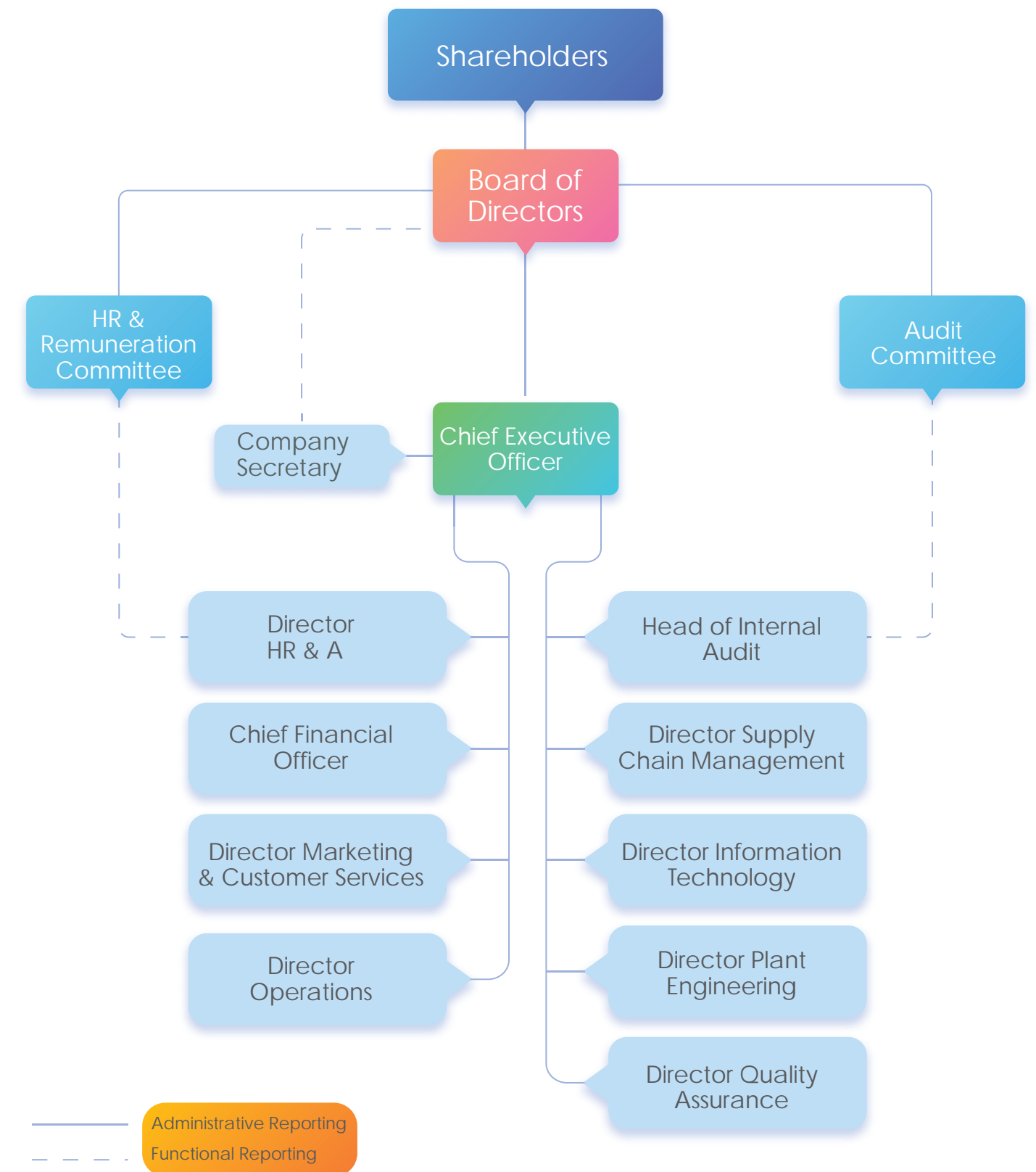




EXPORT DESTINATIONS

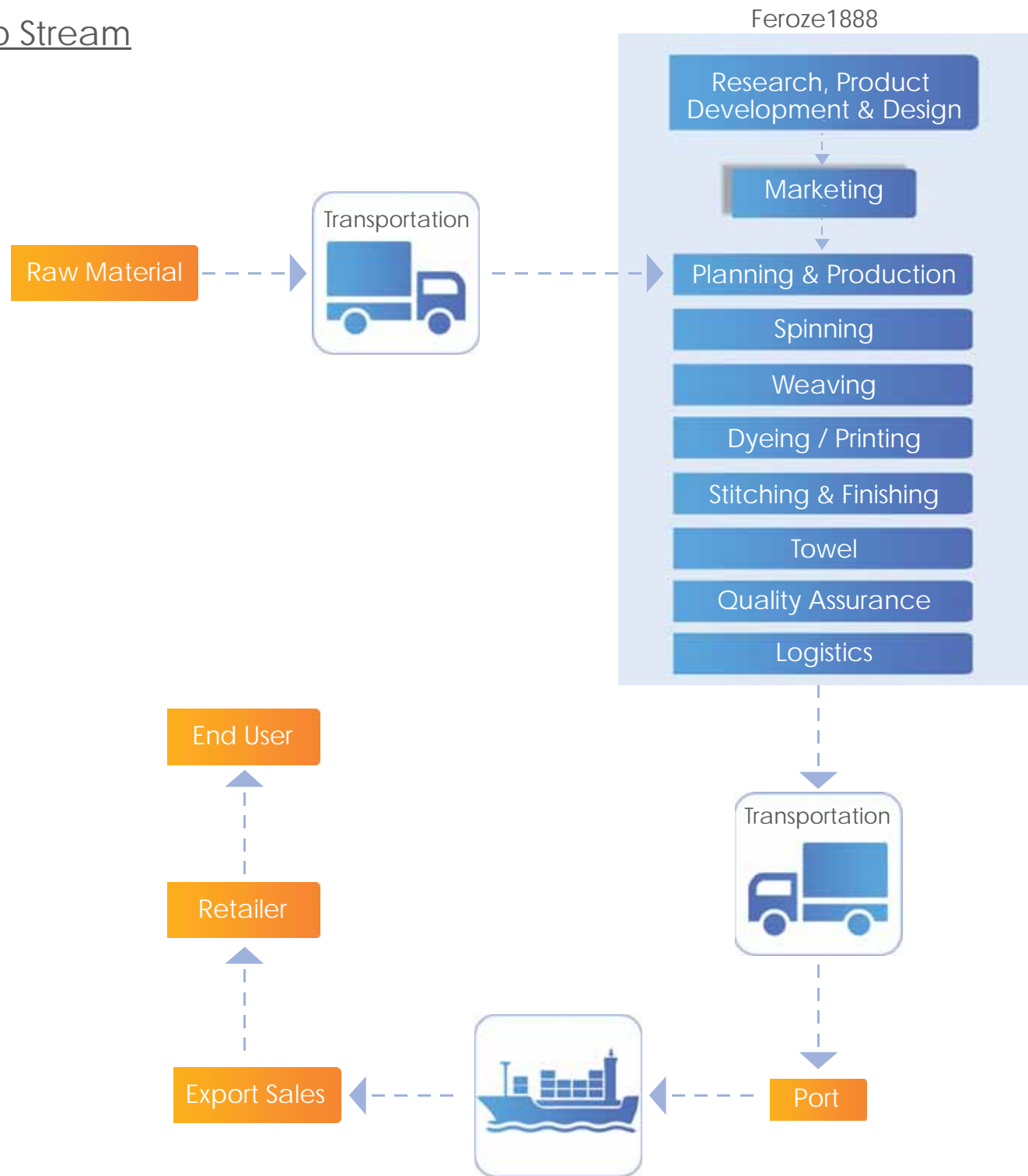
- Australia
- Canada
- Denmark
- Japan
- Germany
- France
- Portugal
- Poland
- Saudia Arabia
- South Africa
- United Kingdom
- United States
- Netherlands
- Spain

ORGANIZATIONAL CHART



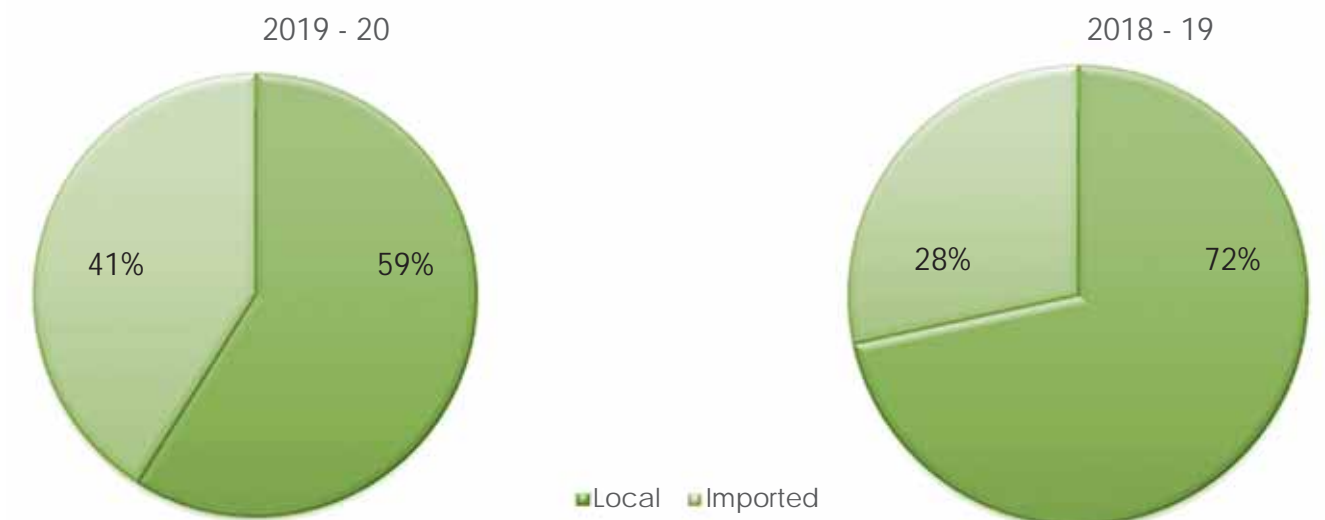
POSITION WITHIN VALUE CHAIN

Up Stream



Down Stream

COMPOSITION OF LOCAL VS IMPORTED MATERIAL



Local and imported material represent 41% and 59% of Cost of Sales respectively. Cost of Sales of the Company will increase / decrease by 4% and 8% in case of foreign currency fluctuation by 10% and 20% respectively. Hence, this particular cost component is highly sensitive to such fluctuation and makes substantial portion of Cost of Sales. This analysis assumes that all other variables remain constant.

FACTORS AFFECTING THE EXTERNAL ENVIRONMENT (STEEPLE ANALYSIS)

Social, Technological, Environmental, Economic, Political, Legal & Ethical factors that can impact Feroze1888's business environment

	S Social	T Technological	E Environmental		E Economic	P Political	L Legal	E Ethical
Description	CSR factors, increasing attention to health consciousness consumer preferences, lifestyle changes.	Emerging technologies, New inventions and developments.	Compliance with environmental laws, recycling, curb carbon footprints and global warming concerns, climate changes, natural disasters, growing attention to environmental protection.		Increase in inflation adversely affect the business in terms of raising input costs. Low economic growth also affect the business confidence.	Changes in trade and other economic policies due to government change. Political turmoil generally impacts organizations negatively. Frequent changes in government policies affect the business community's confidence.	Compliance with Legal and Regulatory requirements. Compliance with International laws and policies relating to trade and commerce.	False or misleading information to customers, deceptive use of another's business trade mark, product labeling or packaging. Inaccurate declarations of imports & under invoicing. Below standard product quality.
Organizational	Feroze1888 is committed to responsible business practices as responsible corporate citizen. The Company donates generously to various social and charitable causes including health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility. Company also encourages its employees to be part of its social agenda for betterment of the society.	Keeping in view the technological advancements, the Company has always given priority to investing in latest developments. The Company has hi-tech machinery at its production site. The Company also ensures participation of its senior management in various national / international exhibition / training session, in order to be updated with the latest trends in technology.	The Company complies with ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System. Make efficient use of natural resources, including gas, electricity and water to help reduce our carbon footprint. A water reclaim plant is installed by the Company to recover a major proportion of waste water for re-use.		The Company keeps on taking measures to manage the costs. The Company actively monitors the economic factors and takes steps to minimize their negative impact.	Management closely monitors the political developments and Company's strategies are developed and adjusted accordingly.	Proactive approach by the management in timely implementation of and compliance with any changes in the regulatory environment of the industry. The Company strictly abides by all laws, regulations and standards applicable on it. In this connection, consistent efforts are put by the management to fulfill every legal aspect.	Fair and ethical business practices are at the heart of the Feroze1888 values. Choosing the course of highest integrity is our intent and we establish and maintain the highest professional and ethical standards to be perceived as impartial and independent. The management condemns corrupt and fraudulent practices and ensures transparency and integrity.

RISKS AND OPPORTUNITIES REPORT

Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk / Opportunity		Likelihood of Occurrence	Impact on Company	Mitigating Factors / Steps to Create Value
Strategic	Shift in production technologies	Low	External		Likely	May make Feroze1888's processes obsolete and its product and prices non-competitive in local and international markets.	Feroze1888 strongly believes in the philosophy of Continuous Improvement and firmly applies this to its processes and plants. Accordingly, modernization and up gradation of production facilities and investment in new technologies allows Feroze1888 to respond adequately to any changes in production technologies.
Strategic	Increase in capacities and change in competitive scenario	High	External		Very likely	Drop in market share and pressure on prices.	Feroze1888 holds major share in Pakistan's export market because of its quality, innovation in design and price competitiveness. Secondly, having a wide range of terry products is also a key advantage. Moreover, expansion of production capacity is underway to cope up with the increasing demand pressure to maintain our market share.
Financial	Credit Risk	Medium	External		Likely	Financial loss in case of payment defaults by customers.	There is a Customer Credit Committee in place that reviews and evaluates credit worthiness of each customer after detailed analysis. Regular monitoring of trade receivables is being carried out.
Financial	Exchange Rate Risk	Medium	External		Very likely	Certain operating and capital expenditures are incurred by the Company in foreign currencies. An adverse exchange rate movement can cause increased input costs.	Economic indicators are closely monitored. In case of USD, the Company also has natural hedge as it imports and exports in the same which majorly offsets the risk.
Operational	Stagnant or decreasing sale prices	High	External		Very likely	Squeezed profit margins as a result of stagnant and decreasing sales prices while cost rises.	The Company has placed its utmost efforts to uphold its market position and growth in business by its efforts to continued cost reduction, broadening and retention of customer base by; <ul style="list-style-type: none"> - Modernization of plant & machinery and efficiency in processes; - Technology up gradation and energy efficient equipment; and - Effective procurement planning for raw materials.
Operational	Energy and water shortage in Pakistan	High	External		likely	May hamper production capacities as water and energy are the essential components of the processes.	Feroze1888 has its own captive power generation and water recycling plant. The management keeps an eye on alternate energy sources.

RISKS AND OPPORTUNITIES REPORT

Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk / Opportunity		Likelihood of Occurrence	Impact on Company	Mitigating Factors / Steps to Create Value
Operational	Increasing Fuel and Power Cost	High	External		Very likely	High Cost of production with a risk that it may not be passed on.	Investment is being made in energy efficient equipment.
Operational	Supplier default	Low	External		likely	Disruption in supply of raw materials.	Long term relationships with reputable national and international suppliers with ethical and professional standard operating procedures that reflect our own values. We maintain sufficient raw material and finished goods inventory to cover our requirements in case such a situation arises.
Commercial	Trade protectionism amongst export markets via imposition of tariffs could impact Company sales	Medium - High	External		Likely	Decrease in export sales and business.	Ensuring that prices and quantum of exports maintain the demand of the Company's product intact. Additionally, maintaining diversity of export markets to limit dependence on one single destination.
Environmental	Non-compliance of Environmental Laws	High	External / Internal		Remote	The Company prioritizes the environmental sustainability in all its operations and activities.	At Feroze1888, the ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System is followed as the framework on which to continually improve our environmental performance. We make every effort to Reduce, Reuse and Recycle waste (3R), minimize natural resource consumption & treat any harmful emissions before they are released to minimize environmental

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

Feroze1888 is well positioned in the global outlook with its strategic partnership with 1888 Mills USA. The Company stands being the largest terry supplier in Pakistan in terms of volume with its strong customer base. Year on year Feroze1888 has strengthen its bond with the Global retail, Hospitality & Healthcare leaders broadening its product base as well as increasing business.

Post COVID-19, the global business horizon changed with a lot of business uncertainty, however, Feroze1888 major customer portfolio comprises of retail discounters carrying grocery & essentials. These retail chains had been the major beneficiary post COVID-19 due to their positioning in their respective countries resulting in increased consumer footfall and healthier numbers. On the other hand, the hospitality business constituting approximately 12% of our business had been in threat post COVID-19. However, the business is now partially picking up.

The manufacturing landscape domestically and internationally is experiencing considerable investments both on capacity enhancement & modernization. These increased capacities result into more pressure on the prices and overall business volumes. Other major areas include retail landscape, Pak Rupee devaluation and raw material prices. We continue to mitigate these challenges by focusing on the following:

- Product Development / Innovation
- Enhancing product portfolio with respect to different price points / categories
- New market exploration
- Strengthening backward integration
- Adopting 3R philosophy
- Leading with excellent execution at all times.

SWOT ANALYSIS

Strengths

- State of the art vertically integrated structure
- Experienced and skilled work force
- Strong customer base
- Environmentally responsible organization
- Global access to renowned customer base
- Economies of scale

Weaknesses

- Relatively homogeneous product, limiting pricing strategies
- Narrow product line
- Reliance on depleting natural resources
- High labour-intensive industry
- Dependence on particular region for sales

Opportunities

- Value addition in product line
- Implementation of energy efficient technologies
- Region-wise distribution diversification
- Horizontal and vertical product diversification
- Technological advancements for optimization of manufacturing processes and cost rationalization
- Increased export market share as neighbouring countries battle with pandemic

Threats

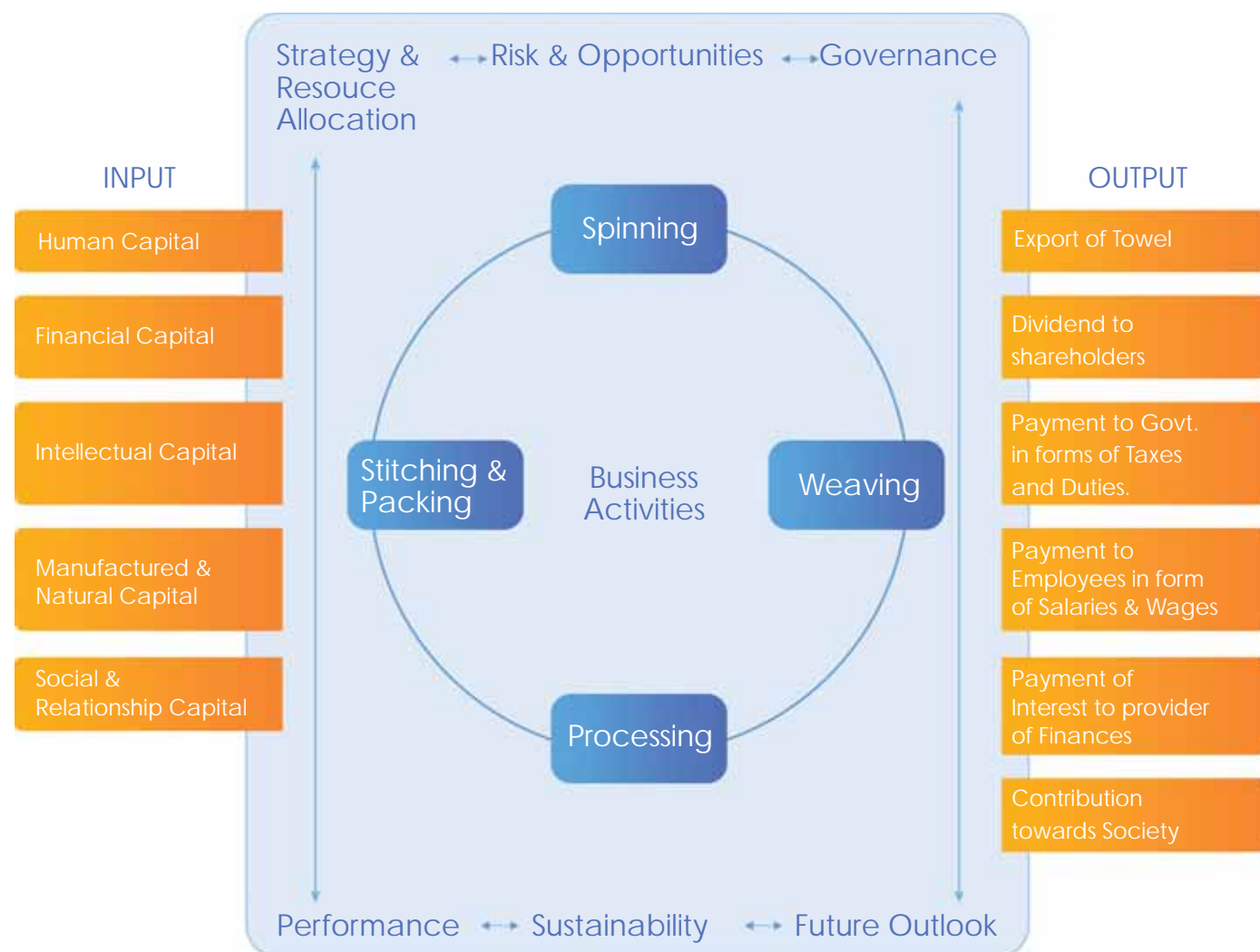
- Increase in raw material, fuel and labour costs
- Inconsistent Government policies for Textile Industry
- Price - Cost Parity
- Un-interrupted and inexpensive supply of natural gas
- Resurgence of COVID-19 in home or exporting countries
- Abrupt fluctuation in exchange rates



My Work – My Pride

Unbeatable success is met when each team member takes pride in what they do and in what they can do.

BUSINESS MODEL



STRATEGY AND RESOURCE ALLOCATION

Transforming vision into reality

Strategic Objective

Feroze1888 believes in making right choices today for a better tomorrow. Feroze1888 has oriented itself towards the way of its strategic approach to be the market leader. Our aim is to offer quality products to our customers' satisfaction.

Strategic Objective	Strategies in place or intended to be implemented to achieve strategic objectives	Term
<ul style="list-style-type: none"> Cost optimization through continuous innovation and efficient use of resources. 	Feroze1888 continues to invest in new and efficient technologies and implementation of Overall Equipment Effectiveness (OEE) concept. Power generation cost is effectively controlled by energy conservation measures through self-generation by gas turbines and generators. In addition, the Company uses combination of both imported and local cotton in order to maximize the yield of the spinning process.	Short to Medium Term
<ul style="list-style-type: none"> Customer satisfaction through Total Quality Management. 	Feroze1888 has obtained certification of Total Quality Management (TQM) system ISO 9001: 2015.	Short to Medium Term
<ul style="list-style-type: none"> Grooming and training of employees and providing a congenial work environment. Retention of highly skilled professionals and ensuring safe labor environment. 	Feroze1888 gives prime importance to Human Resource Management. To live up to our core value of People Development, consistent efforts have been made for employee engagement. HR function is integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged for all employees. Our systems are designed to ensure transparency and fairness at all levels by clearly defining KPIs for each position in alignment with Company's vision and values.	Medium to Long Term
<ul style="list-style-type: none"> Highest ethical and moral business values to the true spirit of the Code of Corporate Governance. 	Effectiveness of internal controls is ensured through active Internal Audit Function; which independently recommends its suggestions to the Board's Audit Committee. On all constructive suggestions, the Board Audit Committee and management takes corrective actions immediately.	Medium to Long Term
<ul style="list-style-type: none"> Sustainable Development in terms of environmental and social responsibility. 	As a responsible corporate citizen, Feroze1888 ensures that all social and environmental dimensions are considered while developing strategies, policies, practices and procedures. Feroze1888 complies with all laws, regulations & relevant Environmental Quality Standards. The Company is committed to continuous improvements in safety, health and environment protection measures. For this purpose, the Company has obtained certifications of Environment Management System ISO 14001: 2015, Occupational Health and Safety Management Systems (OHSAS 18001-2007), Social Accountability (SA 8000-2014), Sustainable Textile Production (STeP) by OEKO-TEX and Global Organic Textiles Standards (GOTS).	Medium to Long Term

STRATEGY AND RESOURCE ALLOCATION

Transforming vision into reality

Resource Allocation Plan to Implement the Strategy

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investments, which management believes can be achieved through revenue maximization and cost rationalization measures. On the revenue side, our growing volumes are evidence of our persistent efforts and we are confident that our investment on production capacities shall reap positive results and support in maximizing returns for all stakeholders in the same manner as previous expansions. The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve optimized returns.

i) Capital Structure and Financial Position

The Company's ability of generating sufficient liquidity is its biggest strength. This provides management the flexibility to fund business expansion and invest in cost saving initiatives. The Company has the strong capital structure which is adequately supported by the equity. Moreover, the Company also utilises subsidized financing provided to exporters, to fund its long and short-term requirements. During the year, the Company has obtained a long term financing facility introduced by the State Bank of Pakistan (SBP) to support employment and prevent layoff of workers/employees due to COVID-19.

During the year, the Company has obtained a fresh disbursement of Rs. 2.61 billion from its long term financing facility to finance the on-going capacity expansion and sustenance activities. The Company also has arrangements with commercial banks in form of short-term financing facilities of Rs. 10.85 billion to meet its working capital requirements out of which Rs. 9.64 billion has been utilized. Short term borrowing is utilized only for funding working capital requirements which has increased over the period, in line with growing business needs. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio of 1.54 which reflects its strong liquidity position.

ii) Financing Arrangements

Due to strong financial position, Feroze1888 enjoys good business relationship with all reputable banks and financial institutions of the Country. Sufficient unutilized short-term financing facilities are available at the Company's disposal. Above all, the profits earned in recent years have significantly improved the liquidity position of the Company. The Company regularly monitors the debt-equity ratio to save the Company from any excessive debt pressure.

iii) Cash Flow Strategy

Feroze1888 has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected and monitored on a regular basis. Working capital requirements are managed mainly through internal cash generation and a portion through subsidized financing.

iv) Human Resource Development

Human resources are treated as the biggest asset at Feroze1888. Talented people are at the heart of our efficiency driven culture, therefore, we actively recognize their abilities and provide wholesome and continuous opportunities for learning and growth. We have set clear Key Result Areas and Key Performance Indicators therein for our teams which in turn generate a clear focus towards building a result-driven organization.

Key Performance Indicators

Revenue

31,206
(Rs in Million)

Increase by 6.33%

Total Assest

43,097
(Rs in Million)

Increase by 26.88%

Gross Profit

7,507
(Rs in Million)

Decrease by 3.11%

Breakup Value Per Share

56.12
(Rs)

Increase by 5.19%

Earnings per Share

7.8
(Rs)

Decrease by 50.96%

Market Value Per Share

81.80
(Rs)

Decrease by 18.91%

Significant Plans and Decisions for Corporate Restructuring, Business Expansion or Discontinuance of Operations

In the near future, there are no plans for any restructuring or discontinuance of operations. Major expansion of production capacities at the production sites of the Company is underway.

Significant Changes in Objectives and Strategies from Prior year

The business objectives and strategies of the Company are developed through delicate planning and are based on the vision and long term strategic business goals. Progress of the Company towards its strategic positioning in future and business objectives is monitored and regularized through key performance indicators. There has been no material deviation from the targets and business goals already set to achieve the strategic objectives during the year.

FORWARD LOOKING STATEMENT

The post COVID-19 impacts are still unfolding and since, the Company is primarily an exporter- the business depends on the situation in the exporting countries as well. We are closely monitoring the developing scenarios to be ahead of any untoward wave - the Pandemic recovery plan is in place and regularly reviewed. We are optimistic that as the sector has started to recover from the pandemic slow down, there are opportunities lurking that can be grabbed for a better tomorrow.

The management of the Company is charged up and strategy is in place for an orderly, sustainable and profitable growth. To remain competitive in the export market, the emphasis has always been on optimizing the cost of production by increasing and modernizing the production facilities with investment in higher throughput and energy efficient machine & equipment. There is greater focus on Lean Management practices to be embedded in not only the production floor but also in other areas to reduce wastages that in turn results in lowering the costs.

The Government is in the process of finalizing the Textile Policy 2020-25 (the draft Policy) which envisages doubling of exports to US\$25 billion by 2025 and US\$50 billion by 2030. The draft Policy 2020-25 reveals that electricity and gas tariff will be fixed regionally for the next five years till 2025 to bring them at par with energy cost of exporters of regional competitors such as Bangladesh, Vietnam and India for growth in exports ensuring Pakistan's products in international market at competitive rates. The draft Policy also states that cotton seed quality will be improved and the latest farming and picking practices will be introduced. The Government will emphasize the production of long staple cotton resulting in minimal reliance on imported cotton that will enhance overall exports. The Gas Infrastructure Development Cess (GIDC) matter has although been decided by the apex court, the export industry will consequently suffer from the liquidity crunch and the same has been voiced to the Government as well. The steps planned to be taken by the Government bears direct relation to the business. The continuation of preferential energy rates, shift of tax refund mechanism to SBP, win-win situation in case of GIDC will all determine the fate of the sector in the year ahead.

The Company is however, confident that with the strategies and plans in place coupled with sustainable initiatives, the Company's revenues and profitability will expand in the next financial year.

This Annual Report contains or may contain forward-looking statements, all of which are based on management's current expectations and are subject to risks and uncertainties which may cause results to differ materially from those set forth in the statements. Stakeholders can identify these forward-looking statements by their use of words such as "anticipates," "expects," "plans," "will," "estimates," "forecasts," "projects" "intend," "may," and other words of similar meaning, or negative variations of any of the foregoing. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results, product development, product approvals, product potential, and development programs. Stakeholders must carefully consider any such statement and should understand that many factors could cause actual results to differ materially from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially. The Company does not assume the obligation to update any forward-looking statement. The Company cautions its stakeholders not to place undue reliance on these forward-looking statements.

Company Performance against Last Year's Projections

The year 2019-20 was actually a roller coaster ride. We started the year on a high note with the momentum we were carrying from the past year of reaching the highest sales ever in the history of the Company, till the first 8 months – the last 4 months bear stark contrast. COVID-19 Pandemic hit the World and the Company was no different - in the global headwinds, the Company still managed to curtail the impacts.

The BMR investments as envisaged in the previous year forward looking statement have been undertaken as anticipated. The potential opportunity to invest in a business venture through expression of interest did not materialise.

Sources of Information

Management has referred data and statistics from SBP monetary policies, inflation snapshot and different economic research and information reports. Management has developed its estimates based on assessment of market surveys, economic research reports, discussions with industry professionals and in-house professional discussions. The Company prepares annual budgets and forecasts to manage business more effectively. Past trends, prevailing conditions and future expectations form the basis of our projections, and corrective actions are incorporated therein to devise operational and financial plans for the future, in line with the strategies of the Board. Further, macro and micro economic indicators, markets trends, international and local material price forecasts, data from regulatory & taxation authorities, seasonal variations and competitors' actions etc. also formed basis for the forecasting. Internal capacities reviewed based on available data and alignment is planned to achieve desired results.



Transparency & Fair Dealings

Success without fairness is a mirage.

CHAIRMAN'S REVIEW

It gives me great pleasure to present the Annual Report for the year ended June 30, 2020, to our valued members and stakeholders and to apprise them of the overall performance and effectiveness of the Board in achieving the Company's objectives.

I welcome to the board of directors, Mr. Zain Ashraf Mukaty, Ms. Aminah Zahid Zaheer, Mr. Anas Rahman and Mr. Abdul Rehman Yaqub. I am highly confident they will add value to the board and Company at large with their immense experience. I would also like to appreciate the effort and contribution of outgoing director Mr. Usama Rahman.

Feroze1888's Board carried out its responsibilities with utmost competence and professionalism. The Board's performance is comprehensively evaluated in line with regulatory guidelines. The Board Members have carried out their mandated functions efficiently and in accordance with their scope of work. The committees of the board worked diligently and focused on their terms of reference during the year under review. The Board has carried out a review of its effectiveness and performance, which is satisfactory. I, as Chairman of the Board, ensure that the board meetings are held in a congenial atmosphere focusing on achieving the goals in the best interest of the Company.

The world is going through challenging times as Coronavirus (COVID-19) is unfolding one of the worst healthcare crisis across the globe. In such a global health calamity, rapid response and collaborative efforts make all the difference. As a socially responsible Company, Feroze1888 has worked responsibly to address the challenges of this pandemic. Feroze1888 has taken all necessary precautionary measures for the safety of its staff. We took several actions as we shut down operations during the lockdown including, the implementation of best practices and SOPs, suspension of all events involving physical gatherings, and encouraged staff to work from home as far as practicable. As a responsible organization, the Company abided by all instructions from Government agencies.

This crisis has caused a sharp reduction in trade and significant movements in exchange rates. The outlook remains highly uncertain as the risks of new waves of contagion, capital flow reversals and further strain in global trade still loom large. At Feroze1888, we are continuously assessing the emerging situation and being conscious of the market developments. The whole world is going through a very difficult time and we need to stand united to collaborate and to support each other.

I am grateful to our shareholders who show their trust by investing in us and our customers who recognize us as their business partner. I am also appreciative of the many contributions of my fellow Board members and their dedication to the success of the Company. We remain committed to maintaining this trust in years to come with stellar financial performance and by building an even stronger foundation focused on product quality, innovation, and to the highest ethical standards.

Jonathan R. Simon
Chairman / Director

Karachi: 11 September 2020

CEO'S MESSAGE

Asalam alikum and I trust this finds you in best of health and spirit!!

The year in review 2019-20, no matter how clichéd it may sound, was actually a roller coaster ride for all of us. We started the year on a high note with the momentum we were carrying from the past year of reaching the highest sales ever in the history of the Company. Continuing to see the results of our decisions on production capacities we took some 3 years back aimed for a future of more orderly, sustainable and profitable growth.

The year 2020 was a special year in too many ways I would say. Alhamdulillah, it marks the *Golden Jubilee of the Company - 50 years of Excellent Execution Everytime*. I find its roots and that I have always emphasized - our strong corporate culture. It's based on interaction between capable individuals with knowledge, good ideas and a sense of responsibility creating a successful company. This strong culture, with significant influence at all levels has led to in-depth knowledge not only about the Company, but also about customers and their changing needs. This supports us in responding quickly to their needs and allocate resources accordingly. Put simply, our business model involves close cooperation with our customers to ensure a smooth and an agile supply chain for them.

At Feroze 1888, we believe in paying back to the society and the community we operate in. During the year, a number of CSR activities were being undertaken especially during the lock down since it was an abrupt decision of shutting down. The Company ensured that we play our part in providing the needy with the necessities.

The COVID-19 Pandemic hit the World early this year and we are no different. Enough has been said and written on the catastrophic impacts it had. What I would like to emphasize now is that as we restart, this is a key moment for all of us to pull together. To make sure that as we emerge from this unprecedented crisis, we re-evaluate what is important in our lives and make the right choices for a better tomorrow. *Together towards a better tomorrow.*

As I close this note, I look to the future with confidence, continuing our journey to strengthen our vision to create unmatched value for our global customers through exceptional quality products. I express my gratitude to all the internal and external stakeholders who were standing with us in thick & thin times and we continue to work together to take the Company to even greater heights.

Stay safe for yourself and your loved ones!!

Allah Hafiz.

Rehan Rahman
Chief Executive Officer

DIRECTORS' PROFILE



Mr. Jonathan. R. Simon
Chairman / Non-Executive Director

Mr. Jonathan Simon is the Chairman of the Board of Directors of Feroze 1888 Mills Limited and has been so since last 4 years. He received his education from Indiana University, with a Bachelors in Business Administration & Management and from the University Of Chicago Booth School Of Business, AMP.

He possesses over 35 years of diversified experience in the Home and Commercial textile industry with manufacturing locations in the US, Pakistan and Bangladesh. His exposure to these radically different markets acts as a catalyst in broadening the horizon. The depth of his knowledge and breadth of his experience is an invaluable, driving force behind the Board of Feroze 1888 Mills Limited.

Other Directorship

1888 Mills LLC, USA - CEO



Mr. Nasim Hyder, FCA
Vice Chairman and Independent Director

Mr. Nasim Hyder is a fellow member of the Institute of Chartered Accountant of Pakistan. He has over thirty years of experience in accountancy, audit, tax, corporate affairs and consultancy. He is regarded as one of the leading authorities in the country on taxation and was actively involved in policy making regarding tax legislations in Pakistan when in practice. He served as a Country Tax Leader/Senior Partner of EY Ford Rhodes (Previously Ernst & Young Ford Rhodes Sidat Hyder), Chartered Accountants. He also served as the President, elected member and member of the council and various committees of the Institute of Chartered Accountants of Pakistan (ICAP).

Other Directorship

The Indus Hospital

Orix Leasing Pakistan Ltd.



Mr. Khaleequr Rahman
Non-Executive Director

Mr. Khaleequr Rahman is in textile industry for more than four decades. Belonging to a family in business for generations, he was made part of business during his education days and started to learn and understand the textile and other family businesses. With the broadening of experience and exposure, his role was enhanced over time and ultimately assigned the responsibility to lead the business. After assuming of role, he strongly emphasized on change in culture, adopting and practising the more proven technological advancements and made all his efforts to adopt good practices and introduced the culture of high performance with maximum economization. With his vision and leadership capabilities and foresightedness, he not only enhanced the volume and profit by many folds but the Company also on sustainable basis to rank as the largest in the Country. He is an individual who is highly respected in the Textile Industry for his professional acumen, vision and innovations. He is also a Certified Director from the Pakistan Institute of Corporate Governance.

Other Directorship

ARS Impex (Pvt.) Ltd.

The Indus Hospital

The ILM Foundation

Green Crescent Trust

DMS Education Foundation



Mr. Shabbir Ahmed
Non-Executive Director

Mr. Shabbir Ahmed belongs to a family who has diversified stake in industries, trade and commerce for many decades in Pakistan. He himself is engaged in similar activities for almost 45 years both independently and in joint ventures / partnership with other family members as well as other business houses and individuals. In addition to trading/ commercial activities he has a substantial stake in textile sector and is involved in the overall management as Chief Executive and Director.

He travels extensively for updating on advancement in textile sector and for exploring export markets, contract negotiation and customer retention. Mr. Shabbir is highly respected in the business community as a man of commitment.

Other Directorship

UTI Industries (Pvt.) Ltd.

Suntec Global

Prominence Hospitality Pakistan (Pvt.) Ltd.

DIRECTORS' PROFILE



Mr. Abdul Rehman Yaqub

Non-Executive Director

Mr. Abdul Rehman Yaqub after completing his education in the US entered into textile industry almost 35 years back. Starting out as a young businessman with a strong work ethic, he started sales and distribution textile company named as Eastern Imports Ltd. Within few years, he expanded the operation by acquiring manufacturing facilities in Bangladesh and Sri Lanka. While his company was growing internationally, he worked on expanding his US operations by merging with another niche textile company to become Eastern-Shelnor, Inc. (ESN). From the success and growth of ESN another merger came into play with him leading the way. ESN merged with a textile manufacturer and became 1888 Mills, LLC with manufacturing capabilities in the US.

Over the years, he has utilized his many years of knowledge and understanding of the global textile market to be the visionary of the Company. His unique ability to bring together people of diverse cultures and backgrounds has enabled 1888 Mills US to be one of the pioneers of global textile production, with mills in Pakistan, Bangladesh, Ghana and the United States. Today Mr. Yaqub is seen as a predominant global business leader.

Other Directorship

1888 Mills LLC, USA

Grangeford Ltd.

GMI Fund, LLC



Mr. Perwez Ahmed

Non-Executive Director

Mr. Sheikh Perwez Ahmed's career began nearly five decades ago and his association with Feroze 1888 is from the beginning as he was among the founding members of the Company. Over the span of his professional service he has proven his expertise in strategically leading the business with a strong acumen in finance, sales, marketing and general management. Mr. Perwez is very active in the textile community to date and has represented the Company in various associations & forums over the years. He has very strong interpersonal & communication skills and is actively involved in philanthropic activities. He is also a director in the Patient Behbud society for AKUH.

Other Directorship

The Patient's Behbud Society for AKUH

M&N Impex (Pvt.) Ltd.

Friendship Dairies (Pvt.) Ltd.

Unity Global Investment Ltd.



Mr. Anas Rahman

Non-Executive Director

Mr. Anas Rahman has completed his M.B.A in Marketing from Institute of Business Management Karachi. He has more than 20 years of experience in the textile sector. He has worked in different capacities such as Director Marketing, Chief Executive Officer and Vice Chairman for Feroze1888 Mills Limited.

As a visionary and strategic thinker, he has good leadership skills and has lead teams effectively and successfully. Currently he is involved in diversifying his family business profile by selecting and evaluating different businesses.

Anas is a Certified Director from the Pakistan Institute of Corporate Governance.

Other Directorship

Frieden Management (Pvt.) Ltd.

Dost-e-Zeest Foundation

Friendship Dairies (Pvt.) Ltd.

Johanmacia Pharmaceutical (Pvt.) Ltd.



Mr. Zain Ashraf Mukaty

Non-Executive Director

Mr. Zain Ashraf Mukaty graduated from the University of Pennsylvania, with a dual degree in Economics and Engineering as part of the exclusive Management and Technology Program. He worked at Cornerstone Research in New York as a Financial Litigation Consultant before moving back to Pakistan to join Liberty Group.

Zain has been an integral part of the new venture development team at Liberty Group. He has a multifaceted role and is involved in various new projects that diversified Liberty Group portfolio. He is leading the development of two 50 MW wind power projects, Liberty Wind Power 1 & 2, as the Executive Director. He is also the Director of Liberty Mills Limited and Pakistan Aluminum Beverage Can Limited.

In addition, Zain is the Chief Executive Officer at Oncogen Pharma (Private) Limited, developing the first cancer drugs manufacturing facility in Pakistan. His key role in the company is highly enterprising, focusing on successful project execution, system development and revenue growth.

Other Directorship

Liberty Mills Ltd.

Pakistan Aluminum Beverage Cans Ltd.

DIRECTORS' PROFILE



Ms. Huma Pasha, FCA, CIA, CRMA & CICA Independent Director

Ms. Huma brings with her over 35 years of local and international working experience for various national and global institutions including Citibank, Hub Power Company, and Dawood Hercules group in several management capacities and earned a wide range of experience in the power and fertilizer sector. At HUBCO, she headed internal audit function for over 20 years. After leaving HUBCO she was associated with Dawood Hercules group for almost three years as group Chief Internal Auditor. In 2015, she joined Usmani & Co. as Audit Partner. She is highly passionate for training services and more frequently indulge herself in various trainings for firm's clients as well as for highly reputed professional institutions of Pakistan on directors training, Board performance evaluation, Internal Audit, and sustainable business propositions.

Huma has served on the Audit Committee of the State Bank of Pakistan Banking Services Corporation and carried out quality control review of State Bank of Pakistan's internal audit functions and served on the Quality Assurance Board of ICAP. Other significant positions held were on the Board of Institute of Internal Auditors International USA, President of IIA Karachi Chapter, and President of ISACA Karachi Chapters. Huma has also served as a Chairperson of Workstream Automation Ltd. a software firm.

Other Directorship

HI-TECH Alloy Wheels Ltd.

Medical Aid Foundation (NGO)



Ms. Aminah Zahid Zaheer Independent Director

Ms. Aminah is currently employed as the Managing Director of Zahid Zaheer & Associates, a multi-disciplinary, reputable well-established management consultancy firm based in Karachi.

Aminah has over 25 years of diverse working experience with some of the world's largest FMCG firms - namely Unilever, Johnson Wax, Johnson & Johnson, L'Oreal SA and The Body Shop. Aminah has acquired over 15 years of Boardroom experience and has served on diverse boards both in the private and public sector.

Aminah is a specialist in the areas of Business Start Ups, Acquisitions, Mergers & Joint Ventures, Restructuring & Integration, Corporate Strategy and Brand Creation. Aminah has had an exposure to a cross section of industries within Pakistan and Asia Pacific, including Pharmaceuticals, Home Cleaning, Health and Personal Care, Cosmetics and Beauty. She has lived and worked in multiple geographies within Asia Pacific, including China, Australia and, most recently, in Singapore.

Aminah completed a Masters in Business Administration from The Institute of Business Administration (IBA) Karachi in 1990 with major in Finance. She has also completed innumerable training courses with INSEAD in France and with The Johnson Learning Institute and Cornell University in USA.

Other Directorship

Orix Leasing Pakistan Ltd.

Fauji Food Pakistan Ltd.



Mr. Rehan Rahman Chief Executive Officer

Mr. Rehan Rahman is the Chief Executive Officer of Feroze1888 Mills Limited. He was appointed in April 2016 as CEO and upon completion of the first term was re-appointed for the second term effective April 2019. He brings with him an extensive and cross functional hands on experience of over 15 years in Feroze1888.

Mr. Rehan was a key personnel in the change management process from 2010 to 2012 when acquisition and merger with Nakshbandi Industries Limited (NBIL) took place. He was also appointed as CEO, NBIL and effectively enabled a sick unit transformed into a gradually recovering unit.

During his tenure as a CEO of Feroze1888 Mills since April 2016, the Company has witnessed many milestones being achieved; be its business generation, capacity enhancements, HR development programs or winning multiple customer and sustainability awards.

At personal front, he is keen to invest in his own professional grooming. He is a Certified Director from Pakistan Institute of Corporate Governance and attends various technical and leadership seminars and workshops on regular basis.

DIRECTORS' REPORT

The Directors of Feroze1888 Mills Limited ("the Company") are pleased to present the Audited Financial Statements along with auditors' report thereon for the year ended 30 June 2020. Feroze1888 Mills Limited is a Public Limited Company incorporated in Pakistan and listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and export of specialized yarn & textile terry products.

Economic Outlook

The world changed drastically during the financial year 2020; an attempt to amend Hong Kong's extradition law triggered the worst crisis in the Asia's biggest financial center since its handover to China in 1997. United Kingdom's exit from EU, which was mutually agreed, changed EU forever, also deepening the Euro crisis. Trade war between the US and China, which started in July 2018, rumbled on in FY2020 and oil prices crashed drastically on the back of increased supplies and lowering demands due to the global economic slowdown. While the world players were trying to balance the above disruptions, a novel virus, (COVID-19), emerged in Wuhan, China, and WHO on March 11 declared COVID-19 a pandemic. Since then, the virus has engulfed the entire world, disrupting the supply chains and paralyzing the continents. The pandemic is not only inflicting unprecedented damage to human lives but it has also taken a heavy toll on global economic activity. In particular, various necessary measures to control the spread has brought much of the global economic activity to a halt. Consequently, countries are now facing multiple crises—a health crisis, a financial crisis, and a collapse in commodity prices. The World Economic Outlook (April, 2020) projects global growth to contract sharply by 3 percent in 2020 and the loss to global GDP over 2020 and 2021 could be around 9 trillion dollars due to the pandemic crisis.

Similar to the entire world, Pakistan's economy has also been affected due to COVID-19 outbreak through various channels like decline in domestic as well as global demand, down turn in tourism and business travel, trade and production linkages and supply disruptions. The rapid spread of the COVID-19 virus since February 2020 has brought economic activity to a near-halt. However, magnitude of economic losses will depend on intensity and duration of COVID-19. As the economy has been subjected to demand and supply shocks, the outgoing financial year 2020 has witnessed a contraction in economic activity. The GDP growth rate for FY2020 is estimated at negative 0.38 percent. To invigorate the growth, the Government announced Rs. 1.24 trillion relief package. The SBP has also taken various steps including reduction in interest rate to 7 percent and refinancing schemes.

Growing inflationary pressures from rising input costs, hike in utilities' prices along with depressed economic environment continued to pose challenges for industrial production in the country. Pakistan's overall exports decreased by 6.81 percent during financial year 2019-20 and remained \$21.394 billion as compared to \$22.958 billion during last year. During 2019-20, textile sector registered a 6.01 percent decline in exports compared to 2018-19.

Business and Financial Performance Overview

External market factors created a challenging environment for the businesses to perform and the Company results also depict the same with export sales revenue increasing by 7% in Rupee terms against the devaluation of currency by approximately 16%. However, in these critical times our strategy to provide value added solutions and to become supplier of choice for our customers is exhibiting its strength and helped in sustaining customer confidence. We take pride in our commitment to excellence in product safety and quality. Operational efficiency remained under key focus throughout the year for the management of the Company.

The Company's net sales revenue is increased to Rs. 31,206 million i.e. by 6.33% in comparison with last year. This increase is mainly attributable to the USD exchange rate difference as compare to last year. On the cost side, inflationary pressure on cost of sales and other expenses offsets this increment. The cost of sales, administrative cost and distribution cost has increased by 9.72%, 11.09% and 12.31% respectively in comparison with last year. Earnings per share remains Rs. 7.80 in comparison of Rs. 15.90 during last year. There has been no defaults in payment of any debts during the year and there have been no changes occurred during the financial year concerning the nature of the business of the Company.

Statement Under Code of Corporate Governance

The Board of Directors is committed to Good Corporate Governance and complying with relevant principles of Corporate Governance. As required under Code of Corporate Governance, the Directors are pleased to report that;

- The financial statements present fairly the state of affairs of the Company, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, & accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The Board of Directors understands its responsibility to ensure that adequate and effective internal financial controls are in place. It evaluates the compliance of internal control by reviewing the internal audit reports of internal audit department, which regularly reviews the design and effectiveness of controls. Deficiencies, if any, are reported to the board and corrective actions are taken.
- There is no significant doubt regarding the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of Corporate Governance;
- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director.
- The appointment of Chairman Board & other members, the terms of their appointment & the remuneration Policy (Director's fee) adopted are in the best interest of the Company as well as in line with the best practices.
- The disclosure of the remuneration of the Chief Executive and the Directors is covered under Note 32 of the attached financial statements.

The Board has formed the following two committees with defined terms of reference:

- Board Audit Committee (BAC); met 4 times during the year;
- Board Human Resource & Remuneration Committee (BHR&RC); met 6 times during the year.

Composition of Board of Directors

In line with the requirements of the Code of Corporate Governance, the Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board.

The composition of the Board as at June 30, 2020 is as follows:

Total Number of Directors	Number
Male	8
Female	1

Composition	Number
Independent Directors	2
Other Non-Executive Directors	6
Executive Director	1

Attendance of Board Meetings

During the year under review, eight Board of Directors meetings, four Board Audit Committee meetings and six Board Human Resource & Remunerations Committee meetings were held. Notices / agendas of the meetings were circulated in advance, in a timely manner and in compliance of applicable laws. All meetings of the Board held during the year exceeded the minimum quorum requirements of attendance as prescribed by the Companies Act 2017 and were also attended by the Chief Financial Officer and Company Secretary. All proceedings of the meetings were meticulously recorded by the Company Secretary in the minutes of the meetings which encompass details regarding all decisions taken by the Board and explanations provided by the management. The minutes were timely circulated to all Directors for endorsement and were approved in the subsequent Board meetings. Attendance details are as under:

DIRECTORS' REPORT

S. No.	Name of Directors	Board of Directors Meeting	Board Audit Committee Meeting	Board Human Resource and Remuneration Committee Meeting
1	Mr. Jonathan R. Simon	6/8	N/M	N/M
2	Mr. Khaleequr Rahman	7/8	3/4	N/M
3	Mr. Shabbir Ahmed	8/8	N/M	5/6
4	Mr. Perwez Ahmed	8/8	4/4	N/M
5	Mr. Nasim Hyder	7/8	4/4	6/6
6	Ms. Huma Pasha	8/8	4/4	6/6
7	Mr. Usama Rehman	8/8	N/M	N/M
8	Mr. Asim Shabbir Patka	5/5	N/M	N/M
9	Mr. Abdul Rehman Yaqub	1/2	N/M	N/M
10	Mr. Rehan Rahman, CEO	8/8	N/M	N/M

N/M: Not a Member

Changes in Board of Directors

Mr. Asim Shabbir Patka passed away on 17 March 2020, may Allah grant him eternal peace in Jannah. Mr. Abdul Rehman Yaqub appointed as director in place of Mr. Asim Shabbir Patka on 24 April 2020.

Policy on Non-Executive and Independent Directors' Remuneration

In order to enhance value creation, Feroze1888 has implemented an independent, formal and transparent system for fixing Directors' remuneration to attract well qualified and experienced Directors. The system is in compliance with legal requirements and it is ensured that remuneration is not at a level that could be perceived to compromise the independence of non-executive Directors. As per the requirements of regulatory framework and internal procedures, these remuneration packages are subject to prior approval of the Board and no Director is involved in deciding their own remuneration.

Directors' Training

The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019, eight of our directors including Chief Executive have already attended and completed the required Directors' Training.

Risk Management Framework

The Company's business activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the management of unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Market Risk

The Company is subject to risk of changes in prices of its primary raw materials i.e. cotton & yarn. This is managed by planning stock levels and purchasing through various sources at time and intervals found appropriate.

b) Credit Risk

The Company is exposed to the risk of default of receivables against its sales. This is managed through proper due diligence of customers to whom credit is extended. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy.

c) Liquidity Risk

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 Company has arranged working capital with various banks to cater the mismatch between receipts of sales and payments for purchases, meet its obligations and ensure normal business operations.

The Company's board of directors and senior management oversee the management of the above risks. The Company's senior management provides guidance for overall risk management and for covering specific areas as 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.

Principal Risks and Uncertainties

- Changes in international trade and other economic policies.
- Frequent changes in local laws and regulations impact business confidence.
- Overall inflationary increase in operating expenses. Labor cost is set on increasing trend. Energy costs are also on increasing side due to rising fuel and power prices. Low economic growth affects the business performance.
- Increased competition in global market for exports.
- Volatility in currency exchange rates.

Sustainability and Corporate Social Responsibility

Feroze1888 lives by the motto of 3Ps: People, Planet and Prosperity. We believe in prosperity for all. Following a Triple Bottom Line method, we thrive to lead the market with our innovative and customer friendly products, creating a safe work environment and contributing in the economy with exports and career opportunities for our fellow citizens. Our CSR commitment is inspired and governed by our desire to create an environment in which we contribute to build a Sustainable Company. We seek to act responsibly in everything we do. We are committed to responsible business practices, both within the Company and throughout our chain of partners and suppliers. We have embraced our responsibility to build the communities we serve, even as we respond to an ever-changing business and regulatory environment. Our primary CSR focus areas under 3Ps umbrella are as under:

- Education
- Health, safety and environment
- Conservation of resources
- Quality of business processes
- Capacity building and Human Resource Development
- Business ethics and anti-corruption

DIRECTORS' REPORT

Throughout our growth strategy, sustainable operations remain at the core of our business philosophy. We continue to work with our stakeholders in different areas and strive to decrease our carbon footprint through inclusion of world class environmental standards throughout our operations. We are proud of our commitment to environment and sustainability, health and safety, quality of our operations and our people.

Appointment of Auditors

The auditors EY Ford Rhodes, Chartered Accountants, retires and being eligible, have offered them for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2020-21.

Auditors' Report on the Financial Statements

Financial Statements for the year ended 30 June 2020 have been duly audited by the External Auditors who have issued clean audit report on the Company's Financial Statements.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2020, required under the Companies Act 2017, and the Code of Corporate Governance, is annexed to this report.

Subsequent Event - Dividend and Appropriation

Keeping in view the financial results of the Company, the Board of Directors of the Company has declared a final cash dividend @ 5.9% i.e., Re. 0.59 per share for all shareholders of the Company, in its meeting held on 11 September 2020. This is to be approved by shareholders in upcoming Annual General Meeting of the Company. During the year, an interim cash dividend @ 17.5% i.e. Rs. 1.75 per share has also been declared in addition to the aforesaid final dividend.

Future Outlook

Preventive measures taken domestically and globally in form of lockdown and travel restrictions to stem the spread of the coronavirus pandemic do and shall have an immense negative impact on economic growth in near future. Contrary to the positive projection of GDP growth rate of 2.3 percent by Pakistan's economic managers, the World Bank (WB) has projected negative -1 percent GDP growth for Pakistan in upcoming financial year 2020-21. The economic outlook in Pakistan is challenging and encompasses significant downside risks. Uncertainty regarding the evolution of the COVID-19 and pace of revival in external demand for Pakistani products is a key risk. Mounting debt and geopolitical tensions further cloud the outlook.

Together with the macroeconomic adjustments, there is an urgent need to implement structural reforms to support the growth rebound. Reforms to put the Country on a stable growth path include increased exchange rate flexibility, improved competitiveness and lower cost of doing business. On the revenue front, reforms to improve tax administration, widen the tax base and facilitate tax compliance are critical.

Feroze1888 believes in continued improvement through efficiency enhancement, stringent cost controls and resilience against market conditions. The Company cope-up with these challenges specifically in post COVID-19 situation, by maintaining its edge through well-maintained manufacturing facilities, concentrated marketing efforts to capitalize and enhance customers' loyalty with its quality products, retaining highly trained human capital developed with the vision to embrace changes to the advantage of Company in foreseeable future.

Acknowledgement and Appreciation

In wake of current havoc created by COVID -19, for Feroze1888, safety and wellness of its employees and customers are as always the top priority and all possible required safety precautions have been proactively adopted. Feroze1888 acknowledges and appreciates the cooperation and valuable support of its employees, customers, financial institutions, shareholders and members of the board of directors in this difficult time. We at Feroze1888, are proud of our commitment to excellence in product safety, quality and providing value added solutions to our customers in all times and are hopeful to sail through the rough waters successfully with our customary zeal.

For and on behalf of the Board of Directors

Rehan Rahman
Chief Executive Officer
Karachi
Date: 11 September 2020

Nasim Hyder
Independent Director / Vice Chairman

فیروز ۱۸۸۸ اپنے صارفین کو ہر طرح کے حالات میں معیاری اور محفوظ مصنوعات اور ویلویڈ سلوشن فراہم کرنے کے عزم اور اس کی پاسداری پر فخر محسوس کرتے ہیں اور امید کرتے ہیں کہ اپنے روایتی عزم و حوصلے اور صارفین کے اعتماد کے ساتھ ہم اپنے سفر کو کامیابی کے ساتھ جاری و ساری رکھیں گے، انشاء اللہ۔

برائے اور مخائب بورڈ آف ڈائریکٹرز

ریحان رحمان
چیف ایگزیکٹو آفیسر

نسیم حیدر
آزاد ڈائریکٹر / وائس چیئرمین

کراچی
تاریخ: ۱۱ ستمبر ۲۰۲۰

حصص یافتگی کی ترتیب

کمپنیز ایکٹ ۲۰۱۷ء اور کوڈ آف کارپوریٹ گورننس کے تحت ۳۰ جون ۲۰۲۰ء تک کی ترتیب حصص یافتگی کی رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

منافع منقسمہ اور منظوری

کمپنی کے مالی نتائج کو مد نظر رکھتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز نے حتمی نقد منافع 5.9% یعنی 0.59 روپے فی حصص تمام حصص یافتگان کے لیے دینے کا اعلان مورخہ ۱۱ ستمبر ۲۰۲۰ء کو منعقدہ اجلاس میں کیا جس کی حتمی منظوری سالانہ عام اجلاس میں حصص یافتگان سے لی جائیگی۔ مذکورہ بالا منافع کے علاوہ سال کے دوران ایک عبوری منافع 1.75 روپے فی حصص جو کہ 17.5% ہے بھی دیا گیا۔

مستقبل کا زاویہ نگاہ

کرونا وائرس وبائی مرض کے پھیلاؤ کو روکنے کے لئے لاک ڈاؤن اور سفری پابندیوں کی شکل میں داخلی اور عالمی سطح پر کئے جانے والے حفاظتی اقدامات مستقبل قریب میں معاشی نمو پر انتہائی منفی اثرات کے موجب ہیں۔

پاکستان کے معاشی تنظیمین کی GDP کی شرح نمو 2.3 فیصد کی مثبت پیش گوئی کے برخلاف عالمی بینک (WB) نے آئندہ مالی سال ۲۱ ۲۰۲۰ء میں پاکستان کی GDP میں منفی 1 فیصد شرح نمو کی پیش گوئی کی ہے۔ پاکستان کا معاشی منظر نامہ مشکلات کا شکار ہے اور اس میں نمایاں کمی کا خدشہ ہے۔ کووڈ-۱۹ اور پاکستانی مصنوعات کی بیرونی طلب میں واپس سے اضافے کی رفتار کے بارے میں غیر یقینی صورتحال ایک اہم خدشہ ہے۔ بڑھتے ہوئے قرضے اور جغرافیائی و سیاسی کشیدگی اس غیر یقینی صورتحال پر مزید دباؤ کا باعث بن رہے ہیں۔

مجموعی طور پر معاشی اصلاحات کے ساتھ ساتھ انتظامی ڈھانچے کو بہتر بنانے کے لیے اصلاحات پر عمل درآمد کرنے کی اشد ضرورت ہے تاکہ شرح نمو کو بہتر بنایا جاسکے۔ ملک کو مستحکم ترقی کی راہ پر گامزن کرنے کے لیے ضروری ہے کہ ایسی اصلاحات کا نفاذ کیا جائے جن سے شرح تبادلہ میں اضافہ، مسابقت میں بہتری اور کم کاروباری لاگت کا حصول ممکن ہو سکے۔ آمدنی کے حوالے سے دیکھا جائے تو ٹیکس کے انتظامی امور میں بہتری، ٹیکس کی بنیاد کی وسعت اور ٹیکسوں کی تعمیل میں آسانی کے لیے اصلاحات ضروری ہیں۔

فیروز ۱۸۸۸ بہتر سے بہترین کے اصول پر عمل پیرا ہے۔ استعداد کار میں اضافے، لاگت پر قابو رکھنے کے لیے موثر اقدامات، ہر طرح کے کاروباری حالات سے موافقت اور سعی مسلسل کے ساتھ ہم ہرگز رتے دن کے ساتھ مزید بہتری کی طرف گامزن ہیں۔ اپنی بہترین پیداواری صلاحیتوں، عمدہ ترین مصنوعات اور مارکیٹنگ کی کاوشوں کے ذریعے اپنے صارفین کا اعتماد بحال رکھنے اور اس میں اضافے، جدیدیت سے ہم آہنگ ہونے والے بہترین صلاحیتوں اور اعلیٰ تربیت کے حامل کارکنان کے ساتھ ہم بالخصوص کووڈ کے بعد کی صورتحال سے نمٹنے کے لیے تیار اور اپنے بہتر مستقبل کے لیے پُر یقین اور پُر عزم ہیں۔

اظہار تشکر

فیروز ۱۸۸۸ کے لئے اپنے ملازمین اور صارفین کی صحت اور حفاظت ہمیشہ کی طرح اولین ترجیح ہے اور کووڈ کی صورتحال میں بھی ہم نے تمام تر احتیاطی تدابیر اور حفاظتی اقدامات کو یقینی طور پر ممکن بنایا ہے۔ فیروز ۱۸۸۸ ان مشکل حالات میں اپنے ملازمین، صارفین، مالیاتی اداروں، حصص یافتگان اور مجلسِ نظاماء کے تمام اراکین کے ساتھ اور قابلِ قدر تعاون کے لیے ممنون و مشکور ہے۔

کاروباری استحکام اور کارپوریٹ سماجی ذمہ داری

فیروز ۱۸۸۸ 3Ps یعنی People, Planet and Prosperity کے فلسفے پر کاربند ہے۔ ہم "خوشحالی سب کے لیے" پر یقین رکھتے ہیں۔ اسی فلسفے کے تحت ہم اپنی جدید مصنوعات اور صارفین کے اعتماد کے ساتھ مارکیٹ لیڈر بننے کی جدوجہد میں کوشاں، اپنے ہم وطنوں کے لیے روزگار کے مواقع اور محفوظ کام کے ماحول کی فراہمی اور ملکی معیشت میں برآمدات کے ذریعے استحکام لاتے ہوئے ہر دم مصروف عمل ہیں۔

CSR کی بنیاد پر ہمارا عزم ایک ایسے ماحول کی تشکیل ہے جس کے تحت ہم دیرپا بنیادوں پر مشتمل ایک مستحکم اور پائیدار کمپنی کو فروغ دے سکیں۔ ہم اپنے ہر عمل کو پوری ذمہ داری سے ادا کرنے کے خواہاں ہیں اور نہ صرف اندرونی طور پر بلکہ اپنے شراکت داروں اور سپلائرز کے ذریعے بھی ذمہ دارانہ کاروباری عوامل اور طریقوں پر عمل کو یقینی بنانے کے پابند بھی۔ ہم ہمہ وقت ہونے والی کاروباری تبدیلیوں اور امور کے باوجود کمیونٹیز کی خدمت اور تعمیر کی ذمہ داری کو خوشدلی سے قبول کرتے ہیں۔ ہمارے ارتکاز کے بنیادی شعبہ جات یہ ہیں۔

- تعلیم
- صحت، تحفظ اور ماحول
- وسائل کا تحفظ
- پیداواری طریقہ کار میں معیار کو برقرار رکھنا
- انسانی وسائل و صلاحیت کی تعمیر و ترقی
- کاروباری اخلاقیات اور انسدادِ بدعنوانی

ہماری ترقی کی حکمت عملی کے دوران مستحکم آپریشنز ہماری بزنس فلاسفی کا مرکز رہے ہیں۔ ہم مختلف شعبوں میں اپنے شراکت داروں کے ساتھ کام کر رہے ہیں اور اپنی تمام کاروباری سرگرمیوں میں بین الاقوامی ماحولیاتی معیار کو برقرار رکھنے کے لئے اپنے کاربن فٹ پرنٹ کو کم کرنے کی کوشش کر رہے ہیں۔ ہم ماحولیاتی تحفظ، صحت و حفاظت، اعلیٰ کاروباری سرگرمیوں، اپنے لوگوں اور معیار کے لیے اپنے عہد پر فخر محسوس کرتے ہیں۔

آڈیٹر کا تقرر

آڈیٹرز میسرز ای وائی فورڈ رھوڈز (EY Ford Rhodes) چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہلیت کی بناء پر خود کو دوبارہ تقرری کے لیے پیش کر رہے ہیں۔ آڈٹ کمیٹی نے سال ۲۰۲۱-۲۰۲۰ء کے لیے کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے۔

مالیاتی بیانات کے بارے میں آڈیٹر کی رپورٹ

خود مختار آڈیٹر نے اختتام پزیر سال ۲۰۲۰ء کے مالی بیانات (Financial Statements) کی جانچ پڑتال باقاعدگی سے مکمل کی اور مالی بیانات (Financial Statements) کے بارے میں شفاف رپورٹ جاری کی ہے۔

ڈائریکٹرز ٹریننگ

بورڈ کے ڈائریکٹرز کارپوریٹ لاز اور لسٹنگ ریگولیشنز کے تحت تجویز کردہ اپنی ذمہ داریوں اور فرائض سے بخوبی آگاہ ہیں۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، ۲۰۱۹ء کے مندرجات کی تعمیل میں ہمارے آٹھ ڈائریکٹرز بشمول چیف ایگزیکٹو نے ڈائریکٹرز ٹریننگ حاصل کی ہے۔

رسک مینجمنٹ فریم ورک

کمپنی کی کاروباری سرگرمیاں ایک کثیرالجہتی مالیاتی خدشات یعنی مارکیٹ رسک، کریڈٹ رسک اور تحلیل رسک کی زد میں ہوتی ہیں۔ بنیادی طور پر کمپنی کی رسک مینجمنٹ فنانشل مارکیٹس کی غیر یقینی صورتحال کے انتظام پر توجہ مرکوز رکھتی ہے اور کمپنی کی مالیاتی کارگزاری پر ممکنہ نقصان دہ اثرات کو کم سے کم کرنے کی کوشش کرتی ہے۔

اے) مارکیٹ رسک

کمپنی اپنے بنیادی خام مال یعنی کائون اور یارن کی قیمتوں میں تبدیلیوں کے خطرے میں رہتی ہے۔ اس خطرے سے اسٹاک لیولز کی منصوبہ بندی اور موزوں اوقات اور وقفوں میں متعدد ذرائع سے خریداری کے ذریعہ نمٹا جاتا ہے۔

بی) کریڈٹ رسک

کمپنی اپنی فروخت کی رقم کی وصولی میں ناکامی کے خدشات سے دوچار ہو سکتی ہے۔ اس خطرے سے نمٹنے کے لیے مناسب کوششوں کے ذریعے کسٹمرز کا جائزہ لیا جاتا ہے اور صرف ان کسٹمرز کو ترجیح دی جاتی ہے جو قابلِ بھروسہ اور اچھی ساکھ کے حامل ہوں۔

سی) لیکویڈٹی رسک

کمپنی نقد رقم کی دستیابی اور کریڈٹ فیسیلیٹیز کے ذریعے معقول مالی اعانت کی فراہمی کو یقینی بناتے ہوئے دانشمندانہ طریقے سے لیکویڈٹی رسک مینجمنٹ کا اطلاق کرتی ہے۔ کمپنی نے اپنی ضروریات کو پورا کرنے اور عمومی کاروباری عوامل کو یقینی بنانے کیلئے سیلز کی وصولیوں اور خریداریوں کی ادائیگیوں کے درمیان وقفہ کو پورا کرنے کیلئے متعدد بینکس کے ساتھ ورکنگ کیپٹل کا انتظام کیا ہوا ہے۔

کمپنی کا بورڈ آف ڈائریکٹرز اور سینئر مینجمنٹ مندرجہ بالا خدشات سے بچاؤ کے انتظامات کی نگرانی کرتے ہیں۔ کمپنی کی سینئر مینجمنٹ جملہ رسک مینجمنٹ کا احاطہ کرنے کے لیے فنانشل derivatives، فنانشل انسٹرومنٹس اور زائند لیکویڈٹی کے تحفظ کے لیے طریقہ کار وضع کرتی ہے۔ یہ کمپنی کی پالیسی ہے کہ قیاس پر مبنی اور کسی قسم کی غیر یقینی تجارتی سرگرمی انجام نہ دی جائے۔

بنیادی خطرات اور غیر یقینی حالات

- بین الاقوامی تجارتی اور معاشی پالیسیوں میں تبدیلیاں
- مقامی قوانین میں بار بار بدلاؤ اور کاروباری اعتماد کا متاثر ہونا
- آپریٹنگ اخراجات میں مجموعی طور افراط زر کا بڑھتا ہوا اثر، مزدوری کی لاگت میں متواتر اضافے کا رجحان۔ ایندھن اور بجلی کی بڑھتی ہوئی قیمتوں کی وجہ سے توانائی کے اخراجات میں اضافہ جبکہ کم معاشی نمو کا کاروباری کارکردگی کو متاثر کرنا۔
- مرکزی بینک کی جانب سے ڈسکاؤنٹ ریٹ میں اضافے کے باعث فنانس لاگت میں اضافہ۔
- برآمد کنندہ کے لئے عالمی منڈیوں میں بڑھتی ہوئی مسابقت (Competition)
- زر (Currency) کے تبادلے کی شرح میں اتار چڑھاؤ۔

بورڈ اجلاسوں کی حاضری کی تفصیل

زیر غور سال کے دوران، بورڈ آف ڈائریکٹرز کے 18 اجلاس، بورڈ آڈٹ کمیٹی کے 14 اجلاس، اور بورڈ ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی کے 16 اجلاس ہوئے۔ قوانین کے تحت تمام اجلاسوں کے نوٹسز 11 بجندے اجلاس سے پہلے اور مناسب دورانیہ سے جاری کر دیئے گئے تھے۔ سال کے دوران منعقدہ بورڈ کے تمام اجلاسوں میں ممبران کی حاضری کمپنیز ایکٹ ۲۰۱۷ء کی مقرر کردہ حاضری کی کم از کم تعداد سے زیادہ رہی اور چیف فنانشل آفیسر اور کمپنی سیکریٹری نے بھی ان میں شرکت کی ہے۔ کمپنی سیکریٹری کی جانب سے اجلاسوں کی ساری کارروائی کو تفصیلی طور پر ریکارڈ کیا گیا جس میں بورڈ کے ذریعہ کیے گئے تمام فیصلوں اور انتظامیہ کی جانب سے فرہم کردہ وضاحتوں سے متعلق تفصیلات شامل ہیں۔

اجلاس کی تفصیلات (Minutes) کو بروقت توثیق کے لئے تمام ڈائریکٹرز کو بھیج دیا گیا تھا اور بعد میں بورڈ کے اجلاسوں میں اس کی منظوری دی گئی تھی۔ حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹرز کا نام	بورڈ آف ڈائریکٹرز	بورڈ آڈٹ کمیٹی	بورڈ ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی
جناب جوناقصن آرسائمن	6/8	رکن نہیں	رکن نہیں
جناب خلیق الرحمان	7/8	3/4	رکن نہیں
جناب شبیر احمد	8/8	رکن نہیں	5/6
جناب پرویز احمد	8/8	4/4	رکن نہیں
جناب نسیم حیدر	7/8	4/4	6/6
محترمہ ہما پاشا	8/8	4/4	6/6
جناب اسامہ رحمان	8/8	رکن نہیں	رکن نہیں
جناب عاصم شبیر پانکا	5/5	رکن نہیں	رکن نہیں
جناب عبدالرحمان یعقوب	1/2	رکن نہیں	رکن نہیں
جناب ریحان رحمان	8/8	رکن نہیں	رکن نہیں

رکن نہیں (Not a Member)

مجلسِ نظام میں تبدیلیاں

جناب عاصم شبیر پانکا ۱۷ مارچ ۲۰۲۰ء کو رضائے الہی سے انتقال فرما گئے، اللہ ان کو ابدی کامیابی جنت کی شکل میں عطا فرمائے (آمین)۔ جناب عبدالرحمان یعقوب جناب عاصم شبیر پانکا کی جگہ ۱۲۴ اپریل ۲۰۲۰ء کو ڈائریکٹر کے عہدے پر مقرر کیے گئے۔

نان-ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہرہ پر پالیسی

کارکردگی کا اعلیٰ معیار برقرار رکھنے کے لئے فیروز ۱۸۸۸ نے اعلیٰ قابلیت کے حامل اور تجربہ کار ڈائریکٹرز کو راغب کرنے کیلئے ڈائریکٹرز کا مشاہرہ مقرر کرنے کیلئے ایک خود مختار اصولی اور شفاف نظام تشکیل دیا ہے۔ سٹم قانونی شرائط کی تعمیل میں ہے اور یہ یقینی بناتا ہے کہ مشاہرہ اس سطح کا نہ ہو جو نان-ایگزیکٹو ڈائریکٹرز کی خود مختاری پر اثر انداز ہو۔ ریگولیٹری فریم ورک اور اندرونی طریقوں کی شرائط کے مطابق مشاہرہ پیکیجیز بورڈ کی قبل ازیں منظوری سے مشروط ہیں اور کسی ڈائریکٹر کو اپنے ذاتی مشاہرے کا فیصلہ کرنے میں شامل نہیں کیا جاتا ہے۔

کمپنی کی نیٹ فروخت بڑھ کر ۳۱،۲۰۶ ملین روپے یعنی پچھلے سال کے مقابلے میں ۶.۳۳ فیصد زائد دیکھنے میں آئی۔ یہ اضافہ بنیادی طور پر گزشتہ سال کے مقابلے میں امریکی ڈالر کے تبادلے کی شرح کے فرق سے منسوب ہے۔ اگر ہم اخراجات کی طرف اپنی توجہ مبذول کریں تو فروخت کی لاگت اور افراط زر اس اضافے کو ختم (Off Set) کر دیتا ہے۔ پچھلے سال کے مقابلے میں فروخت کی لاگت، انتظامی لاگت اور تقسیم کی لاگت میں بالترتیب ۹.۷۲ فیصد، ۱۱.۰۹ فیصد اور ۱۲.۳۱ فیصد اضافہ دیکھنے میں آیا۔ فی حصص آمدنی ۷.۸۰ روپے رہی جبکہ پچھلے سال ۱۵.۹۰ فی حصص تھی۔ سال کے دوران نہ تو کسی قرض کی ادائیگی میں کوئی ناکامی کا سامنا کرنا پڑا نہ ہی مالی سال کے دوران کمپنی کے کاروبار کی نوعیت میں کوئی تبدیلی رونما ہوئی۔

کوڈ آف کارپوریٹ گورننس کے تحت بیان

مجلسِ نظام اچھی کارپوریٹ گورننس اور اس سے بڑے قوانین پر عمل پیرا ہے۔ کارپوریٹ گورننس کی لاگو شرائط کے تحت نظام مسرت کے ساتھ رپورٹ کرتے ہیں کہ،

- مالیاتی گوشواروں میں کمپنی کے معاملات، آپریشنز کے نتائج، رقوم کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف اور مکمل طور پر پیش کیا گیا ہے۔
- کمپنی کے حسابات کے لئے کھاتوں کو باقاعدہ اور درست طور پر مرتب کیا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کیے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل درآمد کیا گیا ہے۔
- مجلسِ نظام، مناسب اور موثر اندرونی مالیاتی کنٹرول کے نظام کو یقینی بنانے کی ذمہ داری بخوبی سمجھتی ہے، یہ انٹرنل آڈٹ ڈیپارٹمنٹ کی اندرونی اشتہالی رپورٹس کا جائزہ لے کر ان پر عمل درآمد کی جانچ پڑتال کرتی ہے، جن میں ان کنٹرولز کے ڈیزائن اور موثر ہونے کا باقاعدگی سے جائزہ پیش کیا جاتا ہے۔ کوتاہیوں، اگر کوئی ہوں تو، سے متعلق مجلسِ نظام کو آگاہ کیا جاتا ہے اور انھیں درست کرنے کے مناسب اقدامات کیے جاتے ہیں۔

- کوئی قابل ذکر وجہ نہیں ہے کہ کمپنی کی موجودہ حیثیت میں کام جاری رکھنے کی اہلیت اور صلاحیت پر کوئی شک وشبہ کیا جائے۔
- کسی بھی جگہ کارپوریٹ گورننس کے بہترین اصولوں سے انحراف نہیں کیا گیا۔
- کمپنی کی ایک آڈٹ کمیٹی ہے، جس کے اراکین مجلسِ نظام سے ہیں اور چیئرمین ایک آزاد ڈائریکٹر ہیں۔
- چیئرمین بورڈ اور دیگر اراکین کا تقرر، ان کے تقرر کی شرائط اور مشاہرہ پالیسی (ڈائریکٹرز کا معاوضہ) کمپنی کے بہترین مفاد میں اور بہترین اصولوں کے مطابق ہے۔
- چیف ایگزیکٹو اور ڈائریکٹرز کا مشاہرہ منسلک مالیاتی گوشواروں میں نوٹ 32 میں بیان کیا گیا ہے۔

بورڈ نے وضع شدہ ٹرمز آف ریفرنس کے تحت درج ذیل دو کمیٹیاں تشکیل دی ہیں:

- بورڈ آڈٹ کمیٹی (بی اے سی)؛ سال بھر میں 14 اجلاس ہوئے
- بورڈ ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی (بی ایچ آرا اینڈ آر سی)؛ سال بھر میں 16 اجلاس ہوئے۔

مجلسِ نظام کی تشکیل

کوڈ آف کارپوریٹ گورننس کے مطابق، کمپنی آزاد اور نان-ایگزیکٹو ڈائریکٹرز کے ساتھ ساتھ، بورڈ پر صنعتی تنوع کی نمائندگی کی حوصلہ افزائی کرتی ہے۔

۳۰ جون ۲۰۲۰ء کے مطابق، بورڈ کی موجودہ تشکیل درج ذیل کے مطابق ہے:

ڈائریکٹرز	تعداد	کمپوزیشن	تعداد
مرد	8	آزاد ڈائریکٹرز	2
خواتین	1	دیگر نان-ایگزیکٹو ڈائریکٹرز	6
		ایگزیکٹو ڈائریکٹر	1

ڈائریکٹر رپورٹ

فیروز ۱۸۸۸ لمیٹڈ (کمپنی) کے ناظمین کمپنی کے اشتہال شدہ مالیاتی گوشوارے برائے اختتام سال ۲۰۲۰ء بشمول آڈیٹر رپورٹ پیش کرتے ہوئے مسرور ہیں۔ فیروز ۱۸۸۸ لمیٹڈ ایک پبلک لمیٹڈ کمپنی ہے جو کہ پاکستان اسٹاک ایکسچینج میں رجسٹرڈ ہے۔ کمپنی کی بنیادی سرگرمیوں میں اعلیٰ معیار کے سوت و ٹیکسٹائل ٹیری مصنوعات کی پیداوار و برآمد شامل ہیں۔

اقتصادی جائزہ

سال ۲۰۲۰ء میں دنیا میں ڈرامائی تبدیلیاں رونما ہوئیں۔ ہانگ کانگ جو سال ۱۹۹۷ء میں چین کے حوالے کیا گیا تھا اس کی حوالگی کے قانون میں ترمیم کی ایک کوشش نے ایشیاء کے سب سے بڑے مالیاتی مرکز میں بدترین بحران پیدا کر دیا۔ برطانیہ باہمی طے شدہ معاہدے کے تحت یورپی یونین سے جدا ہوا نتیجتاً یورپی یونین یکسر بدل گئی اور یورو کرنس کی گہرائی مزید بڑھنے لگی۔ امریکہ اور چین کے مابین تجارتی جنگ جو جولائی ۲۰۱۸ء میں شروع ہوئی تھی مالی سال ۲۰۲۰ء میں افراطی کا باعث بنی اور تیل کی قیمتوں میں ڈرامائی کمی کی وجہ زائد رسد کے مقابلے میں کم طلب اور عالمی معاشی ست روی رہی۔ اس دوران جب دنیا کے لوگ ان مسائل کے حل کے لئے کوشاں تھے، کووڈ ۱۹ (Covid-19) کی وباء چین کے شہر واپان میں نمودار ہوئی اور عالمی ادارہ صحت نے ۱۱ مارچ ۲۰۲۰ء کو اسے عالمگیر وباء قرار دیا، اس کے بعد اس وباء نے پوری دنیا کو اپنی لپیٹ میں لے لیا اور یہ وباء نہ صرف انسانی زندگی بلکہ عالمی معاشی سرگرمیوں پر بھی اثر انداز ہوئی۔ وائرس کے پھیلاؤ کو روکنے کے اقدامات نے معاشی سرگرمیوں کو محدود کر دیا نتیجتاً تمام ممالک مختلف بحرانوں میں گھر گئے جن میں صحت کے مسائل، مالی مسائل اور قیمتوں میں گراوٹ شامل ہیں۔

عالمی اقتصادى جائزے (اپریل ۲۰۲۰ء) کے اندازے کے مطابق دنیا کی ترقی کی شرح سال ۲۰۲۰ء میں ۳ فیصد گر جائے گی جبکہ عالمی وباء کی وجہ سے خام بین الاقوامی آمدنی (World GDP) کو ۹ ٹریلین ڈالر تک کا نقصان متوقع ہے۔

پوری دنیا کی طرح پاکستان کی معیشت بھی Covid-19 سے متاثر ہوئی ہے جو کہ مختلف ذریعوں سے ثابت ہے مثلاً داخلی و خارجی طلب میں نمایاں کمی، سیاحت اور کاروباری سفر میں کمی اور پیداواری رابطوں اور رسد میں خلل شامل ہیں۔ فروری ۲۰۲۰ء کے بعد Covid-19 وائرس کے تیزی سے پھیلاؤ نے معاشی سرگرمیوں کو قریب قریب روک دیا تاہم اقتصادی نقصانات کی شدت کا انحصار Covid-19 کی شدت اور مدت پر منحصر ہے۔ معیشت کو طلب و رسد کی مد میں شدید دھچکوں کا سامنا رہا جو کہ اختتامی سال ۲۰۲۰ء کی معاشی سرگرمیوں پر اثر انداز ہوا۔ مالی سال ۲۰۲۰ء میں مجموعی قومی پیداوار (GDP) کی شرح نمو کا تخمینہ منفی 0.38 فیصد ہے جبکہ ترقی کو تقویت دینے کے لئے حکومت نے 1.24 ٹریلین کے امدادی رقم جبکہ مرکزی بینک نے بھی شرح سود کی بعدسات فیصد اور ری فائینڈنگ سمیت مختلف اقدامات اٹھائے ہیں۔

بڑھتا ہوا افراط زر کا دباؤ، خام مال کی قیمتوں میں اضافہ، توانائی کی بڑھتی ہوئی قیمتوں کے ساتھ دباؤ شدہ معاشی ماحول صنعتی پیداوار کے لئے بتدریج ایک بڑا مسئلہ بنا ہوا ہے۔ مالی سال ۲۰۱۹-۲۰ء کے دوران پاکستان کی مجموعی برآمدات میں ۶.۸۱ فیصد کمی واقع ہوئی ہے اور یہ گزشتہ سال کے دوران ۲۲.۹۵۸ ملین ڈالر کے مقابلے میں ۲۱.۳۹۳ ڈالر رہی۔ سال ۲۰۱۹-۲۰ء کے دوران ٹیکسٹائل کے شعبے میں ۱۹-۲۰۱۸ء کے مقابلے میں ۶.۰۱ فیصد کمی ریکارڈ کی گئی ہے۔

کاروباری و مالی کارکردگی کا جائزہ

بیرونی منڈی کے عوامل نے کاروبار کو انجام دینے میں کافی مشکل ماحول مرتب کیا، تاہم اس کے باوجود کمپنی کا نمو کا گراف مستحکم ہے اور برآمدی فروخت میں 7 فیصد کا اضافہ ہوا۔ ملک میں تولیہ (Terry) کے اہم کارخانہ دار ہونے کے ناطے ہمارے صارفین کیلئے برآمد کنندہ ہیں، ہم اپنی ایک شناخت اور مرتبہ رکھتے ہیں۔ فیروز ۱۸۸۸ صارفین کے ساتھ اسٹریٹیجک اور پائیدار تعلق کو اپنا اثاثہ گردانتی ہے۔ ہمیں اپنے صارفین کے اعتماد کو بحال رکھنے پر فخر ہے جو کہ ہماری مصنوعات کی سیفٹی، معیار اور اعلیٰ معیار کی مصنوعات و خدمات کی بروقت فراہمی کا مظہر ہے اور یہی ہمارے کاروبار کی ترقی اور صارفین کے اعتماد کی وجہ ہے۔ آپریشنل کارکردگی کے معیار پر پورے سال انتظامیہ کی بھرپور توجہ قائم رہی۔

GOVERNANCE FRAMEWORK

Governance Structure

Corporate Governance refers to a framework through which Board of Directors ("the Board") ensures accountability, fairness, responsibility and transparency in the Company's relationship with all its stakeholders and sustainable value creation for them. Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore, about what the Board of Directors of the Company does and how it sets the values of the Company, and it is to be distinguished from the day to day operational management of the Company.

The governance and control of Feroze1888 is carried out through number of corporate bodies. At the general meetings, the shareholders can exercise their voting rights as mentioned in statutory laws. The Board of Directors is ultimately responsible for organization and monitoring of the Company's operations. The duties of the Board are partly exercised through Audit Committee and Human Resource and Remuneration Committee.

In addition, the Board is responsible to appoint the CEO of the Company. The CEO is in-charge of the day to day affairs of the Company in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between the shareholders, the Board and the CEO are regulated inter alia by the Companies Act, 2017, the Company's Articles of Association, the Corporate Financial Reporting Framework of Securities and Exchange Commission of Pakistan and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Our Governance strategy is to ensure that the Company follows the direction defined by its Core Values, current regulatory frameworks and global best practices. Our approach towards corporate governance ensures ethical behavior, transparency and accountability.

To ensure effective, efficient and independent decision making, Feroze1888's Board of Directors comprises of a skillful diverse group of highly qualified professionals from varied disciplines. The Board consists of 9 Directors as at 30 June 2020, effectively representing the interest of shareholders including minority stockholders. There are 8 Non-Executive Directors and only 1 Executive Director. The Non-Executive Directors include 2 Independent Directors. Feroze1888 continues to maintain a female representation on the Board of Directors with one female director.

Board of Directors has, throughout the year 2019-20, complied with the requirements of Code of Corporate Governance, the Financial Reporting framework of Securities and Exchange Commission of Pakistan (SECP) and Rule Book of Pakistan Stock Exchange Limited. Detailed statement is part of Directors' Report.

Composition of Board of Directors, attendance at Board and Committee meetings, changes in Board of Directors, remuneration policy of non-executive and independent directors and directors' training details are part of Directors' Report.

GOVERNANCE FRAMEWORK

Role and Responsibilities of Board of Directors

All strategic decisions of the Company are taken by the Board of Directors. The Board exercises all powers granted to it by the Companies Act 2017 with responsibility, diligence, and in compliance with the legal framework after due deliberations in its meetings. These include but are not limited to, appointment of key management positions, approval of annual budgets including capital expenditures, investments in new ventures and approval of related party transactions. Financial statements of the Company, including interim and final dividends and review of internal / external audit observations regarding the overall control environment including effectiveness of the control procedures, are also approved by the Board.

Matters Delegated To The Management

Chief Executive Officer of the Company has been entrusted by the Board with the primary responsibility of conducting the routine business operations in an effective and ethical manner, in line with the Board's approved strategies and goals including annual targets of production, sales, revenues, cost, profitability and compliance with legal requirements. The management is responsible for the identification and administration of key risks and opportunities which could impact the Company in the ordinary course of business. It is also the responsibility of the Company's management to establish and maintain a system of internal controls and financial reporting in conformity with the approved accounting standards and the requirements of the Companies Act, 2017.

Board Committees

Board of Directors has constituted Audit Committee and Human Resource and Remuneration Committee to work under its guidance. Details about the composition and terms of reference of both committees are as under.

Audit Committee

The Audit Committee of the Board of Directors of Feroze1888 Mills Limited assists the Board of Directors in the oversight of:

- a) The integrity of Financial Statements of the Company;
- b) Effectiveness of:
 - i) External Audit, with respect to the appointment of, rotation, qualification and independence of External Auditors and the conduct of Audit;
 - ii) The system of Internal Control;
 - iii) The Internal Audit Function;
 - iv) The compliance, including compliance with legal and regulatory requirements.

It consists of four members including its Chairman. Two members are Non-Executive Directors, while Chairman and one member of Committee are Independent Directors including a female director. Its meetings are held in every quarter for reviewing and recommending the Company's Financial Statements. In addition, the Board can convene a special meeting of this Committee to discuss any special agenda. Detail regarding attendance of committee meetings is disclosed in Directors' Report.

Terms of Reference

a) Financial Reporting:

Review of quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, through discussion with Management and External Auditors (where relevant) focusing on significant financial reporting issues and judgments, sufficiency of disclosures in compliance with regulatory framework, significant audit matters and disclosure of related party transactions.

b) Internal Controls and Risk Management:

- Determination of appropriate measures to safeguard the Company's assets.
- Ascertainment of the adequacy of the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording and reporting structure.
- Review of the effectiveness of the Company's internal controls and risk management systems.
- Review of Company policies and amendments thereto.
- Internal Audit Reports.

c) External Audit:

- Consider and make recommendation to the Board on the appointment and removal of external auditors and their audit fees.
- Facilitate the external audit and discuss major observations of the auditors arising from audits and any other matters that the auditors may wish to highlight.
- Review Management Letter issued by the external auditors and management's responses thereto.

d) Other Matters:

Consider any other matter assigned to it by the Board or by the Regulators. The Committee shall make recommendations to the Board it deems appropriate on any area under its review where action or improvement is needed.

Human Resource & Remuneration Committee

There is a Human Resource and Remunerations (HR&R) Committee to assist the Board by:

- a) Recommending human resource management policies to the Board;
- b) Recommending to the Board, the function, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and the Internal Audit Head.

The Committee consists of three Board members, with two Independent Directors and one Non-Executive Director. The Chairperson of the Committee is an Independent female director. The Committee meets as many times as it deems necessary, but at minimum it has to meet at least twice a year. Detail regarding attendance of committee meetings is disclosed in Directors' Report.

GOVERNANCE FRAMEWORK

Duties and Responsibilities

The duties and responsibilities are as under:

- The Committee ensures that plans are in place for orderly succession of Executive Officers including the Chief Executive.
- The Committee reviews and discusses the Company's organizational structure with the CEO for appropriateness to the Company's business strategy and future plans.
- The Committee recommends to the Board the framework / policy for the remuneration of the Company's Chair man, Board members, Chief Executive and other Executive Officers. In determining such policy, the Committee takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code of Corporate Governance.
- The Committee considers and approve recommendations of the Chief Executive on selection, evaluation, compensation and succession planning for key management positions who report directly to the Chief Executive.
- The Committee may seek assistance of outside consideration to fulfill its duties and responsibilities.
- The Committee undertakes annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Director's Report or Governance Framework.

Roles and Responsibilities of Chairman of the Board of Directors

Chairman acts as the custodian of the Company on behalf of the Board and stakeholders. The primary role of the Chairman is to ensure that the Board of Directors remains effective in its tasks of setting and implementing the Company's direction and strategy. The Chairman is responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors in fulfilling their responsibilities, including avoidance of conflicts of interest. The Chairman shall ensure that good relations are maintained with the Company's strategic stakeholders and their trust and confidence is maintained in the Company.

The Chairman represents the non-executive directors of the Board and is entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings.

Performance Evaluation of the Directors on the Board

Complying with Code of Corporate Governance, 2019 the Board has approved a comprehensive mechanism for evaluation of its performance. The Company has introduced a questionnaire covering the Board's scope, objectives, function and Company's performance and monitoring.

All individual Board members answer the comprehensive questionnaire focused on evaluating, from various angles, whether the Board has discharged its duties diligently and with foresight. The Chairman of Board collates individual responses and presents them to the Board. This exercise allows the critical self-assessment of the Board to evaluate its performance and overall effectiveness in setting strategies, devising control processes, assessing market trends by monitoring micro and macroeconomic factors and setting standards to respond to the adverse unforeseen situations to further the cause of a learning organization. This process also ensures that the Board is constantly growing intellectually and the responsibility of steering the Company to new heights of success is discharged effectively and efficiently.

Board's performance evaluation is carried out internally and no external consultant is hired for the same in last three years.

Role and Responsibilities of Chief Executive Officer

Chief Executive Officer is an executive director and responsible to act as the Head of the Company. CEO has the prime responsibility of driving for achievement of the Company's vision, mission and its long term goals. He acts as a link between the Board and management of the Company and communicates with the Board on behalf of the management. The CEO is responsible for day to day management of the Company's affairs and execution of long term strategy, plans and budgets to increase shareholders' value.

CEO also represents the Company to shareholders, government authorities and the public. He is the leader and decision maker who motivates employees, drives change within the Company and takes decisions to achieve targets. CEO ensures that the Company complies with all relevant laws and corporate governance principles and that these principles are recommended to and adopted by the Board to mitigate key risks. CEO also sets the ethical tone in providing ethical leadership and creating an ethical environment.

Currently, Chief Executive Officer (Executive Director) of the Company does not serve as non-executive director on Board of any other Company.

Performance Evaluation of the Chief Executive Officer

It has been a regular practice of the Board Members to evaluate the performance of the CEO and their recommendations are put forward to the Chairman. The performance of the CEO is evaluated on the basis of both qualitative and quantitative attributes, including but not limited to, overall company's financial performance, goal setting, leadership compliance, effectiveness of Internal Control System and Governance.

Retention of Board Fee by the Executive Director In Other Companies

Executive Director of Feroze1888 may serve as Non-Executive Director on the board of any other company by virtue of the Companies Act 2017. Fees paid by other company/ies in compliance with remuneration policy of respective company/ies, approved by the Board of Directors may be retained by the Executive Director in lieu of services rendered as Non-Executive Director.

Statement on Security Clearance of Foreign Directors

Security clearance of Foreign Directors is initially done by the Company Secretariat by verifying their provided documents as per requirements of prevailing laws. Finally it is carried out by the Regulator i.e. Securities and Exchange Commission of Pakistan as per law / regulatory requirements, as their forms related to appointment is accepted subject to clearance by the Ministry of Interior.

Practices Exceeding Legal Requirements

The governance practices exceeding legal requirements that have been adopted by the Company include:

- Best reporting practices recommended by ICAP & ICMAP.
- Adoption of Pakistan Stock Exchange criteria for selecting top companies.
- Disclosure of various financial analysis including ratios, reviews and graphs.
- Implementation of Health, Safety and Environment strategies to ensure safety of employees and equipment.

GOVERNANCE FRAMEWORK

Diversity & Inclusion

Feroze1888 is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. Feroze1888 being an equal opportunity employer extends employment opportunities to individuals based on merit encouraging diversity in terms of gender, ethnic background, age, physical ability etc. The Company has planned objectives for diversification of human capital and gratifying career opportunities are provided to make sure that an encouraging working environment is created in the organization. Competent professionals are hired keeping in view the objective to provide them with a progressive career focusing on utilizing the maximum potential.

Feroze1888 diversity & inclusion initiatives are applicable to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; and the ongoing development of a work environment built on the premise of gender equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives; and
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

Related Parties Transaction Policy

In the light of regulations issued by SECP under SRO 1194(I) / 2018 dated 2 October 2018 and Section 208 of Companies Act 2017 for Related Party Transactions, the Related Parties Transaction Policy of the Company was approved by the Board on 24 April 2019. The Company maintains proper record of all transactions pertaining to Related Parties and relevant details have been appropriately disclosed in Note 34 of the Financial Statements in accordance with Fourth schedule of Companies Act 2017. These transactions were reviewed and recommended by Audit Committee and were subsequently approved by the Board on 11 September 2020.

Conflict of Interest Among Board Members

The Code of Conduct implemented by the Board provides guidance to strictly avoid conflict of interest (or even the perception of a potential conflict) between the director's personal, social, financial or political interests and the advancement of the Company's business interests, the interests of its customers and with other directors.

Investors' Relations and Communication Policy

Feroze1888 Mills Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments (if any).

Further all information disclosed to the public will be in accordance with the listing rules stipulated by Pakistan Stock Exchange Limited ("PSX"), as well as the Listed Companies (Code of Corporate Governance) Regulations, 2017. The Company also gives its shareholder the option to express their grievances and any other enquiries electronically via its websites. The policy was approved by the Board of Directors on 6 September 2019.

Safety of Records

Feroze1888 effectively ensures the safety of its records. All records are retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main focus areas are:

- To ensure that the Company's records are managed, retained, and disposed-off in an effective and efficient manner.
- To facilitate the efficient management of the Company's records through the software viz. Document Management System.
- All material record is efficiently archived in digital form and uploaded on the Company's secure server, ensuring safety of record and easy retrieval thereof as well as protection of record for durations exceeding the legal requirements.
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing.
- Storage of data at secure location with protective measures against physical deterioration, fire, natural disasters etc.
- Information will be held only as long as required and disposed-off in accordance with the management directives; and
- Records and information are owned by the Company, not by the individuals or teams.

IT Governance

Feroze1888 has a well-conceived IT Governance Strategy which seeks to ensure that IT is aligned with Feroze1888's organizational goals and delivers value to the organization. It is designed to promote effective, efficient, timely, and informed decision-making concerning Feroze1888's IT investments and operations. Specifically, it aims to establish the IT governance structure and its associated procedures, roles and responsibilities, as a critical component of the overall IT Management and Investments.

Feroze1888's IT Governance is mainly focused on:

- Establishing a shared vision of how information technology can add value to the organization.
- Establishing information technology goals, and the strategies for achieving those goals.
- Establishing principles and guidelines for making information technology decisions and managing initiatives.
- Establishing and communicating organizational information technology priorities.
- Determining information technology priorities in resource allocation.
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies.
- Determining the distribution of responsibility between the IT Department and end users.

Whistle Blowing Policy

Demonstrating the commitment towards maintaining highest standards of ethical, moral and legal business conduct Feroze1888 has established an effective Whistle Blowing Mechanism that encourages all employees to raise alerts against any illegal and dishonest events (behaviors or practices) without fear of reprisal or repercussions.

This policy is intended to:

- Provide avenues for employees to raise concerns and define a way to handle these concerns.
- Enable Management to be informed at an early stage about acts of misconduct.
- Reassure employees that they will be protected from punishment or unfair treatment for disclosing concerns in good faith in accordance with this procedure.
- Help develop a culture of openness, accountability and integrity.

GOVERNANCE FRAMEWORK

The Company employees are required to report concerns directly on a specified email ID which is accessed by the Chairman of the Board of Directors, Chairman of Board Audit Committee and Chairman of Human Resource Committee.

Instances during the year

There were no instances reported to the Audit Committee regarding improprieties in financial, operating, legal or other matters of the Company.

Human Resource Management Policies

Feroze1888 believes that employees are its biggest assets. Empowering staff with meaningful roles, challenging assignments and world class learning platforms have paved the way for a more purpose-driven organization. A comprehensive set of policies has been well implemented to cover all aspects related to HR i.e Recruitment and Selection, Performance Management, Learning and Development, Mentorship Program, Compensation and Benefit, No Harassment & Discriminatory Organizational Culture. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company.

Succession Policy

In order to maintain continuity of the business operations, particularly at senior management and key managerial positions, a well-defined Succession Policy duly approved by Board of Directors, is in practice. The Company ensures implementation of succession planning. This is done by development of successors for all key positions across the organization. With a long-term perspective in mind, the Company also ensures that competent personnel are available in each department and are ready to assume higher positions through a succession planning Policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude among other factors.

Corporate Social Responsibility Policy

Feroze1888 Mills' CSR policy is a well-stated commitment and ownership towards environment, its people and society in general. Our focus is to give back to the society and our homeland Pakistan, as much as it has given to us.

The policy covers different initiatives being done under the following headers:

- Compliance to legal and ethical requirements to run a business.
- Waste Control & Environmental Friendly Production Processes.
- Contributions in Educational & Capacity Building Programs.

Our role as a corporate citizen is as important to us as satisfaction of our customers and earning a fair return for our shareholders. We are committed to work for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, contractors, suppliers and customers.

Board Meetings Held Outside Pakistan

During the year all Board of Directors and Committee meetings were held in Pakistan.

Compliance With The Best Corporate Practices

Report of the Audit Committee on adherence to the Code of Corporate Governance. Statement of Compliance with the Code of Corporate Governance and Auditors Report thereon also form part of this Annual Report.

Directors' Orientation Session

The Company has a practice to carry out orientation sessions for their directors to acquaint them with applicable laws and regulations and their duties and responsibilities in order to enable them to effectively govern the affairs of the Company on behalf of shareholders.

Shares Held By Sponsors / Directors / Executives

As at 30 June 2020, the Sponsors, Directors and Executives of the Company held the following number of shares:

Particulars	Numbers of Shares
Sponsors and directors	215,370,922
Associates	87,347,959
Executives	31,410,643

Presence of the Chairman Audit Committee at the AGM

Shareholders are invited to all General Meetings and are encouraged to share their concerns and queries. Certain Members of the Board, Chief Executive and other senior management personnel were present at the General Meetings held during the year, to address all concerns and queries raised by the shareholders. Chairman of the Board Audit Committee was also present at the AGM held to approve financial statements for the year ended 30 June 2019 to answer any questions on the same and Board Audit Committee's activities and matters within the scope of the Committee's responsibilities.

Issues Raised at Last AGM

General clarifications were sought by the shareholders on Company's Annual Report, however, no significant issue was raised during the 47th AGM of the Company held on 23 October 2019.

Steps Taken by the Management to Encourage Minority Shareholders' Participation in Annual General Meeting

The Company ensures that the interest of the minority Shareholders is protected. In order to ensure their participation in general meetings, Feroze1888 management takes following steps:

- All notices related to the Shareholders' meetings are being announced timely through Pakistan Stock Exchange and also published in newspapers in English and Urdu language as per the specified timeline and requirements.
- All notices of the Shareholders' meetings are dispatched at the registered addresses of the Shareholders available with the Company as per regulatory requirement to acquaint them with the agenda of the meeting.
- Annual Report is being sent to each member of the Company before the AGM in electronic form through CD and in hard copy form who asked for the same.
- Shareholders are facilitated and encouraged in appointing proxies in case they are unable to attend the AGM in person. For this purpose proxies in English and Urdu Language is sent to the members along with the notices and also available on our website.
- Shareholders are encouraged to comment, raise queries and provide feedback in the meeting.
- It is also ensured to comply all the regulatory requirements and takes all possible steps to encourage attendance of minority shareholders in general meetings.

Corporate Briefing

Feroze1888 conducted a corporate briefing based on 30 June 2019 Financial Statements on 29 November 2019 to apprise the stakeholders about the Company's operational and financial performance and to solicit and understand views of shareholders. Immense interest was shown by the shareholders, PSX representatives, analysts and other stakeholders. Chief Financial Officer summarized the Company performance for the year 2019. The briefing was also attended by the Chief Executive, Head of Operation, Company Secretary and other senior officials of the Company. The briefing was followed by a Question & Answer session to provide further explanation on the matters stated in briefing.

Investors' Relations Section On Feroze1888's Website

Feroze1888 Mills Limited is committed to maintain strong and transparent relations with all stakeholders including the investors and shareholders. In an efforts to harness the relationship with the investors and shareholders and to provide them the accurate, transparent and timely information, the Company has maintained a dedicated section on its website (<http://www.feroze1888.com>). The website is regularly updated to ensure that the Company meets its requirements and provides all information relevant to all stakeholders including customers.

REPORT OF AUDIT COMMITTEE

Composition

The Company has established an Audit Committee in compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019. It comprises of four non-executive directors.

Mr. Nasim Hyder – Independent Director (Chairman)
Mr. Khaleequr Rahman - Non-Executive Director
Mr. Perwez Ahmed - Non-Executive Director
Ms Huma Pasha - Independent Director

The current Chairman of the Committee, Mr. Nasim Hyder and member Ms Huma Pasha are the fellow members of the Institute of Chartered Accountants of Pakistan (ICAP). All the Committee members as a whole possess significant economic, financial and business acumen. The names and profiles of the Audit Committee members are part of this Annual Report.

Role

The committee monitors the effectiveness of the Company's financial reporting, systems of internal control and risk management and the integrity of the Company's external and internal audit processes.

Responsibilities

- Monitoring and obtaining assurance that the process to identify, manage and mitigate principal and emerging financial risks are appropriately addressed by the management and that the system of internal control is designed and implemented effectively.
- Reviewing financial statements and other financial disclosures and monitoring compliance with relevant legal and listing requirements.
- Reviewing the effectiveness of the Company's audit function, the Company's internal financial controls and systems of internal control and risk management.
- Overseeing the appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process as a whole, including the engagement of the external auditor to provide non-audit services to the Company.
- Reviewing the systems in place to enable those who work for the Company to raise concerns about possible improprieties in financial reporting or other issues and for those matters to be investigated.

Meetings held

Report and Conclusion reached

The Committee has concluded its annual review of the operations of the Company for the year ended June 30, 2020 and based on reviews and discussions in the meetings, reports that:

- The Audit Committee has reviewed the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors. These financial statements present a true and fair view of the Company's state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the applicable International Financial Reporting Standards as notified by SECP.
- Review process of financial statements by the audit committee also include detailed consideration of related matters and issues which were dealt in accordance with applicable accounting and reporting standards. No additional matter was required to be discussed other than already disclosed in the financial statements. Contents of the External Audit Report are in accordance with the applicable Regulations in Pakistan; the auditors have issued unmodified audit reports in respect of the financial statements.
- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements. Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company.
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- Proper, accurate and adequate accounting records have been maintained by the Company.
- All related Party transactions have been reviewed by the Committee prior to approval by the Board.
- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Directors Report. The types and detail of risks along with mitigation measures are disclosed in relevant disclosure of the financial statements.
- The Company has adhered, without any material departure, with the mandatory provisions of the Pakistan Stock Exchange, Code of Corporate Governance, Company's code of conduct and values and the best practices of governance throughout the year.
- The Committee has reviewed the "Whistle-Blowing Policy" as an arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures. No material incidents regarding operations of the entity or otherwise were reported to the Audit committee during the year.
- The Company's Annual Report is properly structured to provide all necessary information in sufficient detail. Not only it gives financial information like state of affairs and financial performance as per applicable accounting framework, it also enlightens through financial analysis in easy to comprehend style. Besides the core financial information, it also covers all other necessary domains like background details about company and its directors, comprehensive management reviews and future prospects, stakeholders' information and corporate governance.

Annual Report 2019-20

The Company's Annual Report 2019-20 is properly structured to provide all necessary information. The Committee has reviewed the Annual Report and concluded that it is fair, balanced and understandable and it also provides the necessary information for the shareholders to assess the Company's position and performance, business model and strategy.

Evaluation of Internal Audit Function

The Company has devised and implemented an effective internal control framework which also includes an independent Internal Audit Function.

- The Internal Auditor reviews the risks and control processes. It carries out reviews in accordance with the internal audit plan approved by the Committee.
- The internal audit function has direct access to the Committee.
- The Committee reviews the findings and observations of the Internal Audit with agreed management actions. These findings were carefully considered by the Committee, with management given direction to ensure that necessary steps were taken to mitigate any issues. Accordingly, as and when necessary the Committee escalated matters to the Board for their review and action.
- Committee has ensured that the function has all necessary access to management and the right to seek information and explanations.
- The Committee met with the Internal Auditor in absence of the management.

Evaluation of Effectiveness of External Audit Process

- The statutory auditors of the Company, EY Ford Rhodes, Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended June 30, 2020 and shall retire on the conclusion of the Annual General Meeting.
- The Audit Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in absence of the management.
- The external auditors have direct access to the Audit Committee and internal auditor, hereby ensuring the effectiveness, independence and objectivity of the audit process.
- The performance, cost and independence of the external auditors is reviewed annually by the Audit Committee. Being eligible for reappointment under the listing regulations, the Committee has recommended to the Board the reappointment of EY Ford Rhodes, Chartered Accountants for the year 2020-21. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.
- The Committee met with the External Auditors in absence of the management.

Self-Evaluation of the Audit Committee Performance

The Committee views that it discharged its responsibilities satisfactorily as per its terms of reference approved by the Board. Audit Committee conducts an annual evaluation of its own effectiveness by completing a Self-Assessment checklist in form of a questionnaire.

Nasim Hyder
Independent Director / Chairman -
Board Audit Committee

Karachi: 11 September 2020



EY Ford Rhodes (EYFR)
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Independent Auditors' Review Report

To the members of Feroze1888 Mills Limited

Review Report on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Feroze1888 Mills Limited (the Company) for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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. 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.

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 2020.

Chartered Accountants
Place: Karachi
Date: 02 October 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) in the following manner;

1. The total number of directors are nine as at 30 June 2020 and eleven as at 20 July 2020 including Chief Executive as a deemed director as per the following:

As at 30 June 2020			As at 20 July 2020	
a.	Male	8	Male	9
b.	Female	1	Female	2

2. The composition of Board is as follows:

As at 30 June 2020			As at 20 July 2020		
Independent directors	2	Mr. Nasim Hyder Ms. Huma Pasha	Independent directors	3	Mr. Nasim Hyder Ms. Huma Pasha Ms. Aminah Zahid Zaheer
Non-executive directors	6	Mr. Jonathan R. Simon Mr. Khaleequr Rahman Mr. Shabbir Ahmed Mr. Abdul Rehman Yaquob Mr. Perwez Ahmed Mr. Usama Rahman	Non-executive directors	7	Mr. Jonathan R. Simon Mr. Khaleequr Rahman Mr. Shabbir Ahmed Mr. Abdul Rehman Yaquob Mr. Perwez Ahmed Mr. Anas Rahman Mr. Zain Ashraf Mukaty
Executive director	1	Mr. Rehan Rahman, CEO	Executive director	1	Mr. Rehan Rahman, CEO
Female directors	1	Ms. Huma Pasha	Female directors	2	Ms. Huma Pasha Ms. Aminah Zahid Zaheer

Pursuant to a requisition from a shareholder under Section 162 of the Companies Act, 2017, election of Directors was held in an Extra Ordinary General Meeting of the shareholders on 20 July 2020 and Board was reconstituted for a term of three years from the said date.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
- 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;
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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 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 (DTP) under the CCG.

Name of directors who obtained certificate of DTP:

1. Mr. Khaleequr Rahman	Non-Executive
2. Mr. Shabbir Ahmed	Non-Executive
3. Mr. Perwez Ahmed	Non-Executive
4. Mr. Anas Rahman	Non-Executive
5. Mr. Nasim Hyder	Independent
6. Ms. Huma Pasha	Independent
7. Ms. Aminah Zahid Zaheer	Independent
8. Mr. Rehan Rahman	Executive

10. The board has approved appointment of Chief Financial Officer including her remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However there is no new appointment of Company Secretary and Head of Internal Audit during the year;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:-

a).

Board Audit Committee	30 June 2020	Board Audit committee	20 July 2020
Mr. Nasim Hyder	Chairman	Mr. Nasim Hyder	Chairman
Mr. Khaleequr Rahman	Member	Mr. Khaleequr Rahman	Member
Mr. Perwez Ahmed	Member	Mr. Zain Ashraf Mukaty	Member
Ms. Huma Pasha	Member	Ms. Aminah Zahid Zaheer	Member

b).

Board HR & Remuneration Committee	30 June 2020	Board HR & Remuneration Committee	20 July 2020
Ms. Huma Pasha	Chairperson	Ms. Aminah Zahid Zaheer	Chairperson
Mr. Nasim Hyder	Member	Mr. Nasim Hyder	Member
Mr. Shabbir Ahmed	Member	Mr. Zain Ashraf Mukaty	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) Board Audit Committee Quarterly
- b) Board HR and Remuneration Committee Quarterly
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company;
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 requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Companies (Code of Corporate Governance) Regulations, 2019 have been complied with;
19. Explanations for not rounding up the fractional number under Regulation 6 and also other regulations are as follows:
- a) Regulation 6(1) of the Companies (Code of Corporate Governance) Regulations, 2019 stipulates that it is mandatory for each listed company to have at least two or one third members of the Board, whichever is higher, as independent directors. In a Board comprising 10 directors, one third would equate to 3.333 persons. Since the fraction is below half (0.5), accordingly, the fraction contained in such one-third is not rounded up as one. Further, the Company has enough experienced and well reputed independent directors on the Board who perform and carry out their responsibilities diligently.
- b) The Regulation 18 of the Code requires that the Company should make appropriate arrangements to carry out orientation for its directors to acquaint them with the Regulations of the Code, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed Company for and on behalf of shareholders. The appropriate arrangements to carry out the aforementioned orientation of its directors have been made subsequent to the year end.

Jonathan R. Simon
Chairman / Director

Karachi: 11 September 2020

PANDEMIC RECOVERY PLAN BY THE MANAGEMENT AND POLICY STATEMENT

Policy statement - it is possible to turn risk into opportunity by being prepared and proactive.

Feroze1888 as a strategy is focused on blending “response” with “recovery” from the COVID-19 Pandemic with recovery being considered as an extension of the response efforts. The situation is still developing and the future remains uncertain – it being a fluid, continuous emergency vs. a one-time event.

During the response phase, we were carrying the agenda of limiting the impact on our people and maintain close coordination with our customers as the situation evolves for them. In the recovery phase, the focus is and will continue to be on safety of our people, resuming critical business functions quickly and minimizing the impacts on our service levels to customers.

People – our first priority is our people. During the response phase, the communication mechanism that was in place ensured that all the employees are aware of the developing situation in terms of health and safety of themselves and their families. Also, a communication channel was established to ensure the employees are aware of the business situation too – this was done to minimize the panic and anxiety that could be caused due to the country wide lock downs and the economic impacts worldwide.

In the recovery phase, we prepared to bring people back in a reasoned, planned and structured way in line with the operations. We have developed protocols that ensure that employees are healthy before they return to the office. SOPs have been developed at the office premises as well and provide a safe and hygienic work environ-

Lean Governance Model – a quick move is to a governance model for swift decision making in responding to the changing scenarios. This Pandemic is peculiar in its very core as it required adjustments and re-adjustments every single day at work.

Risk Assessments – since, uncertainty is inherent in such pandemics stress testing with different scenarios has been undertaken and the frequency of such assessments have been increased. Initially, it was focused on a month and the span has been enhanced since then. The implications on our people, operations and finances in each of the scenario are detailed and deliberated at length. This is an on-going activity in the recovery phase.

Supply chain and implications for the customers – In the recovery phase, we have developed a realistic view of the inputs that is expected from existing suppliers and what can be sourced from elsewhere in order to meet the production targets. The challenge was doublefold and to a certain extent, still is – the production of goods at home and the actual transport to the customers. It has been ensured that realistic projections are shared with the customers while we make our utmost efforts to deliver more than the commitments made with them.

Communication fosters connection – As we enter the recovery phase, one thing that has been emphasized greatly is consistent and clear communication. Without in-person meetings, events, and casual interactions – working remotely required additional attention to ensure that all employees feel connected to the organization. Townhalls are being conducted regularly to keep the employees abreast of the changing state of affairs and the expectations the organization has from them in these testing times. Messages from the leaders at various platforms not only helped in fostering connections between the employees but also it influenced the relationship each employee has to the organization as a whole.

The Silver lining.....

As the policy statement says “it is possible to turn risk into opportunity by being prepared and proactive” – at Feroze 1888, we see this as an opportunity to grow the business and increase the market share in a time where other neighboring countries still battling with the Pandemic. This emergency, so to say has forced to re-think the ways in which the business is being done and operations conducted – we look to the future with confidence, continuing our journey to strengthen our vision to create unmatched value for our global customers through exceptional quality products.

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The background of the slide is a photograph of two small green seedlings with several leaves each, growing out of dry, cracked, and sandy soil. The seedlings are positioned on the right side of the frame. The overall image has a motivational feel, symbolizing growth and resilience. Decorative green and yellow wavy shapes are in the top-left and bottom-right corners.

Resilience & Persistence

Positive attitude and optimism pave the way to success.

CERTIFICATIONS ACQUIRED AND INTERNATIONAL STANDARDS ADOPTED FOR SUSTAINABILITY



ISO 9001:2015
Quality Management System
C-3, Hub & A-5: 2018-2020
H-23: 2018-2021



ISO 14001:2015
Environmental Management System
C-3, Hub & A-5: 2018-2020
H-23: 2018-2021



OHSAS 18001:2007
Occupational Health & Safety
C-3, Hub & A-5: 2018-2020
H-23: 2018-2021



ISO 50001:2011 Energy
Management System
A-5: 2018-2021



SA 8000:2014
Social Accountability
H-23: 2020-2023
C-3, S-81: 2020-2023



ISO 17025:2005
Laboratory Management System
C-3: 2018-2021



Oeko-Tex 100
C-3: 2020-2021
H-23: 2020-2021
S-81: 2020-2021



GOTS
Global Organic Textile Standard
H-23: 2020



STeP
Sustainable Textile Production
H-23: 2018-2021



STeP
Sustainable Textile Production
C-3 by 2020-2023



WCA
Workplace Condition Assessment
(C-3)



SEDEX
Supplier Ethical Data Exchange
(C-3, H-23, A-5, F-125, S-81)



SCAN
Supplier Compliance Audit Network
(C-3, H-23, A-5, F-125, S-81)



Global Security
Verification
Nov 2020



Egyptian Cotton
Nov 2020



Sustainably
Managed Forests
S-81: 2020-2025



Customs Trade
Partnership Against Terrorism
C-3: 2020-2023

HIGHLIGHTS OF SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Alignment of our sustainability efforts with SDGs



- Providing employment to 11,000+ individuals.
- Collected 150+ units of blood bags.
- Supported 200+ students through Education Assistance Policy.
- Complete 4 years scholarship to 2 University Students.
- Organized combined marriage ceremony for workers' daughters and female employees.
- Provided 10,500+ man hours of Training on various topics to management employees.
- Initiated Spinning Certification program for non-management employees. Currently 12 non-management employees are enrolled in this program.
- 142M+ gallons of water was reclaimed in reporting period which can suffice 700+ Pakistani household.
- Reduce consumption of more than 33M+ gallons of water through installing state of the art washing machine which is equivalent to 150+Pakistani household.
- Recovering 49M+ gallons of water through condensate water which can suffice approx. 250 Pakistani household.
- Working towards ZDHC.
- Generated 2.4M+ kWh of electricity through renewable energy sources (Solar) which can enlighten 800+ Pakistani houses.
- Replaced 7,000+ conventional lights with LED which in turn have saved 900,000+ kwhrs of electricity equivalent to the annual electricity requirement of 350+ Pakistani household.
- Saving approx. 4M m3 of gas through installation of efficient gas engines which can suffice 2,500 Pakistani household.
- Conserved 1.3M+kWh of electricity through installation of VFD which is sufficient to 450+ Pakistani household.
- Saving 1M+ m3 of gas through installation of RCR heat exchangers.
- More than 80% of recyclable grade paper is used in the manufacturing of corrugated cartons.
- 1,700 tons+ less cotton is consumed through recycling.
- Inhouse poly bags manufacturing facility makes us capable to use 100% Recycled Poly for internal material transfer, thus saving 650+ tons of fresh dana.
- Saving 4.5M+ m3 of gas through generating steam via Waste Heat Recovery Boilers which is equivalent to suffice approx. 2,800+ Pakistani household.
- Produced 200,000+ bricks & pavers through Ash recycling.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Highlights of the Company's policies and initiatives relating to the various aspects of sustainability and corporate social responsibility.

Managing resources responsibly, engaging with the communities in which we operate, dealing fairly with all our stakeholders and remaining true to our vision and values, are all key indicators of our success as a Responsible Corporate Citizen.

Corporate social responsibility (CSR) is our sense of responsibility and ownership towards the community and environment in which we operate. We, at Feroze1888, are committed to responsible business practices both within the Company and throughout the chain of our partners and suppliers. We have embraced our responsibility to build and improve the communities we serve. Our vision is to be the market leaders while upholding the true spirit of 3Ps, People, Planet and Prosperity.

Following are the areas which contribute to our corporate social responsibility commitment:

1. Health & Safety
2. Quality
3. Environment & Sustainability
4. Our People
5. Educational & Capacity Building
6. Ethical Trading

1. Health and Safety

At Feroze1888, we are committed to ensure that health and safety is at the very top of our agenda in all of our activities. We look both within and beyond our immediate environment to ensure that we contribute to the highest possible standards of health and safety for all our stakeholders.



OUR COMMITMENT

- Active support and participation in the creation of a positive health and safety culture at all levels within the Company, particularly at Senior Management level.
- Maintain safe and healthy work places and systems of work to protect all employees and others, including the public so far as they come into contact with foreseeable work hazards.
- Provide all employees with the information, instruction, training and supervision that they require to work safely and efficiently, and methods to ensure employees understand and retain the knowledge.
- Develop safety awareness amongst all employees and, as a result of this, create individual responsibility for health and safety at all levels.
- Extend financial assistance to non - profit organizations in the area of medical treatment, medical equipment etc. and other social welfare projects that reflects our business values.

2. QUALITY

At Feroze1888, we are committed to continually improving the efficiency and effectiveness of our business processes and management systems.

This means ensuring that our products meet the requirements of our customers at all times. Maintaining excellent standards of quality supports our goal of being the supplier of choice for customers within our markets, achieving the highest level of satisfaction for all our stakeholders.



CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

OUR COMMITMENT

- Maintain the requirements of, the ISO 9001:2015 & OHSAS 18001:2007 Quality Management System as the framework on which to continually improve our quality performance.
- Comply with all product quality standards, approvals and other requirements relevant to our customers and consistent with the requirements of our business.
- Develop highly skilled employees who take responsibility for the quality of their work and promote a culture of 'right first time' within the organization.
- Ensure the effective implementation of quality policies and procedures by providing appropriate information and training to our employees and encouraging their participation in business improvement activities.
- Establish quality targets and objectives at all levels of the organization and report our performance against them.

3. Environment and Sustainability

At Feroze1888, we are committed to adopting and promoting environmental good practices throughout our business in order to operate in a sustainable manner.

The reduction of our environmental impacts and continuous improvement in our environmental performance are an integral part of our business strategy and operating methods. We make every effort to Reduce, Reuse and Recycle waste (3R), minimize natural resource consumption & treat any harmful emissions before they are released to minimize environmental footprint.



OUR COMMITMENT

- Maintain, as a minimum requirement, the ISO 14001:2015 & OSHAS – 18001:2007 Environmental Management System as the framework on which to continually improve our environmental performance.
- Protect the environment by preventing pollution and promoting activities that help mitigate the effects of climate change.

- Make efficient use of natural resources, including gas, electricity and water to help reduce our carbon footprint.
- Comply with, or exceed the requirements of all relevant environmental legislation and codes of practice and compliance obligations.
- Operate effective procedures for the reduction; reuse and recycling of waste water, for the safe storage and disposal of waste that cannot be avoided.
- Ensure energy conservation by using renewable energy resources and environment friendly production processes.
- Work in partnership with our suppliers to promote effective environmental supply management, encourage sustainability and wherever possible purchase products and services that have the least impact on the environment.
- Assess the environmental impact of any new equipment, process or product we intend to introduce in advance.
- Ensure the effective implementation of environmental policies and procedures by providing appropriate information and training to our employees and encourage their participation in environmental improvement activities.
- Establish environmental targets and objectives and report our performance against them.
- Address complaints about any breach of our Environmental Policy promptly and to the satisfaction of all interested parties.

4. Our People

At Feroze1888, we know that our people are fundamental to our success. We believe that championing equality and diversity, and investing in welfare and development are the keys to creating a workplace that our people feel proud of, where they feel valued and empowered to give their best at all times.



CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

OUR COMMITMENT

- Give equal treatment to all current and potential employees, regardless of gender, race, disability, religion or belief, age, marriage or civil partnership, pregnancy and maternity or paternity.
- Provide suitable training and development opportunities and support.
- Provide a framework for regular employee reviews with their line manager.
- Provide suitable working environment in accordance with our health and safety policies.
- Take a “zero tolerance” approach to dealing with bullying and harassment in the workplace.
- Maintain and enforce robust disciplinary procedures to ensure fair treatment to all employees.
- Maintain robust procedures with regard to grievances and whistleblowing, and promote the appropriate use of such procedures in an open and fair manner.
- Provide appropriate remuneration and benefits to every employee.
- Provide appropriate support for employees suffering from medical conditions, and assist with managing their return to work.
- Ensure all employees are aware of their responsibilities with regard to health, safety, quality, environment and all other procedures.
- Comply with all relevant employment laws in letter and spirit.
- Ensure that the Company values are understood and adopted by all.
- Provide every employee with a handbook which clearly sets out standards of behavior, and Company values and rules.

5. Educational and Capacity Building

At Feroze1888, we know that education is a key to the success of our nation as a whole. We believe in our active role and responsibility towards providing better education facilities to our communities and investing in education support programs.



OUR COMMITMENT

- Extend our financial support to deserving students in the universities to enable them to complete their education. We would also provide them with internship opportunities to gain exposure of professional working environment.
- Extend support to universities by sponsoring the career fairs and helping them to connect with the industry for future employability.
- Collaborate with universities, colleges and schools to mentor the students on the life ethics and values and how they can prepare themselves for the corporate world.

6. Ethical Trading

At Feroze1888, we are committed to trading in a fair manner with all of our customers and suppliers. We take our legal and moral obligations very seriously in working to prevent acts of bribery, anti-competitive behavior, modern slavery and illegal trading.



OUR COMMITMENT

•Fair & Honest Dealing

Fair dealing with colleagues, shareholders, customers, suppliers and competitors.

•Compliance with Laws, Rules & Regulations

Compliance with all applicable laws, rules and regulations. And to conduct preodic review to ensure all new laws, rules and regulations are timely identified for compliance.

•Conflicts of Interest

Avoiding any relationship, activity, or ownership that might create a conflict between personal interests and the interests of the Company.

•Protection & Proper Use of Assets & Resources

Preserving and protecting the Company assets and resources and to ensure their efficient use, and only using them for legitimate business purposes.

•Maintaining Confidentiality of Information

Protecting all confidential information from unauthorized disclosure, including customer, supplier and employee data.

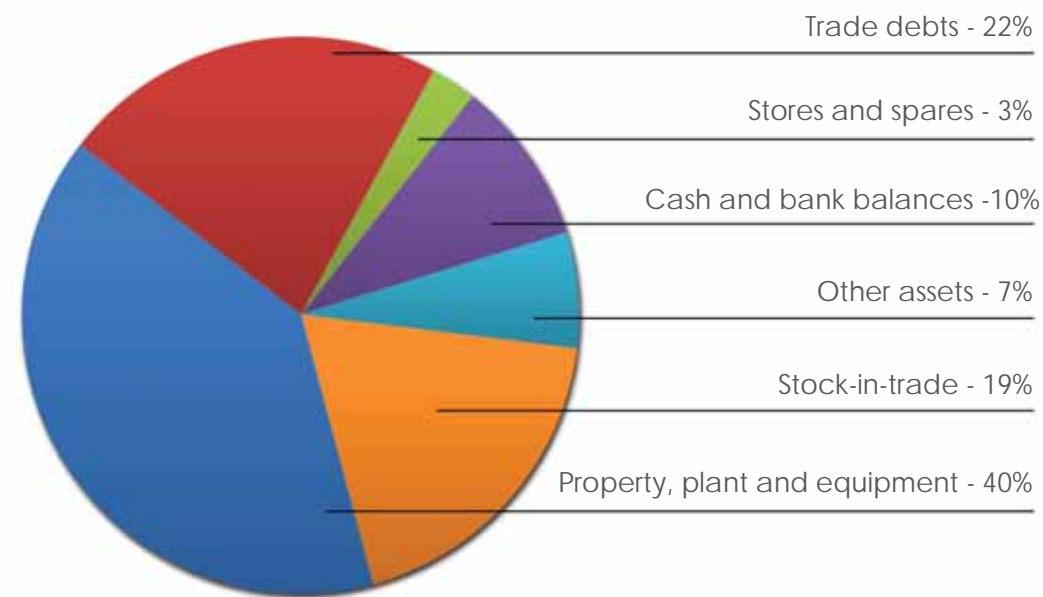


Consequences of Failure Embed Success More

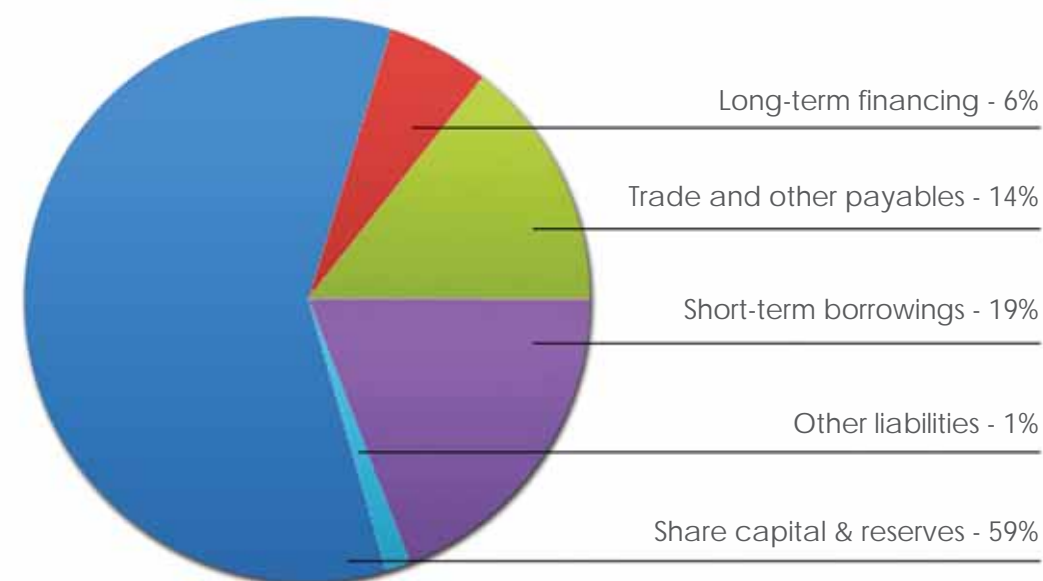
*Success is achieved when you proactively foresee the
consequences of failures.*

COMPOSITION OF STATEMENT OF FINANCIAL POSITION

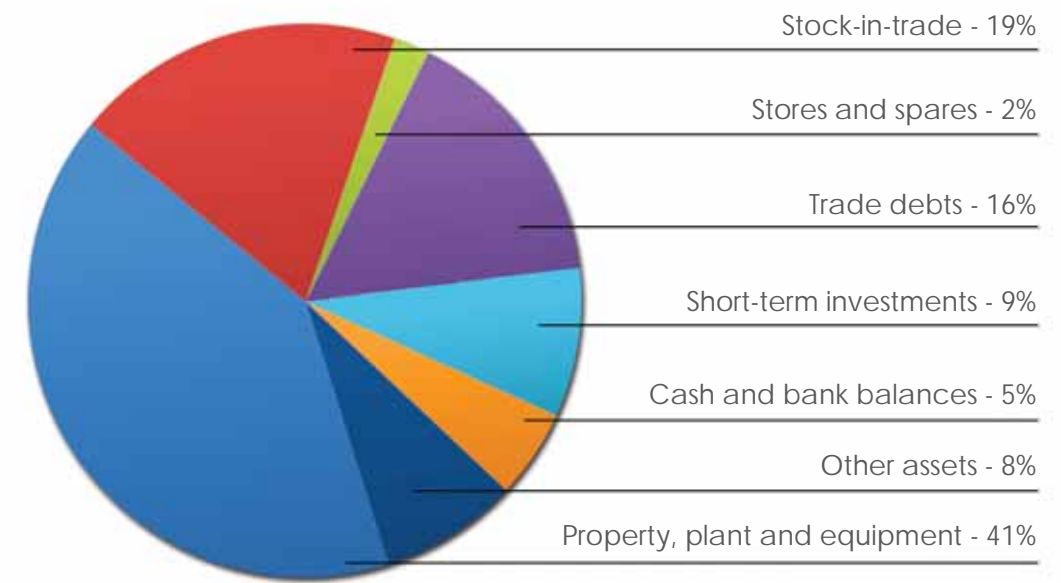
Assets - FY 2019
Percentage



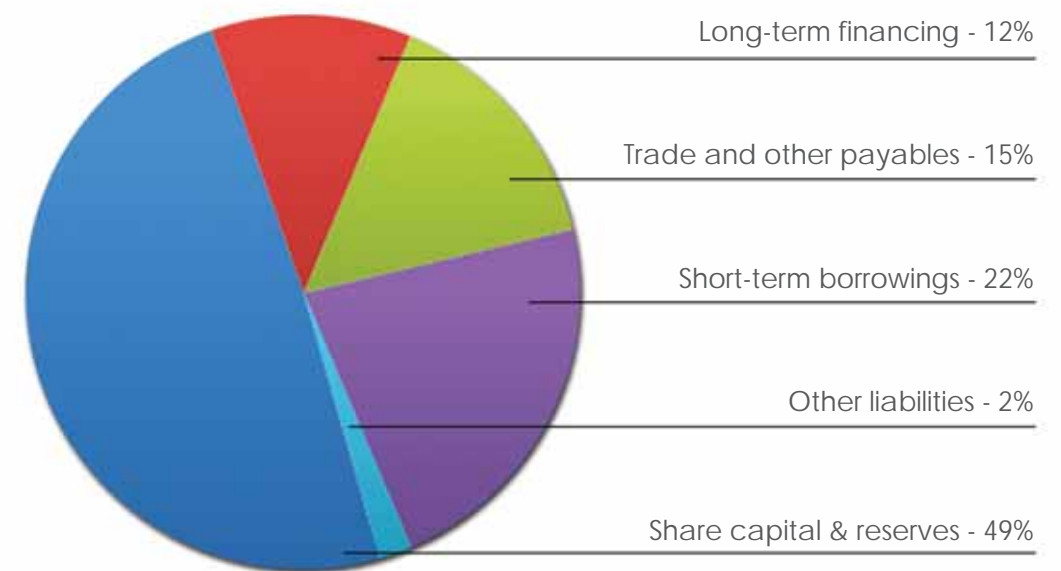
Equity and Liabilities - FY 2019
Percentage



Assets - FY 2020
Percentage

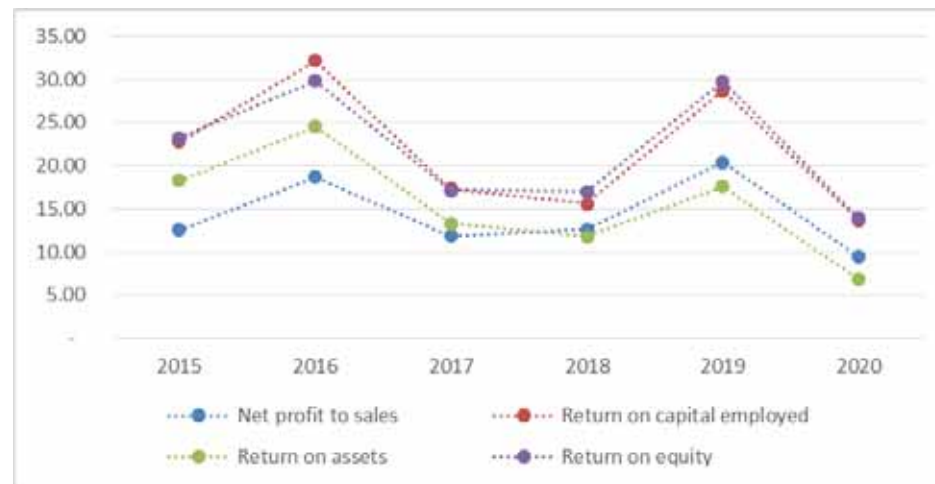


Equity and Liabilities - FY 2020
Percentage

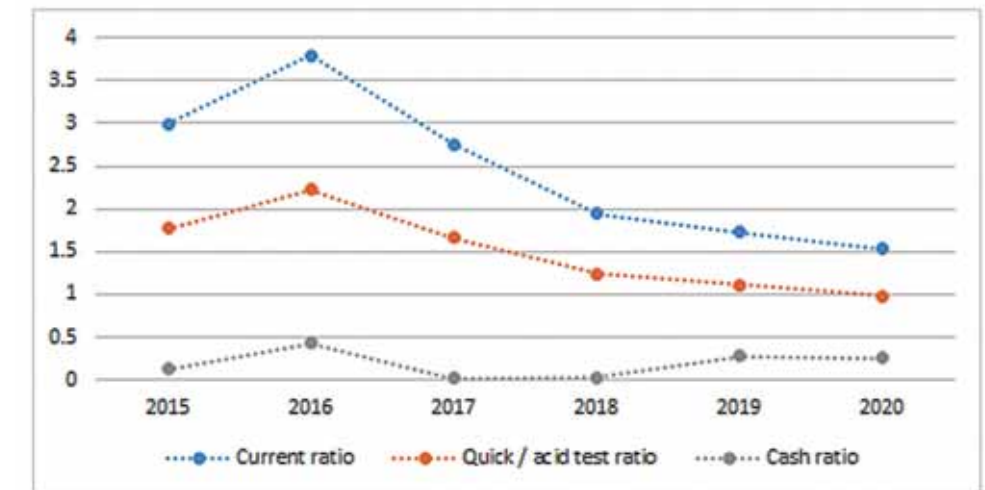


GRAPHICAL PRESENTATION

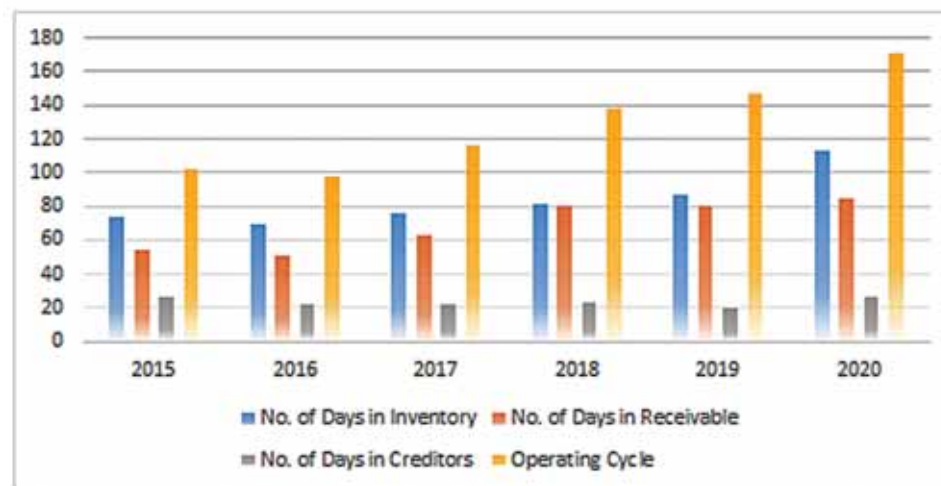
Profitability Ratio
Percentage



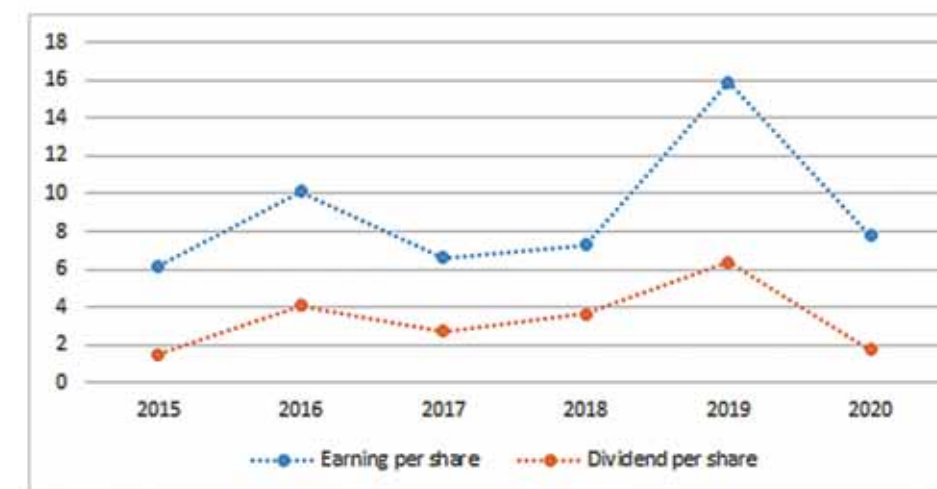
Liquidity Ratios
Times



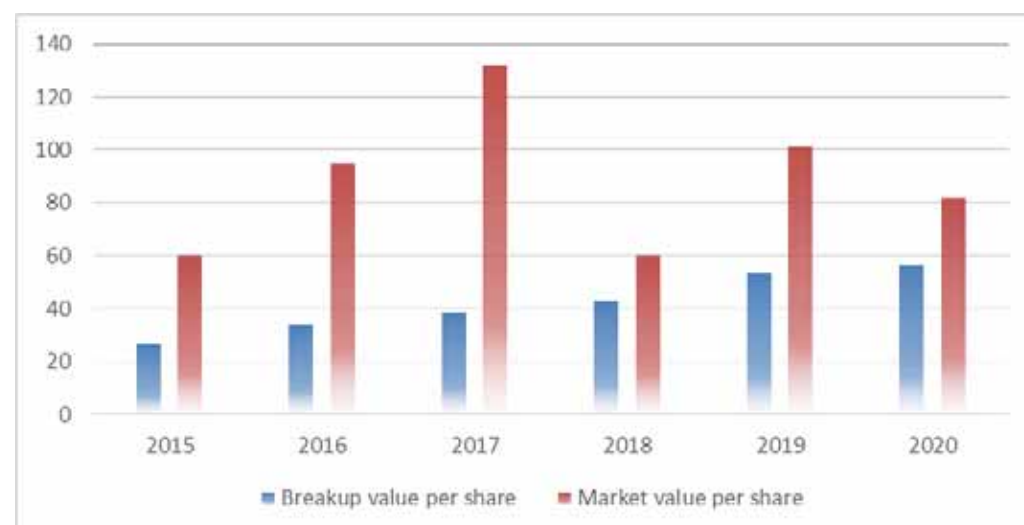
Operating Cycle
Days



EPS vs Dividend per Share
Rupees



Market Value vs Book Value
Rupees

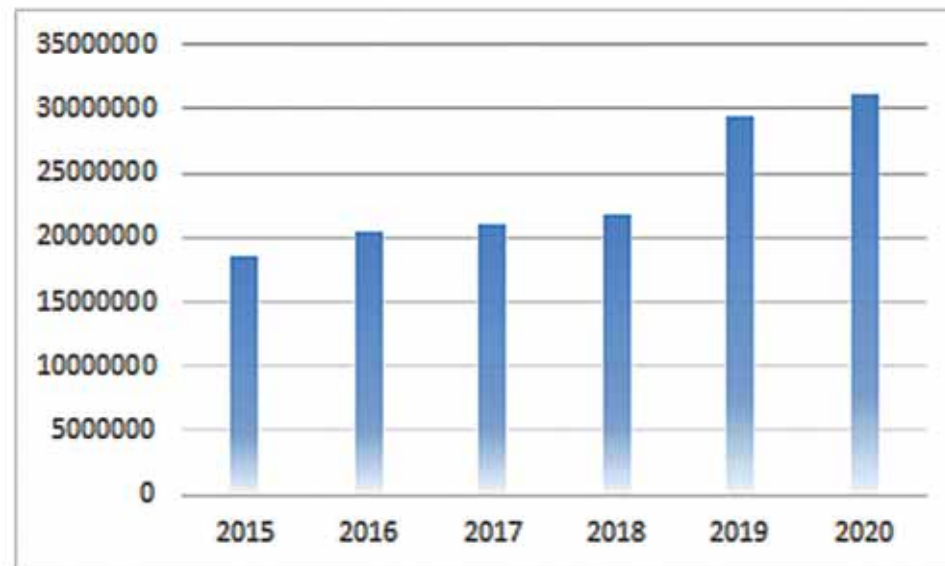


Turnover & Profitability
Rs. In '000

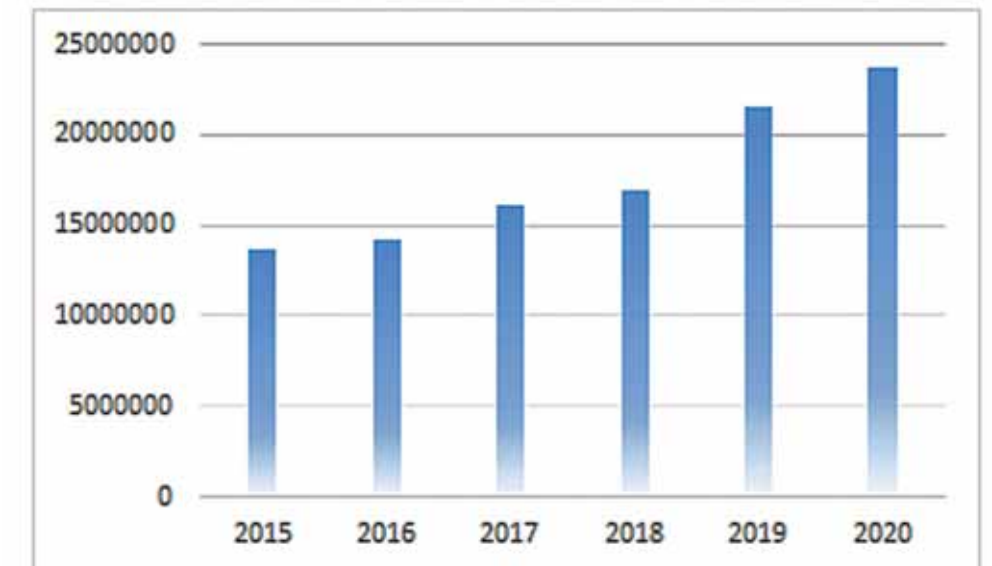


FINANCIALS AT A GLANCE

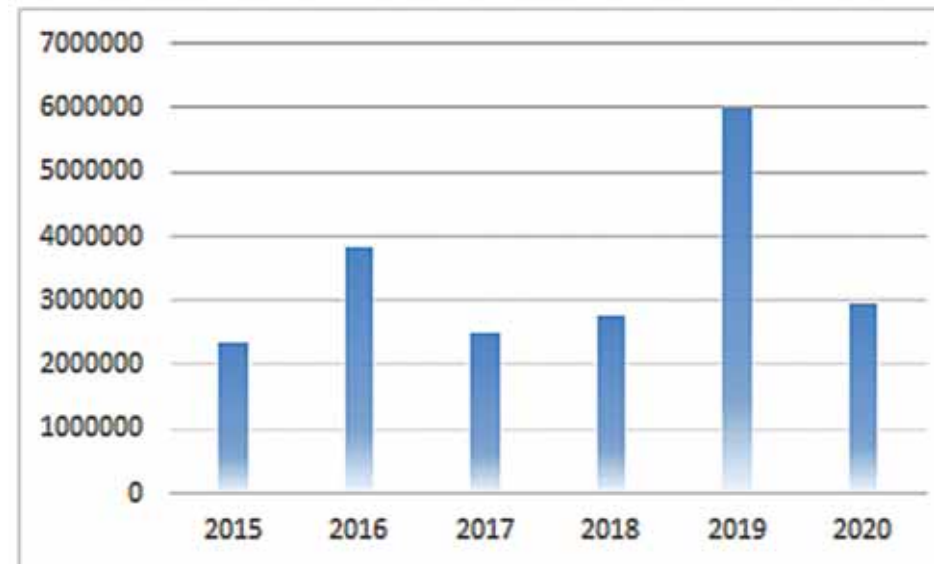
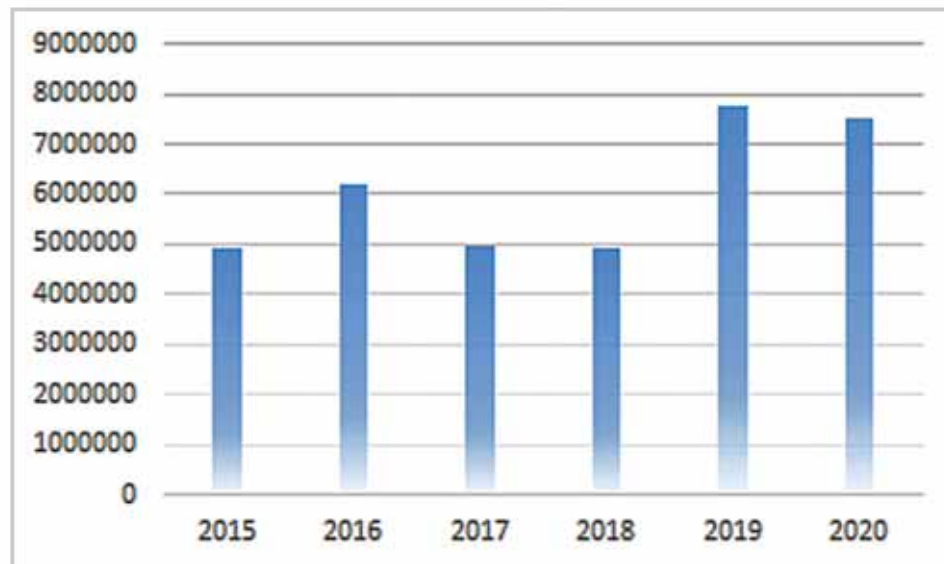
Sales Revenue
Rupees in '000



Cost of Sales
Rupees in '000

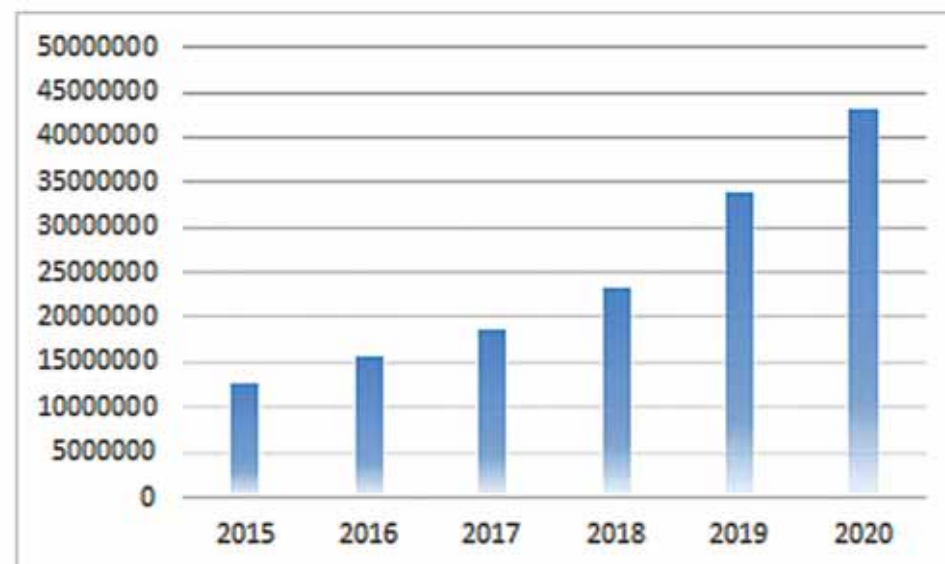


Gross Profit
Rupees in '000

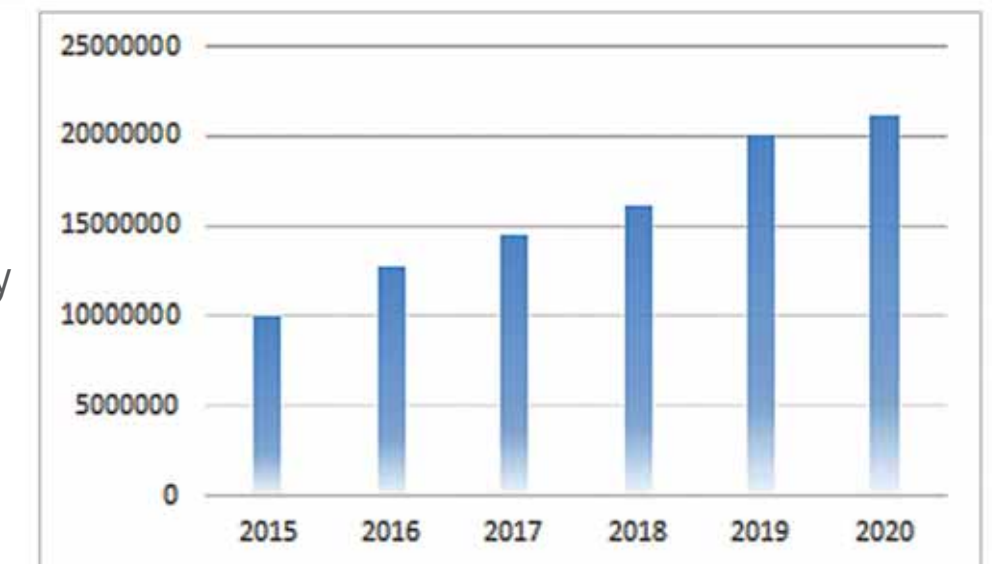


Net Profit
Rupees in '000

Total Assets
Rupees in '000



Shareholders' Equity
Rupees in '000



RATIOS

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Gross profit ratio	%	24.06%	26.40%	22.27%	23.36%	30.12%	26.34%
Net profit to sales	%	9.41%	20.41%	12.62%	11.88%	18.67%	12.59%
Return on capital employed	%	13.68%	28.68%	15.64%	17.31%	32.15%	22.78%
Return on assets	%	6.78%	17.63%	11.79%	13.29%	24.57%	18.30%
EBITDA margin to sales	%	15.94%	24.91%	16.67%	14.69%	22.36%	16.72%
Return on equity	%	13.83%	29.79%	17.02%	17.16%	29.84%	23.23%
Operating leverage ratio	Times	(6.80)	3.49	3.80	(14.44)	5.14	(71.36)
Liquidity Ratios							
Current ratio	Times	1.54	1.73	1.94	2.76	3.79	2.99
Quick / acid test ratio	Times	0.98	1.11	1.24	1.67	2.23	1.77
Cash ratio	Times	0.26	0.28	0.03	0.02	0.43	0.13
Cash generated from operating activities to sales	Times	0.12	0.11	0.10	0.07	0.16	0.15
Activity / Turnover Ratios							
Average Total asset turnover	Times	0.81	1.02	1.04	1.22	1.45	1.46
Average Fixed asset turnover	Times	2.01	2.41	2.28	2.79	3.26	3.36
No. of Days in Inventory	Days	113.05	87.05	81.07	75.95	69.47	73.96
No. of Days in Receivable	Days	84.45	79.73	79.89	62.14	50.12	53.87
No. of Days in Creditors	Days	26.31	19.79	22.97	22.10	22.44	26.03
Operating Cycle	Days	171.19	146.99	137.99	115.99	97.16	101.80
Investment / Market Ratios							
Earning per share - basic and diluted	PKR	7.80	15.90	7.30	6.61	10.11	6.17
Price earning ratio	Times	10.49	6.35	8.21	19.98	9.40	9.72
Cash dividend per share	PKR	2.34	6.35	3.65	2.70	4.10	1.50
Price to book ratio	Times	0.72	1.12	0.97	2.65	2.31	1.78
Dividend yield ratio	Times	0.03	0.06	0.06	0.02	0.04	0.03
Dividend payout ratio	Times	0.30	0.40	0.50	0.41	0.41	0.24
Dividend cover ratio	Times	3.33	2.50	2.00	2.45	2.47	4.11
Breakup value per share with surplus	PKR	56.12	53.35	42.91	38.50	33.88	26.57
Breakup value per share without surplus	PKR	52.18	49.37	38.93	34.52	29.91	22.60
Market value per share at the year end	PKR	81.80	100.87	60.00	132.00	95.00	60.00
Highest market value during the year	PKR	105.24	126.00	113.00	314.94	446.15	70.80
Lowest market value during the year	PKR	66.70	53.00	58.05	109.78	55.60	57.00
Capital Structure							
Debt to equity ratio (book value)	%	23.70%	9.91%	4.64%	3.01%	3.40%	3.83%
Debt to equity ratio (market value)	%	16.97%	5.22%	3.32%	0.88%	1.21%	1.70%
Interest cover ratio	Times	13.37	79.11	66.44	159.12	347.96	49.08
Financial leverage ratio	Times	1.04	0.69	0.44	0.29	0.21	0.27
Weighted average cost of debt	%	2.30%	1.32%	1.93%	2.12%	2.55%	4.78%

HORIZONTAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

	2020	2019	2018	2017	2016	2015
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Assets						
Non-current assets						
Property, plant and equipment	17,595,012	30.73	13,458,882	24.08	10,846,978	31.29
Long-term investments	-	(100.00)	186,153	100.00	-	(100.00)
Other non-current assets	45,920	151.86	18,232	78.69	10,203	1.24
Current assets						
Store and spares	886,495	(2.42)	908,514	43.59	632,710	27.04
Stock-in-trade	8,269,628	28.99	6,411,087	64.71	3,892,270	7.00
Trade debts	6,809,503	(10.75)	7,629,994	46.97	5,191,492	19.23
Advances, deposits, prepayments and other receivables	2,982,084	85.85	1,604,581	(25.14)	2,143,315	32.56
Taxation - net	472,382	(2.04)	482,195	11.71	431,649	62.32
Short-term investments	3,787,643	100.00	-	-	-	-
Cash and bank balances	2,247,990	(31.21)	3,267,698	1,506.82	203,364	118.83
	25,455,725	25.37	20,304,069	62.50	12,494,800	19.39
Total assets	43,096,657	26.88	33,967,336	45.46	23,351,981	24.62
Share capital and reserves						
Issued, subscribed and paid-up capital	3,768,009	-	3,768,009	-	3,768,009	-
Reserves	17,379,049	6.39	16,335,440	31.75	12,399,195	15.45
	21,147,058	5.19	20,103,449	24.35	16,167,204	11.44
Liabilities						
Non-current liabilities						
Deferred liabilities	205,355	43.11	143,494	100.00	-	-
Long-term financing	5,012,562	151.69	1,991,546	165.42	750,334	71.65
Lease liabilities	171,678	100.00	-	-	-	-
Current liabilities						
Trade and other payables	5,389,595	152.44	2,135,040	184.55	750,334	71.65
Short-term borrowings	6,481,124	31.98	4,910,688	32.65	3,701,919	16.51
Current portion of non-current liabilities	9,640,000	48.54	6,490,000	154.51	2,550,000	410.00
Other current liabilities	346,524	25.83	275,388	69.46	162,508	47.72
	92,356	75.01	52,771	163.64	20,016	221.76
	16,560,004	41.19	11,728,847	82.28	6,434,443	69.62
Total equity and liabilities	43,096,657	26.88	33,967,336	45.46	23,351,981	24.62

VERTICAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

	2020		2019		2018		2017		2016		2015	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Assets												
<u>Non-current assets</u>												
Property, plant and equipment	17,595,012	40.83	13,458,882	39.62	10,846,978	46.45	8,262,151	44.09	6,749,864	43.52	5,775,615	45.46
Long-term investments	-	-	186,153	0.55	-	-	608	0.00	-	-	-	-
Other non-current assets	45,920	0.11	18,232	0.05	10,203	0.04	10,078	0.05	6,397	0.04	10,871	0.09
	17,640,932	40.93	13,663,267	40.22	10,857,181	46.49	8,272,837	44.15	6,756,261	43.56	5,786,486	45.55
<u>Current assets</u>												
Store and spares	886,495	2.06	908,514	2.67	632,710	2.71	498,033	2.66	567,422	3.66	445,146	3.50
Stock-in-trade	8,269,628	19.19	6,411,087	18.87	3,892,270	16.67	3,637,710	19.41	3,046,969	19.65	2,382,563	18.75
Trade debts	6,809,503	15.80	7,629,994	22.46	5,191,492	22.23	4,354,193	23.24	2,782,631	17.94	2,823,046	22.22
Advances, deposits, prepayments and other receivables	2,982,084	6.92	1,604,581	4.72	2,143,315	9.18	1,616,864	8.63	1,364,780	8.80	979,600	7.71
Taxation – net	472,382	1.10	482,195	1.42	431,649	1.85	265,920	1.42	-	-	-	-
Short-term investments	3,787,643	8.79	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	2,247,990	5.22	3,267,698	9.62	203,364	0.87	92,931	0.50	990,908	6.39	287,909	2.27
	25,455,725	59.07	20,304,069	59.78	12,494,800	53.51	10,465,651	55.85	8,752,710	56.44	6,918,264	54.45
Total assets	43,096,657	100.00	33,967,336	100.00	23,351,981	100.00	18,738,488	100.00	15,508,971	100.00	12,704,750	100.00
<u>Share capital & reserves</u>												
Issued, subscribed and paid-up capital	3,768,009	8.74	3,768,009	11.09	3,768,009	16.14	3,768,009	20.11	3,768,009	24.30	3,768,009	29.66
Reserves	17,379,049	40.33	16,335,440	48.09	12,399,195	53.10	10,739,820	57.31	8,999,880	58.03	6,245,286	49.16
	21,147,058	49.07	20,103,449	59.18	16,167,204	69.23	14,507,829	77.42	12,767,889	82.33	10,013,295	78.82
<u>Liabilities</u>												
<u>Non-current liabilities</u>												
Deferred liabilities	205,355	0.48	143,494	0.42	-	-	-	-	-	-	-	-
Long-term financing	5,012,562	11.63	1,991,546	5.86	750,334	3.21	437,142	2.33	434,150	2.80	383,248	3.02
Lease liabilities	171,678	0.40	-	-	-	-	-	-	-	-	-	-
	5,389,595	12.51	2,135,040	6.29	750,334	3.21	437,142	2.33	434,150	2.80	383,248	3.02
<u>Current liabilities</u>												
Trade and other payables	6,481,124	15.04	4,910,688	14.46	3,701,919	15.85	3,177,288	16.96	2,293,479	14.79	2,196,984	17.29
Short-term borrowings	9,640,000	22.37	6,490,000	19.11	2,550,000	10.92	500,000	2.67	-	-	-	-
Current portion of non-current liabilities	346,524	0.80	275,388	0.81	162,508	0.70	110,008	0.59	5,850	0.04	96,014	0.76
Other current liabilities	92,356	0.21	52,771	0.16	20,016	0.09	6,221	0.03	7,603	0.05	15,209	0.12
	16,560,004	38.43	11,728,847	34.53	6,434,443	27.55	3,793,517	20.24	2,306,932	14.87	2,308,207	18.17
Total equity and liabilities	43,096,657	100.00	33,967,336	100.00	23,351,981	100.00	18,738,488	100.00	15,508,971	100.00	12,704,750	100.00

COMMENTS ON STATEMENT OF FINANCIAL POSITION

Assets

Over six years, the asset base of the Company has increased at a CAGR of 28%. Non-current assets have been increased by 25% over last six year on account of continuous capital expenditure on modernization and expansion of production facilities. The increase in current assets is majorly because of increase in inventories which is in line with the growing business needs, receivables increase mainly due to stuck-up refundables from Government. During the year, another reason for increase in current assets is the short term investments made by the Company.

Liabilities

The liabilities of the Company have increased at a CAGR of 52 % in the past six years. The increase in non-current liabilities primarily relates to long term finance obtained for acquisition of plant and machinery. The current liabilities have increased due to increase in short term borrowing and trade and other payables which is in line with the growing business needs.

Equity

The shareholder's equity comprises of share capital and reserves. The equity has increased at a CAGR of 16% over the past six years, primarily due to increase in retained profits of the Company. This also includes revaluation surplus on land - last revaluation was conducted by an independent valuer in 2017.

HORIZONTAL ANALYSIS - STATEMENT OF PROFIT OR LOSS

	2020		2019		2018		2017		2016		2015	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Sales	31,205,677	6.33	29,348,438	34.32	21,849,178	4.00	21,008,635	2.66	20,463,445	10.33	18,547,331	0.05
Cost of sales	(23,698,998)	9.72	(21,600,408)	27.43	(16,950,429)	5.52	(16,063,005)	12.62	(14,263,192)	4.79	(13,611,393)	(4.97)
Gross profit	7,506,679	(3.11)	7,748,030	58.16	4,898,749	(0.95)	4,945,630	(20.24)	6,200,253	25.61	4,935,938	17.09
Administrative costs	(1,150,779)	11.09	(1,035,928)	11.42	(929,747)	17.40	(791,937)	17.13	(676,100)	15.31	(586,350)	15.69
Distribution costs	(2,276,372)	12.31	(2,026,890)	27.84	(1,585,488)	6.24	(1,492,349)	14.31	(1,305,531)	(18.39)	(1,599,792)	20.62
Other expenses	(667,832)	87.21	(356,736)	68.03	(212,307)	(2.38)	(217,483)	(18.49)	(266,807)	49.40	(178,590)	37.60
	(4,094,983)	19.75	(3,419,554)	25.37	(2,727,542)	9.02	(2,501,769)	11.27	(2,248,438)	(4.92)	(2,364,731)	20.47
Other income	218,888	(89.31)	2,048,510	185.04	718,671	1,080.51	60,878	(56.31)	139,352	55.34	89,711	(0.43)
Operating profit	3,630,584	(43.07)	6,376,986	120.67	2,889,878	15.38	2,504,739	(38.78)	4,091,168	53.75	2,660,917	13.59
Finance costs	(346,959)	122.56	(155,892)	81.84	(85,729)	55.76	(55,039)	(6.90)	(59,117)	(55.65)	(133,303)	(50.75)
Profit before taxation	3,283,625	(47.22)	6,221,094	121.85	2,804,149	14.47	2,449,700	(39.24)	4,032,051	59.52	2,527,613	22.00
Provision for taxation	(346,404)	49.77	(231,284)	344.33	(52,052)	(230.20)	39,977	(118.01)	(221,968)	9.89	(201,988)	4.01
Profit after taxation	2,937,221	(50.96)	5,989,810	117.65	2,752,097	10.54	2,489,677	(34.66)	3,810,083	63.83	2,325,626	23.86

VERTICAL ANALYSIS - STATEMENT OF PROFIT OR LOSS

	2020		2019		2018		2017		2016		2015	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Sales	31,205,677	100.00	29,348,438	100.00	21,849,178	100.00	21,008,635	100.00	20,463,445	100.00	18,547,331	100.00
Cost of sales	(23,698,998)	(75.94)	(21,600,408)	(73.60)	(16,950,429)	(77.58)	(16,063,005)	(76.46)	(14,263,192)	(69.70)	(13,611,393)	(73.99)
Gross profit	7,506,679	24.06	7,748,030	26.40	4,898,749	22.42	4,945,630	23.54	6,200,253	30.30	4,935,938	26.01
Administrative costs	(1,150,779)	(3.69)	(1,035,928)	(3.53)	(929,747)	(4.26)	(791,937)	(3.77)	(676,100)	(3.30)	(586,350)	(3.19)
Distribution costs	(2,276,372)	(7.29)	(2,026,890)	(6.91)	(1,585,488)	(7.26)	(1,492,349)	(7.10)	(1,305,531)	(6.38)	(1,599,792)	(7.87)
Other expenses	(667,832)	(2.14)	(356,736)	(1.22)	(212,307)	(0.97)	(217,483)	(1.04)	(266,807)	(1.30)	(178,590)	(0.97)
	(4,094,983)	(13.12)	(3,419,554)	(11.65)	(2,727,542)	(12.48)	(2,501,769)	(11.91)	(2,248,438)	(10.99)	(2,364,731)	(12.03)
Other income	218,888	0.70	2,048,510	6.98	718,671	3.29	60,878	0.29	139,352	0.68	89,711	0.49
Operating profit	3,630,584	11.63	6,376,986	21.73	2,889,878	13.23	2,504,739	11.92	4,091,168	19.99	2,660,917	14.46
Finance costs	(346,959)	(1.11)	(155,892)	(0.53)	(85,729)	(0.39)	(55,039)	(0.26)	(59,117)	(0.29)	(133,303)	(0.72)
Profit before taxation	3,283,625	10.52	6,221,094	21.20	2,804,149	12.83	2,449,700	11.66	4,032,051	19.70	2,527,613	13.74
Provision for taxation	(346,404)	(1.11)	(231,284)	(0.79)	(52,052)	(0.24)	39,977	0.19	(221,968)	(1.08)	(201,988)	(1.10)
Profit after taxation	2,937,221	9.41	5,989,810	20.41	2,752,097	12.60	2,489,677	11.85	3,810,083	18.62	2,325,626	12.64

COMMENTS ON STATEMENT OF PROFIT OR LOSS

Sales

The Revenue of the Company has grown from Rs. 18.54 billion in 2015 to Rs. 31.21 billion in 2020 at a CAGR of 11% which has been driven by consistent volumetric sales growth over the years and impact of devaluation of currency. The growth in sales volume is a result of efficiently devised marketing management strategies. However, the sales prices have been under pressure on account of depreciation of currency and to remain competitive in export market.

Cost of Sales

The Cost of sales of the Company have increased from Rs. 13.61 billion in 2015 to Rs. 23.70 billion in 2020 at CAGR of 12%. The increasing trend in cost of sales is primarily on account of volumetric sales growth over the years; beside this, the cost of sales is continuously facing pressure from various factors like, volatility in prices of basic raw material, decline in local cotton production, increase in natural gas tariff, increase in fuel prices, higher cost of imported material due to rupee devaluation and inflationary impact on other key cost components.

Net Profit

Net Profit Increased from Rs 2.32 billion in 2014 to 2.94 billion in 2020 with an increase of 5 %. In the current year, the net profit ratio of the Company is lowest in comparison of last five years mainly on account of adverse impact of devaluation of currency, higher finance cost due to increase in finances obtained for modernization of plant & machinery and working capital.

SUMMARY OF CASH FLOW STATEMENT

	2020	2019	2018	2017	2016	2015
	----- Rupees in '000 -----					
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation	3,283,625	6,221,094	2,804,149	2,449,701	4,032,050	2,527,614
Adjustments for:						
Depreciation and Amortization	1,339,966	933,609	745,374	573,674	473,395	429,348
Loss / (gain) on disposal of operating fixed assets	47,595	15,026	46,530	54,688	(1,942)	261
Impairment	-	-	608	-	-	-
Operating fixed assets written off	13,379	-	-	-	-	-
Provision for slow moving and obsolete stores and spares	23,807	-	-	-	-	-
Provision for doubtful advances	104,969	-	-	-	-	-
Allowance for expected credit loss on trade debts	16,944	-	-	-	-	-
Finance costs	346,959	155,892	85,729	55,039	59,117	133,303
Provision for gratuity	111,680	143,494	-	-	-	-
Interest on bank deposit	(59,801)	(55,627)	-	-	-	-
Dividend income on open ended mutual fund units	(159,087)	-	-	-	-	-
	1,786,411	1,192,394	878,241	683,401	530,570	562,912
Changes in working capital						
Stores and spares	(1,788)	(275,804)	(134,677)	69,389	(122,276)	154,363
Stock-in-trade	(1,858,541)	(2,518,817)	(254,560)	(590,742)	(664,406)	750,899
Trade debts	803,547	(2,438,502)	(837,300)	(1,571,562)	40,415	(192,054)
Advances, deposits, prepayments and other receivables	(1,290,618)	354,769	(526,449)	(252,084)	(385,005)	(191,775)
Trade and other payables	1,560,598	1,208,769	524,631	883,809	96,320	(485,058)
	(786,802)	(3,669,585)	(1,228,355)	(1,461,190)	(1,034,952)	36,375
Cash generated from operations	4,283,234	3,743,903	2,454,035	1,671,912	3,527,668	3,126,901
Finance costs paid	(259,138)	(123,636)	(72,229)	(51,579)	(72,008)	(149,851)
Income taxes paid	(336,591)	(281,830)	(217,780)	(230,902)	(217,009)	(173,813)
Long-term deposits	-	(8,047)	(1,230)	(707)	(666)	(372)
Gratuity paid	(26,888)	-	-	-	-	-
Government grant received	14,980	-	-	-	-	-
	(607,637)	(413,513)	(291,239)	(283,188)	(289,684)	(324,036)
Net cash generated from operating activities	3,675,597	3,330,390	2,162,796	1,388,724	3,237,984	2,802,865
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(5,253,765)	(3,633,853)	(3,441,082)	(1,762,999)	(1,463,373)	(1,005,159)
Proceeds from disposal of operating fixed assets	98,253	73,332	65,455	37,721	22,812	15,948
Long term investment made	-	-	-	(608)	-	-
Short-term investments made	(1,684,533)	-	-	-	-	-
Interest received on bank deposit	54,100	53,439	-	-	-	-
Dividend income received on open ended mutual fund units	55,977	-	-	-	-	-
Net cash used in investing activities	(6,729,968)	(3,507,082)	(3,375,627)	(1,725,886)	(1,440,561)	(989,211)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	(1,921,651)	(2,053,066)	(1,092,427)	(1,167,966)	(1,055,160)	(452,945)
Long-term financing obtained – net	2,960,466	1,354,092	365,691	107,150	(39,262)	(128,978)
Short-term borrowings obtained – net	3,150,000	3,940,000	2,050,000	500,000	-	(1,177,725)
Lease rentals paid	(154,152)	-	-	-	-	-
Net cash generated from financing activities	4,034,663	3,241,026	1,323,264	(560,816)	(1,094,422)	(1,759,648)
Net increase in cash and cash equivalents	980,292	3,064,334	110,433	(897,978)	703,001	54,006
Cash and cash equivalents at the beginning of the year	3,267,698	203,364	92,931	990,909	287,908	233,902
Cash and cash equivalents at the end of the year	4,247,990	3,267,698	203,364	92,931	990,909	287,908

COMMENTS ON STATEMENT OF CASHFLOW

Operating Activities

The analysis of year wise cash flow from operating activities indicates that the Company has generated cash from its operations and it has increased at a CAGR of 6% over the past six years. In the current year, the cash generated from operating activities was recorded at a highest level besides improved performance, it finds its roots to the fact that after the COVID-19 outbreak, there was an emphasis on keeping liquidity better.

Investing Activities

The Company's net cash used in investing activities over the years mainly represents amount invested in purchase of machineries and related civil work. In the current year, the Company has invested an amount of Rs. 1.68 billion in short term investment at various intervals during the year to utilize the funds better.

Financing Activities

The Company's net cash generated from financing activity mainly represents the long term and short term loan obtain to fund the capacity expansion projects and working capital needs respectively.

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

Wealth generated

Sales including sales tax
Other operating income
Brought-in-material & services

Wealth distribution

To Employees

Remuneration benefit and facilities

To Government

Income tax, sales tax and others

To Society

Donation towards education and health

To Provider of capital

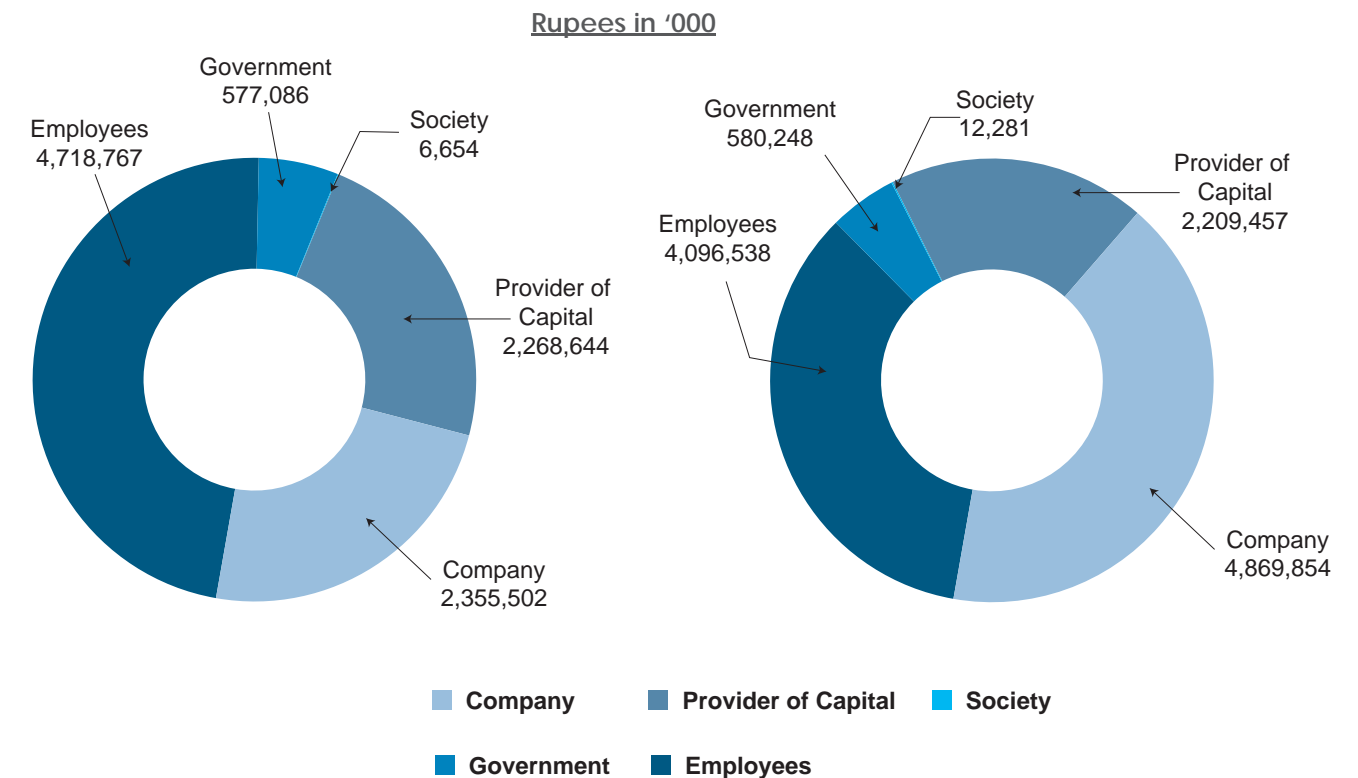
Cash dividend to shareholder

Finance cost

To Company

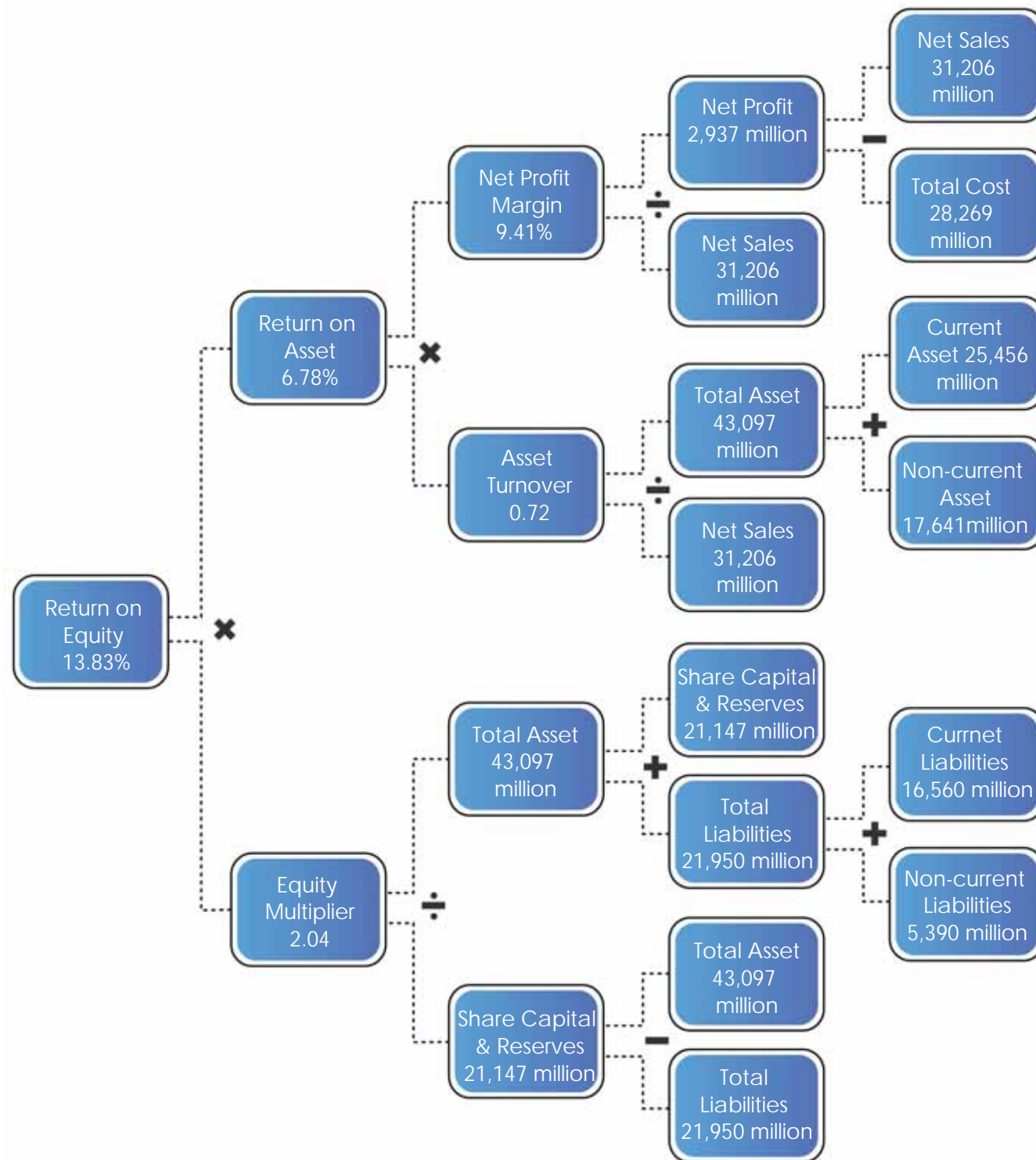
Depreciation, amortization & retained profit

2020		2019	
Rupees in '000	%	Rupees in '000	%
31,263,560		29,269,180	
218,888		2,048,509	
(21,555,795)		(19,549,311)	
9,926,653	100%	11,768,378	100%
4,718,767	47.54%	4,096,538	34.81%
577,086	5.81%	580,248	4.93%
6,654	0.07%	12,281	0.10%
1,921,685	19.36%	2,053,565	17.45%
346,959	3.50%	155,892	1.32%
2,355,502	23.73%	4,869,854	41.38%
9,926,653	100%	11,768,378	100%



DUPONT ANALYSIS

Rupees in million



Year	ROE	Profit Margin	Total asset turnover	Equity Multiplier
2020	13.83%	0.09	0.72	2.04
2019	29.79%	0.20	0.86	1.69
2018	17.02%	0.13	0.94	1.44
2017	17.16%	0.12	1.12	1.29
2016	29.84%	0.19	1.32	1.21
2015	23.23%	0.13	1.46	1.27

Comments on DuPont Analysis

Profit margin of the Company has declined in the current year mainly on account of exchange loss booked on adverse fluctuation of currency rate.

The asset base of the company has improved during the current year mainly on account of Investment in property, plant and equipment.

The Financial Leverage ratio of the Company has increased due to long-term loans obtained to finance the addition in plant and machinery.

FREE CASHFLOW

Cash generated from operating activities
Less: Capital expenditure incurred - net

2020	2019
----- Rupees in '000 -----	
3,675,597	3,330,390
(5,253,765)	(3,633,853)
<u>(1,578,168)</u>	<u>(303,463)</u>

Despite increase in cash generated from operating activities by Rs. 345 million in this year as compared to previous year, free cash flow has declined in the current year due to enhanced capital expenditure by Rs. 1.62 billion.

ECONOMIC VALUE ADDED

Net Operating Profit After Tax
Cost of Capital
Economic Value Added

2020	2019
----- Rupees in '000 -----	
3,284,180	6,145,702
(2,239,742)	(2,564,098)
<u>1,044,438</u>	<u>3,581,604</u>

Cost of Capital
Total Assets
Less: Current Liabilities
Invested Capital
WACC
Cost of Capital

43,096,657	33,967,336
(16,560,004)	(11,728,847)
26,536,653	22,238,489
8.44%	11.53%
<u>2,239,742</u>	<u>2,564,098</u>

STATEMENT OF CASH FLOW - DIRECT METHOD

CASH FLOWS FROM OPERATING ACTIVITIES

Proceed from customers - net
Proceed from Government refundable - net

Payment to suppliers / service providers etc. - net
Payment to employees - net
Finance costs paid
Income taxes paid
Long-term deposits
Gratuity paid
Government grant received

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure
Proceeds from disposal of operating fixed assets
Short-term investments made
Interest received on bank deposit
Dividend income received on open ended mutual fund units
Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid
Long-term financing obtained - net
Short-term borrowings obtained - net
Lease rentals paid
Net cash generated from financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

2020	2019
----- Rupees in '000 -----	
30,879,949	28,486,939
1,187,265	1,405,610
<u>32,067,214</u>	<u>29,892,549</u>
(23,264,666)	(22,240,820)
(4,519,314)	(3,907,826)
(259,138)	(123,636)
(336,591)	(281,830)
-	(8,047)
(26,888)	-
14,980	-
<u>(28,391,617)</u>	<u>(26,562,159)</u>
3,675,597	3,330,390
(5,253,765)	(3,633,853)
98,253	73,332
(1,684,533)	-
54,100	53,439
55,977	-
<u>(6,729,968)</u>	<u>(3,507,082)</u>
(1,921,651)	(2,053,066)
2,960,466	1,354,092
3,150,000	3,940,000
(154,152)	-
<u>4,034,663</u>	<u>3,241,026</u>
980,292	3,064,334
3,267,698	203,364
<u>4,247,990</u>	<u>3,267,698</u>

QUARTERLY PERFORMANCE ANALYSIS

Particular	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Sales	7,666,321	100.0%	8,546,133	100.0%	9,618,491	100.0%	5,374,732	100.0%	31,205,677	100.0%
Cost of sales	(5,591,269)	-72.9%	(6,445,560)	-75.4%	(7,114,519)	-74.0%	(4,547,650)	-84.6%	(23,698,998)	-75.9%
Gross profit	2,075,052	27.1%	2,070,573	24.2%	2,503,972	26.0%	827,082	15.4%	7,506,679	24.1%
Administrative costs	(294,607)	-3.8%	(293,798)	-3.4%	(304,240)	-3.2%	(258,134)	-4.8%	(1,150,779)	-3.7%
Distribution costs	(535,378)	-7.0%	(581,587)	-6.8%	(672,918)	-7.0%	(486,489)	-9.1%	(2,276,372)	-7.3%
Other expenses	(423,390)	-5.5%	(132,993)	-1.6%	(212,397)	-2.2%	100,948	1.9%	(667,832)	-2.1%
	(1,253,375)	-16.3%	(1,008,378)	-11.8%	(1,189,555)	-12.4%	(643,675)	-12.0%	(4,094,983)	-13.1%
	821,677	10.7%	1,062,195	12.4%	1,314,417	13.7%	183,407	3.4%	3,411,696	10.9%
Other income	72,259	0.9%	27,968	0.3%	41,009	0.4%	77,652	1.4%	218,888	0.7%
Operating Profit	893,936	11.7%	1,090,163	12.8%	1,355,426	14.1%	261,059	4.9%	3,630,584	11.6%
Finance costs	(58,998)	-0.8%	(93,964)	-1.1%	(90,274)	-0.9%	(103,723)	-1.9%	(346,959)	-1.1%
Profit before taxation	834,938	10.9%	996,199	11.7%	1,265,152	13.2%	157,336	2.9%	3,283,625	10.5%
Taxation	(91,022)	-1.2%	(86,358)	-1.0%	(100,594)	-1.0%	(68,430)	-1.3%	(346,404)	-1.1%
Profit after taxation	743,916	9.7%	909,841	10.6%	1,164,558	12.1%	88,906	1.7%	2,937,221	9.4%

The Company showed strong performance in first three quarters of the year, with consistently increasing sales volumes vs the corresponding period last year - outperforming by 5.14%. Last quarter of the year was an exception - the COVID-19 outbreak and consequently Government's decision of locking down the Province resulted in shutting down of operations for a month or so.

NON-FINANCIAL PERFORMANCE MEASURES AND ASSUMPTIONS USED IN COMPILING THE KEY PERFORMANCE INDICATORS

The Company has identified the following areas as key non-financial performance measures:

- Relationship with customers and business partners
- Maintenance of product quality for fulfillment of customer needs
- Employee satisfaction and wellbeing
- Compliance with the laws, standards and regulatory framework
- Responsibility towards the society
- Environmental protection
- Corporate image
- Stakeholders' engagement
- Transparency, accountability and good governance
- Energy conservation

Details on non-financial performance can be further referred in the Sustainability and Corporate Social Responsibility section of this Report.

Assumptions Used in Compiling the Key Performance Indicators

The Company's performance is effectively reflected by Key Performance Indicators, which are regularly monitored and analyzed by the management to better gauge the Company's performance against predefined benchmarks. Discussion on some of the key indicators of the Company's performance and profitability is as follows:

Revenue represents the total amount of revenue generated by the business during the mentioned periods. It aids in tracking sales levels trends in order to spot meaningful changes in activity levels.

Market price per share is the measure of perception of the Company in the market. The difference between Book Value and Market Value shows investors' confidence on scrip.

Earnings per share measures the net earnings of the Company against the total outstanding shares.

Dividend per share represents dividend declared by the Company for every outstanding ordinary share. The Company manages its dividend policy with the purpose of increasing shareholders' wealth. The dividend payment is an indicator of how well earnings support the dividends.

Profitability (Gross and Net Profit) analyze the Company's financial health.

Total Assets reflect the strength of the Company. Increase in total assets over the period is the sign that the Company is growing.

MARKET SHARE INFORMATION FROM AN INDEPENDENT SOURCE INCLUDING SHARE PRICE SENSITIVITY ANALYSIS

The share price of the Company depends on the Company's overall performance and reputation in the respective industry in which it exists, combined with other external factors on which management has lesser or no control. The Company's share price is sensitive to the following factors:

Profitability

Reduced margin on account of increased production costs and impact of exchange rate fluctuation contribute towards profitability and EPS which may decrease the share price of the Company.

Stock Market Performance

Company's share price also varies due to overall stock market performance, investor confidence on the economy, particular industry sector and the overall fundamentals of the Company. Positive sentiments, news flows prevailing in the market may result in fluctuation of the share price of the Company.

Regulations and Government Policies

The share price is also sensitive to any changes in policies by the Government and regulatory authorities', both specific to the textile sector and overall business activities; either positively or negatively, depending on whether the policy is in favor of or against the industry.

Currency Risk

The volatility in currency exchange rates can also affect the market share prices as the Company is involved in both export and import so the margins can be affected positively or adversely.

Market Perception

The market share price can also vary with the investor sentiments towards the Company which changes very quickly in response to the news and events and also because of investors' inclination towards general market trend.

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Willingness to Succeed

Success Mantra: Untiring Efforts, Excellence in Work & Handful of Encouragement.

Statement of Adoption and Adherence with the International Integrated Reporting Framework (IIRF)

Feroze1888 is working with a strategy of value creation for the organization and its stakeholders. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is Company's core strength. For users of this report, it is imperative to ensure, that the information is presented in such a way that it enables the stakeholders to better understand the activities of the Company. It also assures that the Company concisely reports material information depicting how well it is performing in non-financial dimensions that affect the quality of the Company's formulated strategy and its execution. The Company has adopted the Integrated Reporting Framework to give an overview of its philosophy to explain connection between financial and non-financial information. The business strategy information is linked directly to business activities and non-financial information provides explanations accordingly. Integration of financial, social and environmental information is one of the most effective way for an organization to report its performance and activities and to demonstrate to the market and society, the importance of linking sustainability issues to business strategies.

Feroze1888 is in the process of adopting and adhering to the International Integrated Reporting Framework (IIRF) and strives to follow the best corporate governance practices. The framework requires a strong commitment by the Company's management which is ultimately responsible for the message the Company is delivering to all of its stakeholders. Connectivity of the information is another aspect which needs to be addressed properly. Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures. Adoption of International Integrated Reporting Framework depends on the individual circumstances of an organisation and is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report. Initially, the Company has included following content elements for the users of this report:

- Company overview and external environment
- Strategy, resource allocation and outlook
- Governance
- Sustainability and Corporate Social Responsibility
- Performance and position
- Corporate Reporting

Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs)

The Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017. Further, there are certain standards and interpretations which are yet to be effective in Pakistan and certain standards not adopted by SECP, as disclosed in note 4.2 of the financial statements. However, the management believes these standards and interpretation do not have any material impact on the financial statements of the Company.



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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FEROZE1888 MILLS LIMITED

REPORT ON THE AUDIT OF THE 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 2020**, and the statement of profit or loss, the statement of 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 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 2020 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.

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Following are the key audit matters:

1. Capital expenditure and related financing for capacity enhancement	
As disclosed in note 6 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure during the year for enhancement of production capacity. To finance the above capital expenditures, the Company has obtained long and short-term financings as disclosed in note 17 and 20 to the accompanying financial statements.	Our procedures, amongst others, included obtaining an understanding of the Company's process with respect to capital expenditure including determination of useful lives and testing the Company's controls in this area relevant to our audit.
Capital expenditures incurred during the year represents a significant transaction and involves significant judgments in respect of capitalisation of elements of eligible components of costs, including borrowing costs, as per the applicable reporting standards to determining, when the assets are available for use and estimation of useful life and residual value. Further, financing agreements entail financial and non-financial covenants that the Company is subject to compliance.	We considered whether the items of cost capitalised, including borrowing cost, meet the recognition criteria of an assets in accordance with the applicable financial reporting standards.
Accordingly, we have identified the capital expenditure and related financing as a key audit matter.	We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.
	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 lives.
	We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents, including but not limited to, suppliers' invoices, delivery notes, international LC and shipping documentation supporting various components of the capitalised cost.
	We obtained and reviewed the financing agreements executed and inquired from the management with respect to the compliance of the covenants and tested controls related to such compliance and circularized confirmations to the financing banks with respect to outstanding loan balances at year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.
	We assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements.

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2. Adoption of IFRS 16 - 'Leases' (IFRS 16)	
<p>As disclosed in note 4.1 to the financial statements, the Company has adopted IFRS 16 'Leases' with effect from 01 July 2019. IFRS 16 introduces a single on-balance sheet lease accounting model for leases entered into by lessees. A lessee recognizes a 'right-of-use' asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.</p> <p>On adoption of IFRS 16, the Company has changed its accounting policy for operating leases which are now recognized on the statement of financial position. The Company has accordingly recognized lease liabilities and right-of-use assets amounting to Rs. 406 million as at 01 July 2019.</p> <p>The application of IFRS 16 required management to make significant judgements and estimates including determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We considered the above a key audit matter due to the first time application of IFRS 16 on the financial statements, which included use of significant judgements and estimates by the management.</p>	<p>Our audit procedures among others included obtaining an understanding of the management's process for identification of arrangements containing leases.</p> <p>We evaluated accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts.</p> <p>We evaluated the appropriateness of significant judgements and estimates made by the management in measuring lease liabilities such as discount rate and lease term etc.</p> <p>We tested, on a sample basis, the underlying data used by the management from the relevant contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess the accuracy of computations performed by the management.</p> <p>We assessed the adequacy and appropriateness of related disclosures for compliance with the requirements of applicable financial reporting framework.</p>
3. Existence and valuation of stock in trade	
<p>As disclosed in note 9 to the accompanying financial statements, the stock in trade balance constitutes 19% of total assets of the Company. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.</p> <p>We have identified existence and valuation of stock in trade as a key audit matter as it forms a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.</p>	<p>Our procedures, amongst others, included obtaining an understanding of the Company's process in respect to existence and valuation of stock in trade and testing the Company's controls in this area relevant to our audit.</p> <p>We performed a range of audit procedures with respect of inventory items including, physical observation of inventory counts, external stock confirmation for WIP held with third parties, testing valuation methods and their appropriateness in accordance with the applicable accounting standards.</p> <p>We tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We reviewed the reasonableness of the inputs used for calculation of net realizable value (NRV) of inventories held to assess the adequacy of relevant provisions.</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.</p>

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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.

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- 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.

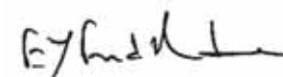
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Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, and the statement of profit or loss, the statement of 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Shaikh Ahmed Salman.



Chartered Accountants

Place: Karachi

Date: 02 October 2020

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	17,595,012	13,458,882
Intangible assets	7	29,540	1,852
Long-term investments		-	186,153
Long-term deposits		16,380	16,380
		<u>17,640,932</u>	<u>13,663,267</u>
CURRENT ASSETS			
Stores and spares	8	886,495	908,514
Stock-in-trade	9	8,269,628	6,411,087
Trade debts	10	6,809,503	7,629,994
Advances, deposits, prepayments and other receivables	11	2,982,084	1,604,581
Taxation – net		472,382	482,195
Short-term investments	12	3,787,643	-
Cash and bank balances	13	2,247,990	3,267,698
		<u>25,455,725</u>	<u>20,304,069</u>
Total assets		<u>43,096,657</u>	<u>33,967,336</u>
SHARE CAPITAL AND RESERVES			
Authorised share capital 400,000,000 (2019: 400,000,000)		<u>4,000,000</u>	<u>4,000,000</u>
Ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital	14	3,768,009	3,768,009
Capital reserves	15	758,663	758,663
Revaluation surplus on property, plant and equipment		1,486,262	1,499,008
Revenue reserve		<u>15,134,124</u>	<u>14,077,769</u>
		<u>21,147,058</u>	<u>20,103,449</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred liabilities	16	205,355	143,494
Long-term financing	17	5,012,562	1,991,546
Lease liabilities	18	171,678	-
		<u>5,389,595</u>	<u>2,135,040</u>
CURRENT LIABILITIES			
Trade and other payables	19	6,481,124	4,910,688
Short-term borrowings	20	9,640,000	6,490,000
Accrued mark-up	21	90,449	50,898
Current portion of long-term financing	17	214,838	275,388
Current portion of lease liabilities	18	131,686	-
Unclaimed dividend		1,907	1,873
		<u>16,560,004</u>	<u>11,728,847</u>
CONTINGENCIES AND COMMITMENTS	22		
Total equity and liabilities		<u>43,096,657</u>	<u>33,967,336</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
Sales	23	31,205,677	29,348,438
Cost of sales	24	(23,698,998)	(21,600,408)
Gross profit		<u>7,506,679</u>	<u>7,748,030</u>
Administrative costs	25	(1,150,779)	(1,035,928)
Distribution costs	26	(2,276,372)	(2,026,890)
Other expenses	27	(667,832)	(356,736)
		<u>(4,094,983)</u>	<u>(3,419,554)</u>
		<u>3,411,696</u>	<u>4,328,476</u>
Other income	28	218,888	2,048,510
Operating Profit		<u>3,630,584</u>	<u>6,376,986</u>
Finance costs	29	(346,959)	(155,892)
Profit before taxation		<u>3,283,625</u>	<u>6,221,094</u>
Taxation	30	(346,404)	(231,284)
Profit after taxation		<u><u>2,937,221</u></u>	<u><u>5,989,810</u></u>
		<u>2,937,221</u>	<u>5,989,810</u>
		<u>7.80</u>	<u>15.90</u>
Earning per share - basic and diluted	31		

The annexed notes from 1 to 43 form an integral part of these financial statements.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- (Rupees in '000) -----	2019 -----
Profit after taxation		2,937,221	5,989,810
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement gain on defined benefit plans	16.1.1	28,073	-
Total comprehensive income for the year		2,965,294	5,989,810

The annexed notes from 1 to 43 form an integral part of these financial statements.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,283,625	6,221,094
Adjustments for:			
Depreciation on operating fixed assets	6.5	1,204,398	933,095
Depreciation on right-of-use assets	6.8.1	134,551	-
Amortization	7	1,017	514
Loss on disposal of operating fixed assets	27	47,595	15,026
Operating fixed assets written off	27	13,379	-
Provision for slow moving and obsolete stores and spares	8.1	23,807	-
Provision for doubtful advances	11.2	104,969	-
Allowance for expected credit loss on trade debts	10.2	16,944	-
Finance costs	29	346,959	155,892
Provision for gratuity	16.1.2	111,680	143,494
Interest on bank deposit	28	(59,801)	(55,627)
Dividend income on open ended mutual fund units	28	(159,087)	-
		1,786,411	1,192,394
		5,070,036	7,413,488
(Increase) / decrease in current assets			
Stores and spares		(1,788)	(275,804)
Stock-in-trade		(1,858,541)	(2,518,817)
Trade debts		803,547	(2,438,502)
Advances, deposits, prepayments and other receivables		(1,290,618)	354,769
		(2,347,400)	(4,878,354)
		2,722,636	2,535,134
Increase in current liabilities			
Trade and other payables		1,560,598	1,208,769
Cash generated from operations		4,283,234	3,743,903
Finance costs paid		(259,138)	(123,636)
Income taxes paid		(336,591)	(281,830)
Long-term deposits		-	(8,047)
Gratuity paid	16.1.1	(26,888)	-
Government grant received	16.2	14,980	-
Net cash generated from operating activities		3,675,597	3,330,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(5,253,765)	(3,633,853)
Proceeds from disposal of operating fixed assets	6.6	98,253	73,332
Short-term investments made		(1,684,533)	-
Interest received on bank deposit		54,100	53,439
Dividend income received on open ended mutual fund units		55,977	-
Net cash used in investing activities		(6,729,968)	(3,507,082)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,921,651)	(2,053,066)
Long-term financing obtained – net		2,960,466	1,354,092
Short-term borrowings obtained – net		3,150,000	3,940,000
Lease rentals paid	18.1	(154,152)	-
Net cash generated from financing activities		4,034,663	3,241,026
Net increase in cash and cash equivalents		980,292	3,064,334
Cash and cash equivalents at the beginning of the year		3,267,698	203,364
Cash and cash equivalents at the end of the year	35	4,247,990	3,267,698

The annexed notes from 1 to 43 form an integral part of these financial statements.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserve Amalgamation reserve	Share premium	Revaluation surplus on property, plant and equipment	Revenue reserve Accumulated profit	Total
	Rupees in '000					
Balance as at June 30, 2018	3,768,009	543,413	215,250	1,499,008	10,141,524	16,167,204
Profit after taxation	-	-	-	-	5,989,810	5,989,810
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	5,989,810	5,989,810
Final cash dividend for the year ended June 30, 2018 @ Rs.2.45 per share	-	-	-	-	(923,162)	(923,162)
Interim cash dividend for the year ended June 30, 2019 @ Rs.3 per share	-	-	-	-	(1,130,403)	(1,130,403)
Balance as at June 30, 2019	3,768,009	543,413	215,250	1,499,008	14,077,769	20,103,449
Profit after taxation	-	-	-	-	2,937,221	2,937,221
Other comprehensive income	-	-	-	-	28,073	28,073
Total comprehensive income for the year	-	-	-	-	2,965,294	2,965,294
Final cash dividend for the year ended June 30, 2019 @ Rs.3.35 per share	-	-	-	-	(1,262,283)	(1,262,283)
Interim cash dividend for the year ended June 30, 2020 @ Rs.1.75 per share	-	-	-	-	(659,402)	(659,402)
Transfer of revaluation surplus on disposal of property, plant and equipment	-	-	-	(12,746)	12,746	-
Balance as at June 30, 2020	3,768,009	543,413	215,250	1,486,262	15,134,124	21,147,058

The annexed notes from 1 to 43 form an integral part of these financial statements.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

Feroze1888 Mills Limited (the Company) was incorporated in Pakistan in 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.

1.1 Geographical location and address of business units

Registered Office	H-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi
Office Building	Plot # 160, Bangalore Town, Shahrah-e-Faisal Road, Darwaish Colony, Karachi
Mill and Production Plant	Plot # H-23/4-A and H-23-/4-B, Scheme # 3, Landhi Industrial Area, Landhi, Karachi 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, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi Plot # D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Baluchistan

1.2 Impact of COVID-19 pandemic on these financial statements

The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities during the period from March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. The lockdown, however, excluded companies involved in the business of necessary consumer supplies. Complying with the lockdown, the Company temporarily suspended operations.

The lockdown was subsequently relaxed from the month of May, and the Company resumed operations, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees. The management has ensured all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The Company's operations were disrupted due to the circumstances arising from COVID-19 including the suspension of production, sales and operations in certain divisions. Due to this, the management has assessed the accounting implications of these developments on these financial statements, including but not limited to expected credit losses under IFRS 9, 'Financial Instruments', the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets', the net realisable value of inventory under IAS 2, 'Inventories', provisions and contingent liabilities under IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and going concern assumption used for the preparation of these financial statements.

According to management's assessment, there are no material implications of COVID-19 that require specific disclosure in these financial statements.

1.3 Significant transactions and events affecting the Company's financial position and performance

During the year, the Company has acquired property, plant and equipment amounting to Rs.5,225 million. This includes Rs.812 million for building and Rs.3,380 million for plant and machinery. These acquisitions have increased the production capacity of the Company.

Significant borrowings were made under the SBP's Long Term Finance Facility for acquisition of plant and machinery and under Export Refinance Facility for working capital requirements which resulted in an increase in finance cost.

2. STATEMENT OF COMPLIANCE

These 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, 2017 (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.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

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

4. NEW STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS EFFECTIVE DURING THE YEAR

The Company has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year.

4.1 New and amended standards

IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRS 16	COVID 19 Related Rent Concessions (Amendments)
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over income tax treatments

Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

IFRS 3	Business Combinations - Previously held Interests in a joint operation
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of the above standards, amendments, interpretations and improvements to the accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions and will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over properties utilized as office and factory buildings and generator.

The Company adopted IFRS 16 with effect from July 01, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with the similar characteristics.

The right-of-use assets were recognized based on the amount equal to lease liabilities, adjusted for any related prepaid lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease or finance leases as on July 01, 2019.

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

	Note	(Rupees in '000)
Operating lease commitments as at June 30, 2019		495,653
Impact of discounting		(89,413)
Lease liabilities at July 01, 2019		<u>406,240</u>
Weighted average incremental borrowing rate as at July 01, 2019		<u>14.47%</u>

The impact of adoption of IFRS 16 as at July 01, 2019 (increase / (decrease)) is as follows:

Assets		
Property, plant and equipment	6.8	<u>406,240</u>
Total assets		<u>406,240</u>
Liabilities		
Lease liabilities		291,594
Current portion of lease liabilities		114,646
	18.1	<u>406,240</u>

The impact of adoption of IFRS 16 for the year ended June 30, 2020 is as follows:

Statement of profit or loss

Depreciation charge on right-of-use assets	6.8.1	<u>134,551</u>
Interest expense on lease liabilities	18.1	<u>48,270</u>

4.2 Standards, amendments and improvements to the approved accounting standards that are not yet effective

The following standards, amendments and improvements 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 or after)
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 3	Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IAS 1 / IAS 8	Definition of Material (Amendments)	01 January 2020
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022*
IAS 16	Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022

*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the ‘10 percent’ test for derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture – Taxation in fair value measurements	01 January 2022

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 01 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 SECP for the purpose of applicability in Pakistan:

Standard or Interpretation		IASB Effective date (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

4.3 Significant accounting judgments, estimates and assumptions

The preparation of the 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 and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 financial statements:

4.3.1 Property, plant and equipment

The estimates for revalued amounts of freehold and leasehold land are based on valuation performed by external professional valuer. The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in the calculation of depreciation on an annual basis. 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 property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

4.3.2 Stock-in-trade and stores and spares

The Company reviews the carrying amount of stock-in-trade and stores and spares on an ongoing basis and as appropriate, it is written down to its net realisable value (NRV) or provision is made for obsolescence. 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. Stores and spares are assessed and a general provision is applied according to degree of ageing based on a specific criteria.

4.3.3 Staff gratuity

Certain actuarial assumptions have been adopted as disclosed in note 16 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect gains and losses in those years.

4.3.4 Impairment of financial assets

The Company uses a provision matrix to calculate expected credit losses for trade debts and other receivables. The provision rates are based on days past due for parties that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. As and when required, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets exposed to credit risk is disclosed in note 38.2.

4.3.5 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.

4.3.6 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

4.3.7 Lease liabilities

Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Operating fixed assets

These are initially stated at cost. Subsequently, these are stated at cost less accumulated depreciation and impairment loss, if any, except for land which is stated at revalued amount less impairment, if any. Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates mentioned in note 6.1 to the financial statements except for lease hold improvement which are depreciated on straight line basis at the rates mentioned in note 6.1 to these financial statements. 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 statement of 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 statement of 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 statement of 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 statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in statement of comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

The carrying values of operating fixed assets 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 / installation year. These are transferred to relevant operating fixed assets as and when assets are available for use.

Right-of-use assets

The Company recognises a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

5.2 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.

5.3 Stores and spares

Stores and spare parts, except goods-in transit, are stated at moving average cost less provision for slow moving/obsolete items. Cost of goods-in-transit includes invoice value plus other costs incurred thereon up to the statement of financial position date.

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items. Stores and spares are assessed and a general provision is applied according to degree of ageing based on a specific criteria.

5.4 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and estimated NRV, except items in-transit, if any, which 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, labour 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 financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

5.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Company classifies its financial assets into following categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in statement of profit or loss.

This category also includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets other than trade debts, the Company applies general approach in calculating ECL. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, the Company applies a simplified approach where applicable in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for large portfolio of customer having similar characteristics and default rates based on the credit rating of customers from which receivables are due that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be at a risk of default when contractual payments are 90 days past due, unless there are factors that might indicate otherwise. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, derivative financial instruments and payables, net of directly attributable transaction costs.

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in IFRS 9 are satisfied. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Derivatives that do not qualify for hedge accounting are recognized in the statement of financial position at estimated fair value with corresponding effect to the statement of profit or loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

Financial liabilities at amortized cost

After initial recognition, borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

5.6 Advances, deposits, prepayments and other receivables excluding financial assets

These are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Exchange gains or losses arising in respect of deposits, advances and other receivables in foreign currency are added to their respective carrying amounts and charged to statement of profit or loss.

5.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation 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 financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise, whereas, temporary differences in respect of other income are expected to be negligible.

5.8 Cash and cash equivalents

These are stated at cost.

5.9 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.

5.10 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

5.11 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.

Defined benefit plan

The Company operates an unapproved and unfunded defined gratuity scheme for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits. The latest actuarial valuation was carried out as of June 30, 2020 using Projected Unit Credit method.

Employees' compensation absences

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

5.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. As the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

5.13 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Company performs under the contract.

5.14 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.

5.15 Unclaimed dividend

Dividend declared and remain unpaid for the period of more than three years from the date it is due and payable.

5.16 Unpaid dividend

Dividend declared and remain unpaid for the period of three years from the date it is due and payable.

5.17 Contingencies

Contingencies are disclosed when the Company has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.19 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of profit or loss.

5.20 Revenue recognition

Revenue is recognised at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised when performance obligation is fulfilled, at a point in time, when control of goods have been transferred to a customer. Generally, the normal credit term is 30 to 120 days upon delivery.

5.21 Other income

Return on deposits and investments at amortised cost are accounted for using the effective interest rate method.

Dividend income is recognised when the right to receive the dividend is established.

5.22 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.

5.23 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 statement of profit or loss.

5.24 Earning per share

The Company presents basic and diluted earning 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.

5.25 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the 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 financial statements in the period in which such transfers are made.

5.26 Segment reporting

The activities of the Company are organized into one operating segment i.e., manufacturing, marketing and export of towel. The Company operates in the said reportable operating segment based on the nature of the product, risks and returns, organizational and management structure, and internal financial reporting system. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

	Note	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	14,072,097	11,388,151
Capital work-in-progress	6.7	3,248,220	2,070,731
Right-of-use assets	6.8	274,695	-
		<u>17,595,012</u>	<u>13,458,882</u>

6.1 Operating fixed assets

	Free hold land	Building on freehold land	Lease hold land	Building on leasehold land	Leasehold improvements	Plant and machinery	Electric fittings / equipments	Office equipment	Computers	Furniture and fixtures	Vehicles	Arms and ammunitions	Total
As at July 01, 2018													
Cost / revalued amount	441,808	148,250	1,550,729	1,852,405	220,661	8,668,715	257,869	91,115	134,964	55,449	273,135	32	13,695,132
Accumulated depreciation	-	(100,128)	-	(622,874)	(92,285)	(3,555,395)	(130,018)	(38,089)	(85,891)	(24,499)	(106,250)	(32)	(4,755,461)
Net book value	441,808	48,122	1,550,729	1,229,531	128,376	5,113,320	127,851	53,026	49,073	30,950	166,885	-	8,939,671
Year ended June 30, 2019													
Opening net book value	441,808	48,122	1,550,729	1,229,531	128,376	5,113,320	127,851	53,026	49,073	30,950	166,885	-	8,939,671
Additions / transfers during the year	-	-	949	1,079,894	9,010	2,166,202	151,230	17,711	15,275	5,582	24,022	-	3,469,875
Disposals / transfers													
Cost	-	-	-	-	-	(231,516)	-	(330)	(30)	(84)	(59,636)	-	(291,596)
Accumulated depreciation	-	-	-	-	-	170,311	-	221	29	31	32,704	-	203,296
Net book value	-	-	-	-	-	(61,205)	-	(109)	(1)	(53)	(26,932)	-	(88,300)
Depreciation for the year	-	(4,812)	-	(154,811)	(89,471)	(604,923)	(17,349)	(9,641)	(16,563)	(3,311)	(32,214)	-	(933,095)
Closing net book value	441,808	43,310	1,551,678	2,154,614	47,915	6,613,394	261,732	60,987	47,784	33,168	131,761	-	11,388,151
As at June 30, 2019													
Cost / revalued amount	441,808	148,250	1,551,678	2,932,299	229,671	10,603,401	409,099	108,496	150,209	60,947	237,521	32	16,873,411
Accumulated depreciation	-	(104,940)	-	(777,685)	(181,756)	(3,990,007)	(147,367)	(47,509)	(102,425)	(27,779)	(105,760)	(32)	(5,485,260)
Net book value	441,808	43,310	1,551,678	2,154,614	47,915	6,613,394	261,732	60,987	47,784	33,168	131,761	-	11,388,151
Year ended June 30, 2020													
Opening net book value	441,808	43,310	1,551,678	2,154,614	47,915	6,613,394	261,732	60,987	47,784	33,168	131,761	-	11,388,151
Additions / transfers during the year	-	-	-	1,096,342	-	2,892,170	14,767	9,834	14,961	3,561	15,936	-	4,047,571
Disposals / write offs													
Cost	-	-	(25,410)	-	-	(387,306)	(18,850)	(2,913)	(18,655)	(3,555)	(45,958)	-	(502,647)
Accumulated depreciation	-	-	-	-	-	280,529	13,699	1,777	16,868	2,393	28,154	-	343,420
Net book value	-	-	(25,410)	-	-	(106,777)	(5,151)	(1,136)	(1,787)	(1,162)	(17,804)	-	(159,227)
Reclassification													
Cost	-	-	-	-	-	(22,183)	(5,509)	26,823	584	285	-	-	-
Accumulated depreciation	-	-	-	-	-	13,739	1,936	(15,331)	(185)	(159)	-	-	-
Net book value	-	-	-	-	-	(8,444)	(3,573)	11,492	399	126	-	-	-
Depreciation for the year	-	(4,331)	-	(285,272)	(41,610)	(793,292)	(26,465)	(8,494)	(15,407)	(3,514)	(26,013)	-	(1,204,398)
Closing net book value	441,808	38,979	1,526,268	2,965,684	6,305	8,597,051	241,310	72,683	45,950	32,179	103,880	-	14,072,097
As at June 30, 2020													
Cost / revalued amount	441,808	148,250	1,526,268	4,028,641	229,671	13,086,082	399,507	142,240	147,099	61,238	207,499	32	20,418,335
Accumulated depreciation	-	(109,271)	-	(1,062,957)	(223,366)	(4,489,031)	(158,197)	(69,557)	(101,149)	(29,059)	(103,619)	(32)	(6,346,238)
Net book value	441,808	38,979	1,526,268	2,965,684	6,305	8,597,051	241,310	72,683	45,950	32,179	103,880	-	14,072,097
Annual rates of depreciation	-	10%	-	10%	40% - 65%	10%	10%	15%	30%	10%	20%	15%	

6.2 During the year ended June 30, 2017, four of the Company's plots of land were revalued resulting in surplus of Rs.1,499 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).

Had there been no revaluation the net book value of freehold and leasehold land would have been Rs.145.68 million (2019: Rs.145.68) and Rs.183.83 million (2019: Rs.196.49), respectively.

6.3 Forced sale value as per the last revaluation report as of June 30, 2017 of freehold and lease hold land is Rs.441.81 million and Rs.1,399.36 million, respectively.

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

Particular	Location	Total area (in acres)
Production Plant	H- 23/4 A & B Scheme no. 3, Landhi Industrial Area, Karachi.	23.75
Production Plant	Survey no. 81, 242, 72 to 75, 165, 166, 171, 172, 176 to 181, 186 to 190, 156, 210, 211, 243, Deh Moachko, Tapo Gabopat, Keamari Town, Karachi	124.23
Production Plant	Plot no. 342-A, Haroonabad Industrial Area.	0.04
Production Plant	Plot no. D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Baluchistan.	18.75

6.5 Depreciation charge for the year on operating fixed assets has been allocated as follows:

	Note	2020 ----- (Rupees in '000)	2019 -----
Cost of sales	24.1	1,126,388	844,463
Administrative cost	25	78,010	88,632
		1,204,398	933,095

6.6 Details of disposals of operating fixed assets having book value of more than Rs. 500,000 during the year are as follows:

Particular	Cost / revalued amount	Accumulated Depreciation	Book Value	Sale Proceed	Gain / (Loss)	Mode of Disposal	Particulars of purchasers
----- (Rupees in '000) -----							
Plant and Machinery							
Chiller plant	5,793	5,158	635	800	165	Negotiation	Anwar Engineering
Contamination sorter	9,629	3,127	6,502	360	(6,142)	Negotiation	Idea Trading Company
Contamination sorter	9,629	3,127	6,502	360	(6,142)	Negotiation	Idea Trading Company
Dryer	4,057	3,465	592	204	(388)	Negotiation	Wajid
Gas generator	32,657	27,585	5,072	700	(4,372)	Negotiation	International Power Service
Humidification plant	18,124	15,123	3,001	65	(2,936)	Negotiation	Idea Trading Company
Loom GS-900	30,253	21,949	8,304	1,400	(6,904)	Negotiation	Hash Tex
Loom GS-900	45,380	31,896	13,484	9,000	(4,484)	Negotiation	Hash Tex
Loop Dryer	9,053	5,941	3,112	700	(2,412)	Negotiation	Mubarik Processing
Multimixer Trutzschler	2,279	1,763	516	195	(321)	Negotiation	Idea Trading Company
Rieter Blow	4,150	3,348	802	210	(592)	Negotiation	Idea Trading Company
Rieter Blow	4,150	3,348	802	210	(592)	Negotiation	Idea Trading Company
Rieter Blow	33,391	5,800	27,591	420	(27,171)	Negotiation	Idea Trading Company
Roving Frame	15,480	12,247	3,233	743	(2,490)	Negotiation	Idea Trading Company
Spinning machine	2,700	1,614	1,086	280	(806)	Negotiation	Classic Impex
Spinning machine	3,485	1,675	1,810	325	(1,485)	Negotiation	Classic Impex
Stitching Machine	3,336	2,447	889	344	(545)	Negotiation	Shoukat Khan
Sulzer Loom	9,427	8,242	1,185	2,600	1,415	Negotiation	Hash Tex
Sulzer Loom	28,808	24,055	4,753	5,400	647	Negotiation	Hash Tex
Sulzer Loom	14,124	13,446	678	2,800	2,122	Negotiation	Hash Tex
Sulzer Loom	9,424	8,883	541	1,800	1,259	Negotiation	Hash Tex
Sulzer Loom	22,021	19,791	2,230	4,800	2,570	Negotiation	Hash Tex
Winding machine	5,256	4,751	505	142	(363)	Negotiation	Wajid
Berta machine	2,654	2,149	505	167	(338)	Negotiation	Mubashir Hussain
Pump	3,771	3,192	579	-	(579)	Write off	-
Air Compressor	9,050	7,504	1,546	-	(1,546)	Write off	-
Air Compressor	2,609	2,062	547	-	(547)	Write off	-
	340,690	243,688	97,002	34,025	(62,977)		
Motor Vehicle							
Honda Civic (BBB-567)	2,156	1,520	636	706	70	As per Company's policy	Rehan Rahman - CEO
Suzuki Cultus (BHB-321)	1,199	521	678	907	229	As per Company's policy	Azhar Rasheed - employee
Suzuki Cultus (BHD-823)	1,199	544	655	875	220	As per Company's policy	Bilal Hussain - employee
Honda Civic (BHY-278)	2,497	1,055	1,442	1,964	522	As per Company's policy	Sumair Nisar - employee
Honda City (BCE-923)	1,250	502	748	1,100	352	Negotiation	1888 Mills LLC (AO)
Suzuki Mehran (BLD-598)	802	254	548	750	202	Negotiation	1888 Mills LLC (AO)
Suzuki Mehran (BNZ-133)	840	136	704	750	46	Negotiation	1888 Mills LLC (AO)
Suzuki Cultus (BHB-320)	1,199	566	633	860	227	As per Company's policy	Abdul Razzaq - employee
Toyota Corolla (BCJ-359)	1,753	1,183	570	574	4	As per Company's policy	Azhar Hussain - employee
Honda Civic (BDF-567)	2,226	1,446	780	1,700	920	As per Company's policy	Husain Aziz - employee
Suzuki Cultus (BGT-941)	1,169	618	551	736	185	As per Company's policy	Muhammad Yameen - employee
Honda City (BER-855)	1,512	931	581	695	114	As per Company's policy	Shehzad Sohail - employee
	17,802	9,276	8,526	11,617	3,091		
Lease hold land							
Land - Kemari Town, Karachi	25,410	-	25,410	30,000	4,590	Negotiation	Frieden Management (Private) Limited
Office equipment							
Air Conditioner	647	103	544	647	103	Negotiation	1888 Mills LLC (AO)
Electric fittings / equipments							
UPS 1.8 K.V.	800	79	721	500	(221)	Negotiation	Net Line (Private) Limited
Electrical fittings	2,598	1,571	1,027	-	(1,027)	Write off	-
Electrical fittings	9,426	7,815	1,611	-	(1,611)	Write off	-
	12,824	9,465	3,359	500	(2,859)		
Items having book value of less than Rs. 500,000	105,274	80,888	24,386	21,464	(2,922)		
Total for the year ended June 30, 2020	502,647	343,420	159,227	98,253	(60,974)		

6.7 Capital work-in-progress

Building on leasehold land
Leasehold improvement
Plant and machinery
Equipment
Furniture and fixtures

Advance against fixed assets
Stand-by equipments

6.7.1 The movement is as follows:

Balance at the beginning of the year

Capital expenditure during the year

Building on leasehold land
Leasehold improvement
Plant and machinery
Equipments
Computer
Furniture and fixtures

Transfer to operating fixed assets / expenses

Building on leasehold land
Leasehold improvements
Plant and machinery
Equipments
Computers
Furnitures and fixtures

6.8 Right-of-use assets

As at July 01, 2019

Cost (Impact of initial application of IFRS 16)
Accumulated depreciation
Net book value

Year ended June 30, 2020

Opening net book value
Additions during the year
Depreciation for the year
Closing net book value

As at June 30, 2020

Cost
Accumulated depreciation
Net book value

Note	2020 ----- (Rupees in '000) -----	2019 -----
	636,671	920,831
	22,012	22,012
	1,278,126	781,906
	60,653	51,147
	1,650	162
6.7.1	1,999,112	1,776,058
	871,779	157,597
	377,329	137,076
	3,248,220	2,070,731
	1,776,058	1,727,930
	806,042	1,180,931
	-	28,023
	3,254,100	1,942,313
	11,922	194,284
	-	5,408
	3,038	3,457
	4,075,102	3,354,416
	(1,090,202)	(1,079,416)
	-	(9,011)
	(2,757,880)	(2,049,203)
	(2,416)	(159,498)
	-	(5,408)
	(1,550)	(3,752)
	(3,852,048)	(3,306,288)
	1,999,112	1,776,058
4.1	406,240	-
	-	-
	406,240	-
6.8.1	406,240	-
	3,006	-
	(134,551)	-
	274,695	-
	409,246	-
	(134,551)	-
	274,695	-

6.8.1 Depreciation charge for the year on right-of-use assets has been allocated as follows:

	Note	2020 ----- (Rupees in '000)	2019 -----
Cost of sales	24.1	100,374	-
Administrative cost	25	34,177	-
		<u>134,551</u>	<u>-</u>

6.8.2 Lease obligations of the Company comprise of lease arrangements giving it the right-of-use over premises utilized as office building, mill and production plants.

	Note	2020 ----- (Rupees in '000)	2019 -----
7. INTANGIBLE ASSETS – Software			
Cost			
As at July 01		35,711	35,215
Additions during the year		28,705	496
As at June 30	7.1	<u>64,416</u>	<u>35,711</u>
Accumulated amortization			
As at July 01		(33,859)	(33,345)
Charge for the year	7.2	(1,017)	(514)
As at June 30		<u>(34,876)</u>	<u>(33,859)</u>
Net book value as at June 30		<u>29,540</u>	<u>1,852</u>
Annual rates of amortization		<u>20%</u>	<u>20%</u>

7.1 Includes intangible assets at a cost of Rs.32.85 million in respect of implementation and development of Enterprise Resource Planning (Oracle-ERP) which is fully amortised, however, it is still in active use.

7.2 This represents the amortization charged to cost of sales.

	Note	2020 ----- (Rupees in '000)	2019 -----
8. STORES AND SPARES			
General stores		236,363	333,238
Chemicals		415,180	334,634
Packing stores		241,075	201,034
		<u>892,618</u>	<u>868,906</u>
Stores and spares in transit		17,684	71,892
Provision for slow moving and obsolete stores and spares	8.1	<u>(23,807)</u>	<u>(32,284)</u>
		<u>886,495</u>	<u>908,514</u>

8.1 Movement of provision for slow moving and obsolete stores and spares is as follows:

	Note	2020 ----- (Rupees in '000)	2019 -----
Balance at the beginning of the year		32,284	185,464
Charge for the year	27	23,807	8,356
Reversal during the year		(32,284)	(161,536)
Balance at the end of the year		<u>23,807</u>	<u>32,284</u>

9. STOCK-IN-TRADE

	Note	2020 ----- (Rupees in '000)	2019 -----
Raw material in:			
- hand	9.1 & 9.2	3,743,625	2,931,448
- transit		<u>339,993</u>	<u>51,101</u>
		<u>4,083,618</u>	<u>2,982,549</u>
Work-in-process	9.3 & 9.4	2,597,780	2,330,145
Finished goods	9.5 & 9.6	<u>1,588,230</u>	<u>1,098,393</u>
		<u>8,269,628</u>	<u>6,411,087</u>

9.1 Includes raw material of Rs.1,945 million (2019: Rs.1,945 million) which is pledged with various banks against short-term borrowings.

9.2 Includes items costing Rs.30.56 million (2019: Rs. Nil) which have been valued at their net realizable value of Rs.15.28 million (2019: Rs.Nil).

9.3 Includes inventory of Rs.297.32 million (2019: Rs.305.16 million) held with the various parties for processing.

9.4 Includes items costing Rs.8.52 million (2019: Rs.Nil) held at WIP stores which have been valued at their net realizable value of Rs.4.26 million (2019: Rs.Nil).

9.5 Includes items costing Rs.469.02 million (2019: Rs.234.75 million) which have been valued at their net realizable value of Rs.240.90 million (2019: Rs.153.60 million).

9.6 Finished goods include stock in transit of Rs.393.94 million (2019: Rs.236.98 million).

	Note	2020 ----- (Rupees in '000)	2019 -----
10. TRADE DEBTS			
Exports			
Considered good	10.1	6,797,429	7,617,757
Considered doubtful		<u>16,944</u>	<u>-</u>
		<u>6,814,373</u>	<u>7,617,757</u>
Allowance for expected credit loss	10.2	<u>(16,944)</u>	<u>-</u>
		<u>6,797,429</u>	<u>7,617,757</u>
Local			
Considered good		<u>12,074</u>	<u>12,237</u>
		<u>6,809,503</u>	<u>7,629,994</u>

10.1 Includes Rs.Nil (2019: Rs.69.36) due from 1888 Mills LLC.

10.2 Movement of allowance for expected credit loss is as follows:

	Note	2020 ----- (Rupees in '000)	2019 -----
Balance at the beginning of the year		-	-
Charge for the year	27	16,944	-
Balance at the end of the year		<u>16,944</u>	<u>-</u>

10.3 The maximum amount due from related parties, at the end of any month during the year was Rs.495.51 million (2019: Rs.801.66 million) and no balance was outstanding from related party as at June 30, 2020.

	Note	2020 ----- (Rupees in '000) -----	2019
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
Suppliers			
Considered good		203,675	145,802
Considered doubtful		104,969	-
	11.1	308,644	145,802
Provision for doubtful advances	11.2	(104,969)	-
		203,675	145,802
Employees			
Considered good		2,311	465
		205,986	146,267
Deposits - interest free	11.3	32,566	46,268
Prepayments	11.4	404,640	161,378
Other receivables			
- Sales tax refundable		1,591,939	181,568
- Export rebate / duty drawback		204,142	501,959
- Due from Government	11.5	483,972	507,931
- Others		58,839	59,210
		2,338,892	1,250,668
		2,982,084	1,604,581
11.1	Represents interest free advances to suppliers having maturity latest by August 2020:		
Jurisdiction	Name		
Asia	Zhengzhou East Import And Export Co. Limited Global Commodities Limited Dystar Singapore PTE Limited Water Regime International FZE Shandong Zhaojin Motian Co. Limited EPE Busway SDN BHD Newsprint Production Group Limited CYM Holding Group Limited International Trading Giamminola Hong Kong Limited		
Europe	J. Kaulhausen & Sohn Mapro International SPA Avrupa Tekstil San VE TIC Limited Fortex International AB		
11.2	Movement of provision for doubtful advances is as follows:		
	Note	2020 ----- (Rupees in '000) -----	2019
Balance at the beginning of the year		-	-
Charge for the year	27	104,969	-
Balance at the end of the year		104,969	-

	Note	2020 ----- (Rupees in '000) -----	2019
11.3	Includes amounts due from the following related parties:		
		945	945
		9,295	8,853
		13,005	12,386
		6,765	6,443
		30,010	28,627
11.4	Includes balance of Rs.393.41 million (2019: Rs.156.10 million) outstanding with 1888 Mills LLC.		
11.5	Due from government		
	- Drawback of Local Taxes and Levies (DLTL) receivable	315,217	317,291
	- Technology Upgradation Fund Scheme	89,278	89,278
	- Mark-up receivable	79,477	101,362
		483,972	507,931
12. SHORT-TERM INVESTMENTS			
At amortised cost			
Term Deposit Receipt	12.1	2,000,000	-
Fair value through profit or loss			
Open Ended Shariah Compliant Money Market Scheme	12.2	1,787,643	-
		3,787,643	-
12.1	This carries interest rate of 8.4% (2019: Nil) per annum, having maturity of one month.		
12.2	Represents investment in 25.70 million and 50.24 million units (2019: Nil) of Open Ended Shariah Compliant Money Market Schemes which are stated at the rates of Rs.50 and Rs.10 respectively, as at June 30, 2020.		
13. CASH AND BANK BALANCES	Note	2020 ----- (Rupees in '000) -----	2019
With banks			
On current accounts			
Local currency		1,672,826	3,178,126
Foreign currency		116,680	87,593
		1,789,506	3,265,719
On savings account			
Local currency	13.1	455,356	-
		2,244,862	3,265,719
Cash in hand			
		3,128	1,979
		2,247,990	3,267,698
13.1	These carry interest rates ranging from 5.50% to 12.40% (2019: Nil) per annum.		

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2020	2019		2020	2019
	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, 2020, institutions and others held 117,663,555 and 259,137,413 shares, respectively (June 30, 2019: 28,637,057 and 348,163,911 shares). Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

14.2 Associated company and undertakings held an aggregate of 83,347,959 (2019: 58,387,959) ordinary shares in the Company as at year end.

	Note	2020	2019
		(Rupees in '000)	
15. CAPITAL RESERVES			
Merger reserve	15.1	543,413	543,413
Share premium	15.2	215,250	215,250
		758,663	758,663

15.1 This represents merger surplus created at the time of merger between Feroze1888 Mills Limited and Feroze Textile Industries (Private) Limited in the year 2011-12.

15.2 The share premium account is a capital reserve and can be applied only in accordance with provisions of section 81 of the Companies Act, 2017.

	Note	2020	2019
		(Rupees in '000)	
16. DEFERRED LIABILITIES			
Defined benefit obligation - gratuity scheme	16.1	200,213	143,494
Government grant	16.2	5,142	-
		205,355	143,494

16.1 During the year ended June 30, 2019, the Company had introduced a gratuity scheme. In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2020, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligation in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above mentioned scheme is as follows:

Amounts recognised in the statement of financial position as follows:

	Note	2020	2019
		(Rupees in '000)	
Present value of defined benefit obligation	16.1.1	200,213	143,494
Fair value of plan assets		-	-
		200,213	143,494

	2020	2019
	(Rupees in '000)	
16.1.1 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	143,494	-
Current service cost	85,828	143,494
Interest cost	25,852	-
Actuarial gain on remeasurement	(28,073)	-
Payment made during the year	(26,888)	-
Balance at end of the year	200,213	143,494

16.1.2 Amounts have been charged in the statement of profit or loss in respect of these benefits:

	2020	2019
	(Rupees in '000)	
Current service cost	85,828	143,494
Interest cost	25,852	-
	111,680	143,494

16.1.3 Actuarial assumptions		
Valuation discount rate per annum	9.25%	14.50%
Salary increase rate per annum	9.25%	14.50%
Normal retirement age of employees	60 years	60 years

16.1.4 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Cumulative impact on defined benefit obligation	
	0.5% increase	0.5% decrease
	(Rupees in '000)	
Assumptions		
Effect of change in discount rate	188,443	213,267
Effect of change in future salary increase	213,692	187,960

16.1.5 As of June 30, 2020, a total of 4,902 (2019: 4,180) employees have been covered under the above scheme.

16.1.6 As per the recommendation of the actuary, the estimated charge for the year ending June 30, 2021 amounts to Rs.124.11 million.

	Note	2020	2019
		(Rupees in '000)	
16.2 Government grant			
Balance at beginning of the year		-	-
Received during the year		14,980	-
Released to the statement of profit or loss		-	-
Balance at end of the year		14,980	-
Current portion of government grant	19	9,838	-
Non-current portion government grant		5,142	-
		14,980	-

16.2.1 Government grant has been recorded against subsidized rate loan obtained from a conventional bank pursuant to a refinance scheme introduced by State Bank of Pakistan to provide working capital loan at concessional mark-up rates for businesses to finance salary expense during the COVID-19 outbreak. The grant is conditional upon the fact that the Company would not terminate any employee, due/owing to cash flow limitations, for a period of three months from the date of receipt of the first tranche.

			Note	2020 --- (Rupees in '000) ---	2019
17.	LONG-TERM FINANCING - secured				
	Term loans		17.1 & 17.3	5,227,400	2,266,934
	Current portion			(214,838)	(275,388)
				<u>5,012,562</u>	<u>1,991,546</u>
17.1	Term loans				
	Banks	Term	Repayment period		
	Habib Metropolitan Bank Limited	8 Half yearly	2017-2020	5,695	8,545
		8 Half yearly	2017-2021	25,760	38,348
		10 Half yearly	2018-2023	77,000	88,000
		10 Half yearly	2019-2023	221,350	274,500
		10 Half yearly	2019-2024	33,600	42,000
		10 Half yearly	2020-2024	31,950	35,500
		10 Half yearly	2020-2025	505,000	505,000
		10 Half yearly	2021-2026	455,100	-
	Faysal Bank Limited	16 Quarterly	2017-2021	106,392	170,241
		20 Quarterly	2019-2024	115,830	128,700
		10 Half yearly	2020-2024	153,720	170,800
	Habib Bank Limited	10 Half yearly	2020-2024	223,550	228,800
		10 Half yearly	2020-2025	271,200	271,200
		10 Half yearly	2021-2026	499,800	-
	Bank AL Habib Limited	10 Half yearly	2020-2024	19,000	19,000
		10 Half yearly	2020-2025	242,300	242,300
		10 Half yearly	2021-2026	23,500	-
	Bank AL Falah Limited	10 Half yearly	2020-2025	44,000	44,000
		8 Half yearly	2021-2023	542,480	-
		10 Half yearly	2021-2026	1,591,673	-
	Allied Bank Limited	20 Quarterly	2021-2026	38,500	-
				<u>5,227,400</u>	<u>2,266,934</u>
17.2	These represent long-term finance facilities (LTFF) obtained from various commercial banks for import of machinery. These carry mark-up at the State Bank of Pakistan (SBP) LTFF rate plus spread ranging from 0.5% to 1% (2019: 0.5%) per annum. These facilities are secured against specific charge on plant and machinery of the Company. The principal portion of the loan is repayable in five years through semi-annually and quarterly installments after grace period of one year. The unutilized portion of long term finance is Rs.1,330 million (2019: Rs.1,571 million). During the year, the Company has availed the principal deferment facility for LTFF offered by the SBP through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses.				
17.3	Includes a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. It carries mark-up at the rate of SBP rate plus 0.50% spread. However, the effective interest rate is calculated at 2.50% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential mark-up has been recognised as government grant (as mentioned in note 16) which will be amortised to interest income over the period of facility. The financing is secured against first pari-passu hypothecation charge over current assets.				

			Note	2020 --- (Rupees in '000) ---	2019
18.	LEASE LIABILITIES				
	Lease liabilities			303,364	-
	Current portion of lease liabilities			(131,686)	-
				<u>171,678</u>	<u>-</u>
18.1	Reconciliation of the carrying amount is as follows:				
	Initial application of IFRS 16 on July 1, 2019	4.1		406,240	-
	Additions during the year			3,006	-
	Accretion of interest	29		48,270	-
	Lease rental payments made during the year			(154,152)	-
	Lease Liability as at June 30			303,364	-
	Current portion of lease liabilities			(131,686)	-
	Long-term lease liabilities as at June 30			<u>171,678</u>	<u>-</u>
18.2	Maturity analysis				
	Gross lease liabilities - minimum lease payments:				
	Not later than one year			166,794	-
	Later than one year but not later than five years			177,713	-
				<u>344,507</u>	<u>-</u>
	Future finance charge			(41,143)	-
	Present value of finance lease liabilities			<u>303,364</u>	<u>-</u>
19.	TRADE AND OTHER PAYABLES		Note	2020 --- (Rupees in '000) ---	2019
	Creditors	19.1		2,251,093	1,545,488
	Accrued liabilities	19.2		3,562,784	2,966,013
	Derivative financial instruments			381,164	-
	Workers' profits participation fund	19.3		148,096	300,626
	Workers' welfare fund			24,703	22,706
	Advance from customers			26,028	10,625
	Current portion of government grant	16.2		9,838	-
	Payable to provident fund			23,488	19,297
	Others			53,930	45,933
				<u>6,481,124</u>	<u>4,910,688</u>
19.1	Includes an amount of Rs.397.54 million (2019: Rs.Nil) due to 1888 Mills LLC.				
19.2	Includes an amount of Rs.1,503.62 million (2019: Rs.1,263.55 million) in respect of Gas Infrastructure Development Cess provision, Rs.516.11 million (2019: Rs.516.11 million) in respect of Gas tariff provision and Rs.238.27 million (2019: Rs.172.07 million) in respect of RLNG provision.				
19.3	Workers' profits participation fund		Note	2020 --- (Rupees in '000) ---	2019
	Balance at beginning of the year			300,626	136,693
	Interest on WPPF			24	21
	Charge for the year	27		148,096	300,626
				<u>448,746</u>	<u>437,340</u>
	Payment made during the year			(300,650)	(136,714)
	Balance at end of the year			<u>148,096</u>	<u>300,626</u>

	Note	2020 --- (Rupees in '000) ---	2019
20. SHORT-TERM BORROWINGS - secured			
Export re-finance	20.1	<u>9,640,000</u>	<u>6,490,000</u>
20.1	Represents utilized portion of export re-finance facilities from various commercial banks of Rs.10,850 million (2019: Rs. 7,310 million) carrying mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 1% (2019: 0.25% to 0.50%) per annum. These are secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.		
20.2	The company also has unutilized running finance facilities of Rs. 180 million (2019: Rs. 180 million). These carry mark-up at the rates ranging from 3 month KIBOR plus 0.5% to 1.50% (2019: 0.5% to 1.50%) per annum. This is secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.		
		2020	2019
		--- (Rupees in '000) ---	
21. ACCRUED MARK-UP			
Long-term financing		<u>28,303</u>	<u>14,116</u>
Short-term borrowings		<u>62,146</u>	<u>36,782</u>
		<u>90,449</u>	<u>50,898</u>
22. CONTINGENCIES AND COMMITMENTS			
22.1 Contingencies			
No contingencies exist as at reporting date.			
		2020	2019
		--- (Rupees in '000) ---	
22.2 Commitments	Note		
- Outstanding letters of credit		<u>650,050</u>	<u>1,193,693</u>
- Outstanding letters of guarantee		<u>1,221,427</u>	<u>975,308</u>
- Capital expenditure		<u>849,016</u>	<u>1,235,205</u>
- Post dated cheques	22.2.1	<u>3,148,213</u>	<u>2,366,618</u>
22.2.1	These represent post dated cheques issued to Custom Authorities in respect of duties on imported items.		

	Note	2020 --- (Rupees in '000) ---	2019
23. SALES - net			
Local		<u>346,126</u>	<u>395,160</u>
Export	23.1	<u>30,590,200</u>	<u>28,552,557</u>
Export rebate		<u>30,936,326</u>	<u>28,947,717</u>
		<u>336,618</u>	<u>426,901</u>
		<u>31,272,944</u>	<u>29,374,618</u>
Less:			
Sales tax		<u>57,883</u>	<u>25,632</u>
Trade discounts		<u>9,384</u>	<u>548</u>
		<u>67,267</u>	<u>26,180</u>
		<u>31,205,677</u>	<u>29,348,438</u>
23.1	Represents sales made to the following geographical regions:		
America		<u>24,894,710</u>	<u>24,794,847</u>
Europe		<u>5,112,931</u>	<u>3,173,674</u>
Asia		<u>253,949</u>	<u>339,840</u>
Africa		<u>106,924</u>	<u>48,536</u>
Australia		<u>221,686</u>	<u>195,660</u>
		<u>30,590,200</u>	<u>28,552,557</u>
24. COST OF SALES			
Opening stock of finished goods		<u>1,098,393</u>	<u>846,471</u>
Purchases during the year		<u>17,593</u>	<u>-</u>
Add: Cost of goods manufactured	24.1	<u>24,171,242</u>	<u>21,852,330</u>
		<u>25,287,228</u>	<u>22,698,801</u>
Closing stock of finished goods	9	<u>(1,588,230)</u>	<u>(1,098,393)</u>
		<u>23,698,998</u>	<u>21,600,408</u>
24.1 Cost of goods manufactured			
Raw material consumed	24.1.1	<u>13,423,623</u>	<u>13,293,218</u>
Stores and spares consumed		<u>3,486,922</u>	<u>2,906,153</u>
Salaries, wages and other benefits	24.1.2	<u>3,741,467</u>	<u>3,291,804</u>
Fuel, power and water		<u>2,213,276</u>	<u>1,974,325</u>
Insurance expense		<u>57,502</u>	<u>33,756</u>
Repair and maintenance		<u>141,414</u>	<u>124,581</u>
Vehicle running expenses		<u>15,089</u>	<u>14,028</u>
Communication and transportation		<u>72,065</u>	<u>67,564</u>
Rent		<u>127</u>	<u>112,691</u>
Depreciation on operating fixed assets	6.5	<u>1,126,388</u>	<u>844,463</u>
Depreciation on right-of-use assets	6.8.1	<u>100,374</u>	<u>-</u>
Amortization	7	<u>1,017</u>	<u>514</u>
Entertainment		<u>2,440</u>	<u>2,295</u>
Quality control and inspection		<u>47,810</u>	<u>37,448</u>
Other manufacturing expenses		<u>9,363</u>	<u>9,364</u>
		<u>24,438,877</u>	<u>22,712,204</u>
Opening work-in-process		<u>2,330,145</u>	<u>1,470,271</u>
Closing work-in-process	9	<u>(2,597,780)</u>	<u>(2,330,145)</u>
		<u>24,171,242</u>	<u>21,852,330</u>
24.1.1 Raw material consumed			
Opening stock of raw materials		<u>2,982,549</u>	<u>1,575,528</u>
Purchases during the year		<u>14,524,692</u>	<u>14,700,239</u>
		<u>17,507,241</u>	<u>16,275,767</u>
Closing stock of raw materials	9	<u>(4,083,618)</u>	<u>(2,982,549)</u>
		<u>13,423,623</u>	<u>13,293,218</u>

24.1.2 This includes an amount of Rs.79.86 million (2019: Rs.67.14 million) in respect of staff provident fund and Rs.111.68 million in respect of gratuity scheme (2019: Rs.143.49 million).

	Note	2020 ----- (Rupees in '000) -----	2019
25. ADMINISTRATIVE COSTS			
Director fee		11,220	6,640
Salaries and benefits	25.1	796,141	674,565
Utilities		22,176	16,292
Repairs and maintenance		23,899	28,932
Vehicle running expenses		31,384	31,067
Communication		7,312	7,100
Rent, rates, taxes and license fee		17,681	52,778
Conveyance and traveling		11,068	19,356
Printing and stationery		1,140	836
Legal and professional		10,098	10,025
Fees and subscriptions		13,837	11,890
Depreciation on operating assets	6.5	78,010	88,632
Depreciation on right-of-use assets	6.8.1	34,177	-
Entertainment		5,599	5,784
Security and janitorial services		65,714	59,817
Training and development expense		8,550	7,463
Others		12,773	14,751
		<u>1,150,779</u>	<u>1,035,928</u>

25.1 This includes amount of Rs.37.64 million (2019: Rs.33.62 million) in respect of staff provident fund.

	Note	2020 ----- (Rupees in '000) -----	2019
26. DISTRIBUTION COSTS			
Salaries and benefits	26.1	169,939	130,168
Freight and insurance		370,903	314,912
Inspection and forwarding charges		192,455	168,586
Marketing and other related expenses		1,458,895	1,340,199
Export development surcharge		81,086	69,706
Others		3,094	3,319
		<u>2,276,372</u>	<u>2,026,890</u>

26.1 This includes amount of Rs.8.54 million (2019: Rs.6.76 million) in respect of staff provident fund.

	Note	2020 ----- (Rupees in '000) -----	2019
27. OTHER EXPENSES			
Loss on disposal of operating fixed asset - net	6.6	47,595	15,026
Workers' profit participation fund	19.3	148,096	300,626
Workers' welfare fund		24,703	22,706
Operating fixed assets written off - net	6.6	13,379	-
Allowance for expected credit loss	10.2	16,944	-
Provision for slow moving and obsolete stores and spares - net	8.1	23,807	-
Provision for doubtful advances	11.2	104,969	-
Exchange differences on export receivables, trade payables and derivative financial instruments		275,095	-
Stock written off		-	519
Donations	27.1 & 27.2	6,654	12,281
Auditors' remuneration	27.3	6,590	5,578
		<u>667,832</u>	<u>356,736</u>

27.1 Donations include donation to following organisations exceeding Rs 1,000,000 or 10% of total donation whichever is higher:

Name of Donee		
The Indus Hospital	2,612	7,453
Karachi Down Syndrome Program	1,000	-

27.2 Donations include the following in which a director or their spouse were interested:

Name of Directors	Name / Address of Donee	Interest in Donee
Mr. Khaleequr Rahman / Mr. Nasim Hyder	Indus Hospital, Plot C-76, Sector 31/5, Korangi Crossing, Karachi	Director

	Note	2020 ----- (Rupees in '000) -----	2019
27.3 Auditors' remuneration			
Audit fee		1,380	1,300
Half yearly review		575	500
Out of pocket expenses		465	303
Other certifications / assignments		4,170	3,475
		<u>6,590</u>	<u>5,578</u>

28. OTHER INCOME - financial assets

Profit on long-term investments	-	153
Interest on bank deposit	59,801	55,627
Dividend income on open ended mutual fund units	159,087	-
Exchange differences on export receivables and trade payables	-	1,992,730
	<u>218,888</u>	<u>2,048,510</u>

29. FINANCE COSTS

Mark-up / interest on		
- Long-term financing	95,998	39,576
- Short-term borrowings	127,483	41,012
- Lease liabilities	48,270	-
- Workers' profits participation fund	24	21
	<u>271,775</u>	<u>80,609</u>

Bank charges	75,184	75,283
	<u>346,959</u>	<u>155,892</u>

30. TAXATION

Current	348,060	234,061
Prior	(1,656)	(2,777)
	<u>346,404</u>	<u>231,284</u>

30.1 The Company has filed its return of income up to tax year 2019. 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.

31. EARNING PER SHARE – basic and diluted	2020	2019
	----- (Rupees in '000) -----	
Profit after taxation	<u>2,937,221</u>	<u>5,989,810</u>
	----- (Number of shares) -----	
Weighted average number of ordinary shares in issue	<u>376,800,968</u>	<u>376,800,968</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>7.80</u>	<u>15.90</u>

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particular	2020			2019		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	----- (Rupees ` 000) -----					
Managerial remuneration	29,550	803,554	833,104	25,994	623,325	649,319
Bonus	2,500	64,280	66,780	3,600	48,278	51,878
Retirement benefits	1,959	50,163	52,122	1,729	37,846	39,575
Leave encashment	-	149	149	-	12,593	12,593
Other benefits	1,250	36,992	38,242	-	13,438	13,438
	<u>35,259</u>	<u>955,138</u>	<u>990,397</u>	<u>31,323</u>	<u>735,480</u>	<u>766,803</u>
Numbers	<u>1</u>	<u>269</u>	<u>270</u>	<u>1</u>	<u>212</u>	<u>213</u>

32.1 The Chief Executive is provided with Company maintained car.

32.2 Certain executives are provided with Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.

32.3 Meeting fee of Rs.11.22 million (2019: Rs.6.46 million) has been paid to eight (2019: eight) directors.

33. PROVIDENT FUND DISCLOSURES	2020	2019
	Unaudited	Audited
	----- (Rupees in '000) -----	
Size of the fund	<u>897,776</u>	<u>702,260</u>
Cost of investment	<u>847,445</u>	<u>675,489</u>
Fair value of investment	<u>837,964</u>	<u>654,860</u>

	2020	2019
	Percentage	
Percentage of investment made	<u>94%</u>	<u>96%</u>

Major categories of investment of provident fund are as follows:

	2020		2019	
	----- Unaudited-----		----- Audited-----	
	Investment	% of investment as size of the fund	Investment	% of investment as size of the fund
	(Rupees in '000)		(Rupees in '000)	
Shares in listed Companies	10,580	1.26	30,161	4.61
Units of mutual fund	100,066	11.94	61,832	9.44
Investment in fixed deposit	592,163	70.67	552,820	84.42
Sukuk and ijarah certificates	135,155	16.13	10,047	1.53
	837,964	100.00	654,860	100.00

33.1 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.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of 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:

34.1 Nature of transaction	2020	2019
	----- (Rupees in '000) -----	
Transaction with associates		
Sale of goods	<u>1,142,170</u>	<u>1,836,984</u>
Sale of fixed asset	<u>37,089</u>	<u>-</u>
Purchases	<u>10,356</u>	<u>3,175</u>
Marketing Fee	<u>1,170,675</u>	<u>1,141,875</u>
Lease rental	<u>119,865</u>	<u>114,157</u>
Donation	<u>2,612</u>	<u>8,366</u>
Transaction with directors		
Meeting fee	<u>11,220</u>	<u>6,460</u>
Transaction with key management personnel		
Remuneration paid	<u>51,343</u>	<u>48,014</u>
Post-employment benefits	<u>3,121</u>	<u>2,748</u>
Transaction with other related party		
Contribution to staff provident fund	<u>126,046</u>	<u>107,522</u>
Net payable to staff provident fund	<u>23,488</u>	<u>19,297</u>

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

Particular	Relationship	Aggregate % of shareholding
1888 Mills LLC, USA	Common Directorship	0.2655%
The Indus Hospital	Common Directorship	-
M&N Impex (Private) Limited	Common Directorship	-
Frieden Management (Private) Limited	Common Directorship	-
Nigheban (Private) Limited	Common Directorship	-
UTI Industries (Private) Limited	Common Directorship	-
Feroze1888 Mills Limited - Provident Fund	Retirement benefit fund	-
Mr. Rehan Rahman	Chief Executive / Director	2.2443%
Mr. Jonathan R. Simon	Director	-
Mr. Khaleequr Rahman	Director	2.8367%
Mr. Shabbir Ahmed	Director	17.8989%
Mr. Perwez Ahmed	Director	5.7837%
Mr. Abdul Rehman Yaqub	Director	-
Mr. Nasim Hayder	Director	0.0001%
Ms. Huma Pasha	Director	0.0001%
Mr. Usama Rahman	Director	1.8868%
Mr. Muhammad Faheem	Key Management Personnel	-
Mr. Muhammad Usama Siddiqui	Key Management Personnel	-

34.1.2 All transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company.

34.2 Associated Companies Incorporated Outside Pakistan

Name	Basis of Association	Country of Incorporation
1888 Mills LLC, USA	Common Directorship	United States of America

	Note	2020 ----- (Rupees in '000) -----	2019 -----
35. CASH AND CASH EQUIVALENTS			
Term Deposit Receipt	12	2,000,000	-
Cash and bank balances	13	2,247,990	3,267,698
		<u>4,247,990</u>	<u>3,267,698</u>

36. PRODUCTION CAPACITY

Spinning

Total number of spindles installed	45,828	38,688
Average number of spindles worked	42,258	30,288
Total number of rotors installed	2,116	2,116
Average number of rotors worked	2,116	2,116
Installed capacity after conversion into 12/s kgs	42,620,428	39,330,612
Actual production after conversion into 12/s kgs	38,863,954	39,220,620

Weaving

Total number of looms installed	378	348
Average number of looms worked	363	334
Installed capacity meters	135,607,345	126,510,915
Actual production meters	128,300,408	119,938,031

The production capacity and its comparison with actual production of Processing and Stitching is impracticable to determine due to varying manufacturing processes, run length of order lots and various other factors.

36.1 Production is lower as compared to capacity due to variation in production mix and various technical and market factors.

37. FINANCIAL INSTRUMENTS BY CATEGORY

37.1 Financial assets as per statement of financial position

Financial assets at amortised cost

- Long-term investments	-	186,153
- Long-term deposits	16,380	16,380
- Trade debts	10 6,809,503	7,629,994
- Deposits and other receivable	11 2,371,458	1,296,936
- Term Deposit Receipt (TDR)	12 2,000,000	-
- Cash and bank balances	13 2,247,990	3,267,698
	<u>13,445,331</u>	<u>12,397,161</u>

Financial assets measured at fair value through profit or loss
- Short-term investments other than TDR

12	1,787,643	-
	<u>15,232,974</u>	<u>12,397,161</u>

37.2 Financial liabilities as per statement of financial position

Financial liabilities measured at amortised cost

- Long-term financing	17	5,012,562	1,991,546
- Lease liabilities	18	171,678	-
- Trade and other payables	19	5,927,161	4,587,356
- Short-term borrowings	20	9,640,000	6,490,000
- Accrued mark-up	21	90,449	50,898
- Current portion of long-term financing	17	214,838	275,388
- Current portion of lease liabilities	18	131,686	-
- Unclaimed dividend		1,907	1,873
		<u>21,190,281</u>	<u>13,397,061</u>

Financial liabilities measured at fair value through profit or loss

- Derivative financial instruments	19	381,164	-
		<u>21,571,445</u>	<u>13,397,061</u>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES 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. COVID-19 has adversely impacted the Company as explained in detail in note 1.2 of these financial statements. 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:

38.1 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.

38.1.1 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 financing and short-term borrowings obtained with floating rates and on Term Deposit Receipt. All the borrowings of the Company are obtained and investments made in the functional currency.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

		2020 ----- (Rupees in '000) -----	2019
Financial asset			
Term Deposit Receipt	12	<u>2,000,000</u>	<u>-</u>
Financial liabilities			
Long-term financing	17	<u>5,227,400</u>	<u>2,266,934</u>
Short-term borrowings	20	<u>9,640,000</u>	<u>6,490,000</u>
		<u>14,867,400</u>	<u>8,756,934</u>

A change of 1% in interest rates at the year-end would have increased or decreased the profit before tax by Rs.128.67 million (2019: Rs.87.57 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for June 2019.

38.1.2 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:

	2020 ----- (AED in '000) -----	2019
Trade and other payables	<u>(3)</u>	<u>-</u>
Closing exchange rate	<u>45.95</u>	<u>44.80</u>

	2020 ----- (CHF in '000) -----	2019
Trade and other payables	<u>(1,843)</u>	<u>-</u>
Closing exchange rate	<u>177.43</u>	<u>168.61</u>

Trade debts
Trade and other payables

Closing exchange rate

	2020 ----- (EUR in '000) -----	2019
Trade debts	<u>265</u>	<u>272</u>
Trade and other payables	<u>(17)</u>	<u>-</u>
	<u>248</u>	<u>272</u>
Closing exchange rate	<u>189.11</u>	<u>186.37</u>

Trade debts
Foreign currency bank balances
Trade and other payables

Closing exchange rate

	2020 ----- (USD in '000) -----	2019
Trade debts	<u>42,204</u>	<u>46,153</u>
Foreign currency bank balances	<u>690</u>	<u>532</u>
Trade and other payables	<u>(3,402)</u>	<u>(435)</u>
	<u>39,492</u>	<u>46,250</u>
Closing exchange rate	<u>168.25</u>	<u>164.00</u>

Sensitivity Analysis

The sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Company's profit before taxation is as follows:

		2020	2019
Change in exchange rate	+ / -	<u>10%</u>	<u>10%</u>
Effect on profit before tax (Rupees in '000)	+ / -	<u>636,429</u>	<u>763,569</u>

38.1.3 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 Company does not have investment in equity shares.

38.2 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's management is regularly conducting detailed analysis on Sectors/Industries and identify the degree by which the Companies' customers and their businesses have impacted amid COVID-19.

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

		2020 ----- (Rupees in '000) -----	2019
Long-term investments		<u>-</u>	<u>186,153</u>
Long-term deposits		<u>16,380</u>	<u>16,380</u>
Trade debts	10	<u>6,809,503</u>	<u>7,629,994</u>
Deposits and other receivable	11	<u>2,371,458</u>	<u>1,296,936</u>
Short-term investments	12	<u>3,787,643</u>	<u>-</u>
Bank balances	13	<u>2,244,862</u>	<u>3,265,719</u>
		<u>15,229,846</u>	<u>12,395,182</u>

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:

	2020	2019
	----- (Rupees in '000) -----	
Bank balances		
A-1+	2,244,862	3,265,719
Short term investments		
AA(f)	1,787,643	-
Trade debt		
The aging of trade debts at the statement of financial position date was:		
Not past due	6,388,260	7,457,236
Past due 1-60 days	339,010	156,920
Past due 61 days - 90 days	39,473	11,286
More than 90 days	59,704	4,552
	<u>6,826,447</u>	<u>7,629,994</u>

38.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Due to COVID-19 outbreak, Company's customers and their businesses have been adversely impacted. 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:

2020	Upto 1 year	1 – 5 years	More than five years	Total
	----- (Rupees in '000) -----			
Long-term financing	214,838	4,271,982	740,580	5,227,400
Lease liabilities	131,686	171,678	-	303,364
Trade and other payables	5,927,161	-	-	5,927,161
Short-term borrowings	9,640,000	-	-	9,640,000
Accrued mark-up	90,449	-	-	90,449
Unclaimed dividend	-	1,907	-	1,907
	<u>16,004,134</u>	<u>4,445,567</u>	<u>740,580</u>	<u>21,190,281</u>
2019	Upto 1 year	1 – 5 years	More than five years	Total
	----- (Rupees in '000) -----			
Long-term financing	275,388	1,991,546	-	2,266,934
Trade and other payables	4,587,356	-	-	4,587,356
Short-term borrowings	6,490,000	-	-	6,490,000
Accrued mark-up	50,898	-	-	50,898
Unclaimed dividend	-	1,873	-	1,873
	<u>11,403,642</u>	<u>1,993,419</u>	<u>-</u>	<u>13,397,061</u>

38.3.1 Changes in liabilities from financing activities

	July 01, 2019	Cash Flows	June 30, 2020
	----- (Rupees in '000) -----		
Long-term financing	<u>2,266,934</u>	<u>2,960,466</u>	<u>5,227,400</u>
Short-term borrowings	<u>6,490,000</u>	<u>3,150,000</u>	<u>9,640,000</u>

38.4 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 debt including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2020 and 2019 are as follows:

	Note	2020	2019
		----- (Rupees `000) -----	
Deferred liabilities	16	205,355	143,494
Long-term financing	17	5,012,562	1,991,546
Lease liabilities	18	171,678	-
Trade and other payables	19	6,481,124	4,910,688
Short-term borrowings	20	9,640,000	6,490,000
Accrued mark-up	21	90,449	50,898
Current portion of long-term financing	17	214,838	275,388
Current portion of lease liabilities	18	131,686	-
Unclaimed dividend		1,907	1,873
Total debt		<u>21,949,599</u>	<u>13,863,887</u>
Cash and bank balances	13	<u>(2,247,990)</u>	<u>(3,267,698)</u>
Net debt		<u>19,701,609</u>	<u>10,596,189</u>
Share capital	14	3,768,009	3,768,009
Reserves		17,379,049	16,335,440
Total capital		<u>21,147,058</u>	<u>20,103,449</u>
Capital and net debt		<u>40,848,667</u>	<u>30,699,638</u>
Gearing ratio		<u>48.23%</u>	<u>34.52%</u>

38.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2020			
Level 1	Level 2	Level 3	Total
(Rupees `000)			
Free hold and lease hold land	-	1,968,076	-
Short-term investments other than TDR	-	1,787,643	-
2019			
Level 1	Level 2	Level 3	Total
(Rupees `000)			
Free hold and lease hold land	-	1,993,486	-

39. OPERATING SEGMENTS

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

- Revenue from export sales represents 98.90% (2019: 98.64%) of the total gross revenue of the Company.
- All non-current assets of the Company as at June 30, 2020 are located in Pakistan.
- Sales made by the Company to two customers which constitutes 39% (2019: 40%) and 19% (2019: 19%), respectively.

40. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2020 the Board of Directors in its meeting held on September 11, 2020 has proposed final cash dividend at Re. 0.59 /- per share amounting to Rs. 222.31 million (2019: Rs.3.35/- per share amounting to Rs.1,262.28 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend at Rs. 1.75/- per share amounting to Rs.659.40 million (2019: Rs.3/- per share amounting to Rs.1,130 million) approved by the Board of Directors for the year ended June 30, 2020.

41. NUMBER OF PERSONS EMPLOYED

Number of persons employed as at June 30, 2020 were 11,971 (2019: 11,255) and average number of persons employed during the year were 11,613 (2019: 10,919). Number of persons employed at factory as at June 30, 2020 were 10,167 (2019: 9,504) and average number of persons employed at factory during the year were 9,836 (2019: 9,206).

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 11, 2020 by the Board of Directors of the Company.

43. GENERAL

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

43.2 Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.

JAVERIA SIDDIQUI
CHIEF FINANCIAL OFFICER

REHAN RAHMAN
CHIEF EXECUTIVE

NASIM HYDER
DIRECTOR

CORPORATE AND OTHER EVENTS HELD DURING THE YEAR

CALENDAR OF CORPORATE EVENTS (JULY 2019 – JUNE 2020)

BOD Meetings were held on the following dates:

1.	46th Meeting	29-Jul-19
2.	47th Meeting	26-Aug-19
3.	48th Meeting	06-Sep-19
4.	49th Meeting	23-Oct-19
5.	50th Meeting	26-Feb-20
6.	51st Meeting	23-Apr-20
7.	52nd Meeting	29-May-20
8.	53rd Meeting	16-Jun-20

Meeting of Shareholders was held on the following date

1.	47th Annual General Meeting	23-Oct-19
----	-----------------------------	-----------

CALENDAR OF OTHER EVENTS (JULY 2019 – JUNE 2020)

July 2019	Employee of the Quarter Ceremony
August 2019	Independence Day Celebration Bowling Tournament
September 2019	The Kin – Company's 1st Quarter Magazine Futsal Tournament Aao Dafter Chalein – A day at office for employees' children
October 2019	Employee of the Quarter Ceremony Cricket Tournament
November 2019	Sports Week
December 2019	Suggestion Ceremony Cricket Tournament The Kin – Company's 2nd Quarter Magazine
January 2020	Family Gala Annual Get Together Ceremony Employee of the Quarter Ceremony
February 2020	Futsal Tournament
March 2020	The Kin - Company's 3rd Quarter Magazine Market Week (New York)
April 2020	Employee of the Quarter Ceremony
June 2020	The Kin - Company's 4th Quarter Magazine

FORM 34 PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2020

No. of Shareholders	Shareholdings	Total shares held
472	From 1 to 100	14,525
257	From 101 to 500	76,875
94	From 501 to 1,000	82,312
146	From 1,001 to 5,000	374,644
29	From 5,001 to 10,000	226,401
14	From 10,001 to 15,000	178,913
2	From 15,001 to 20,000	40,000
5	From 20,001 to 25,000	114,800
3	From 25,001 to 30,000	88,000
1	From 35,001 to 40,000	40,000
1	From 45,001 to 50,000	49,000
2	From 50,001 to 55,000	101,900
1	From 55,001 to 60,000	56,500
1	From 60,001 to 65,000	65,000
1	From 90,001 to 95,000	91,300
1	From 95,001 to 100,000	97,572
1	From 130,001 to 135,000	134,500
1	From 145,001 to 150,000	150,000
1	From 205,001 to 210,000	210,000
1	From 260,001 to 265,000	263,300
1	From 290,001 to 295,000	295,000
1	From 420,001 to 425,000	421,000
1	From 450,001 to 455,000	450,700
1	From 500,001 to 505,000	501,105
1	From 670,001 to 675,000	671,000
2	From 995,001 to 1,000,000	1,996,935
1	From 1,695,001 to 1,700,000	1,698,800
1	From 2,495,001 to 2,500,000	2,500,000
1	From 3,990,001 to 3,995,000	3,991,000
1	From 5,020,001 to 5,025,000	5,023,114
1	From 5,650,001 to 5,655,000	5,652,015
3	From 6,500,001 to 6,505,000	19,500,978
1	From 6,525,001 to 6,530,000	6,526,132
5	From 6,955,001 to 6,960,000	34,782,194
1	From 7,105,001 to 7,110,000	7,109,465
1	From 7,345,001 to 7,350,000	7,347,618
1	From 7,575,001 to 7,580,000	7,579,019
1	From 8,455,001 to 8,460,000	8,456,412
1	From 10,685,001 to 10,690,000	10,687,542
1	From 13,245,001 to 13,250,000	13,249,907
1	From 17,495,001 to 17,500,000	17,497,685
1	From 19,085,001 to 19,090,000	19,088,949
1	From 21,790,001 to 21,795,000	21,793,054
1	From 23,755,001 to 23,760,000	23,759,900
1	From 39,190,001 to 39,195,000	39,192,607
1	From 47,125,001 to 47,130,000	47,130,000
1	From 67,440,001 to 67,445,000	67,443,295
1068		376,800,968

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

Categories of Shareholders	Number of share-holders	Shares Held	Percentage
Associated Companies, undertaking and related parties	4	83,347,959	22.12
Investment Companies & Mutual Fund	15	3,044,219	0.81
Directors, Chief Executive Officer and their Spouse	12	135,474,843	35.95
Joint Stock Compnaies	6	6,225,377	1.65
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurane and others	16	25,046,000	6.65
Individuals	1015	123,662,570	32.82
	1,068	376,800,968	100.00

PATTERN OF SHAREHOLDING ADDITIONAL INFORMATION (CODE OF CORPORATE GOVERNANCE)

AS AT JUNE 30, 2020

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertaking and related parties	4	83,347,959
Investment Companies & Mutual Funds		
Shirazi Investment Limited	1	13
Investment Corporation of Pakistan	1	6
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	1	10,000
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	12,500
CDC - TRUSTEE ABL STOCK FUND	1	3,700
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	13,200
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	450,700
CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	1	5,300
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	134,500
CDC - TRUSTEE MEEZAN BALANCED FUND	1	263,300
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	1,698,800
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	295,000
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	91,300
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	9,400
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	56,500
Directors and their spouse(s) and minor children		
Mr. Jonathan R.Simon Director/Chairman	1	-
Mr. Rehan Rahman Chief Executive	1	8,456,412
Mr. Khaleequr Rahman Director	1	10,688,842
Mr. Shabbir Ahmed Director	1	67,443,295
Mr. Abdul Rehman Yaqub Director	1	-
Mr. Perwez Ahmed Director	1	21,793,054
Mr. Nasim Hyder Director	1	500
Ms.Huma Pasha Director	1	500
Mr. Usama Rehman Director	1	7,109,465
Mrs.Shahnaz Rahman Spouse	1	6,956,412
Mrs.Saba Perwez Spouse	1	6,526,132
Mrs.Sana Rehan Spouse	1	6,500,231
Executives	3	31,410,643
Joint Stock Companies	6	6,225,377
Bank, Development Finance Institutions, Non-Banking Finance Companies & Others	15	1,286,100
Insurance Companies, Takeful, Modarabas and Pension Fund	1	23,759,900
Shareholders holding 5% or more voting interest:		
EFU LIFE ASSURANCE LTD	1	23,759,900
GRANGEFORD LIMITED	1	39,192,607
LIBERTY MILLS LIMITED	1	47,130,000
MR. OMAIR REHMAN	1	19,088,949
MR. SHABBIR AHMED	1	67,443,295
MR. SHEIKH PERWEZ AHMED	1	21,793,054

Details of purchase, sale and gift of share by Directors their spouse and Substantial Shareholders during the the year 2020

Shareholders'	Number of Shares	Activity
Mr. Khaleequr Rahman	1,130,000	Sale
Mr. Khaleequr Rahman	1,300	Buy
Mrs. Shahnaz Rahman	1,500,000	Sale
Mr. Kashif Rehman	1,500,000	Sale
Mr. Sheikh Zafar Ahmed	1,500,000	Sale
Mrs.Sana Rehan	500,000	Sale
Mr. Usama Rehman	600,000	Sale
Mr. Perwez Ahmed	4,149,600	Sale
Mr. Perwez Ahmed	5,360,431	Gift received
Mrs. Saba Perwez	928,200	Sale
Mr. Shabbir Ahmed	7,500,000	Sale
M/s.1888 Mills, LLC	18,170,000	Sale

NOTICE OF 48th ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 48th Annual General Meeting of the Company will be held on Monday, 26 October, 2020 at 01:00 p.m. at C-3, SITE, Karachi through video link to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the minutes of Extraordinary General Meeting of the Company held on 20 July 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30 June, 2020 together with the Chairman's Review, Directors' and Auditors' report thereon.
3. To consider and, if though fit, approve as recommended by the Board of Directors, final cash dividend at the rate of Re.0.59 per share i.e. (5.9%) to all shareholders of the company. In addition to Rs. 1.75 per share i.e. (17.5%) interim cash dividend already declared/paid for the year 30 June 2020.
4. To appoint statutory auditors for the year ending 30 June 2021 and to fix their remuneration. The present auditors Messrs. EY Ford Rhodes, Chartered Accountants retire and being eligible, have offered themselves for Re-appointment.

SPECIAL BUSINESS:

5. To ratify, approve and authorize the Company to conduct transactions with Related Party by passing the following special resolution with or without modification:

"Resolved that the Company be and is hereby authorized to enter into transactions in the ordinary course of business on an arm's length basis with 1888 Mills USA, a related party in relation to exports of the Company including sale & purchase, commission and other expenses and for such purposes."

ANY OTHER BUSINESS:

6. To transact any other business with the permission of the Chair.

By order of the Board
(Muhammad Usama Siddiqui)
Company Secretary

Karachi:
05 October 2020

NOTES:

1. Share Transfer Books of the Company will remain closed from Saturday, 17 October 2020 to Monday, 26 October 2020 (both days inclusive). Transfer received at the office of Share Registrar at the close of business on Friday, 16 October 2020 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. For attending the meeting through video link due to COVID-19 Pandemic:

In pursuance of SECP Circular Nos. 5 and 10 of 2020 dated 17 March 2020 and 01 April 2020 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID-19) for Corporate Sector, the shareholders interested in attending the Annual General Meeting (AGM) through video link facility ("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two working days before the holding of the time of AGM at secretary@feroze1888.com or through share registrar of the company (FAMCO Associates (Pvt.) Ltd, 8-F, Next to Hotel Faran, Nursery Block-6, PECHS, Shahrah-e-Faisal, Karachi) by providing the following details:

Name of Shareholders	CNIC No.	Folio / CDC	Cell No.	Email Address

- ✓ Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses.
- ✓ On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- ✓ The login facility will be opened twenty (20) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.

6. 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 holding physical shares, provide bank account details to company Share Registrar, M/s. Famco Associates (Pvt.) Ltd.

Please note that 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.

7. 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. These tax rates are as under:

a). for Filers of Income Tax Return	15%
b). for Non-filer of Income Tax Return	30%

Shareholders are advised to provide their valid and updated CNIC/NTN to CDC Participants and our Shares Registrar for availing the benefit of withholding tax rate applicable to filers.

8. Section 72 of the Companies Act 2017 every listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission. Within a period not exceeding four years from the commencement of the Act i.e. 30 May 2017.

The shareholders having physical shareholding are encouraged to open Investor Accounts Services (CDC) or Sub Account with any of the brokers to place their physical shares into scrip less form, this will facilities them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange.

NOTICE OF 48th ANNUAL GENERAL MEETING

9. SECP SRO 787(I)/2014 Dated September 8, 2014, the company can Circulate its annual Financial Statements alongwith 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.

10. 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.

11. 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) alongwith 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, Shahrah-e-Faisal
Karachi

The Statement under Section 134(3) pertaining to the "Special Business" and in pursuance to the Section 208 of the Companies Act, 2017 is annexed with the Notice being sent to the members.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 PERTAINING TO SPECIAL BUSINESS

This statement sets out the material facts pertaining to the special business, being Items on the notice, intended to be transacted at the annual general meeting of the Company to be held on October 26, 2020:

As per the provisions of Section 208 (1) of the Companies Act 2017 ("Act") any contract or arrangement with a "related party" as defined in the Act may be entered by a company only in accordance with the policy approved by the board ("Board RPT Policy").

The said Section 208(1) of the Act further specifies that where majority of the directors are interested in any of the related party transactions, the matter shall be placed before the general meeting for approval as a special resolution.

The Proviso to Section 208(1) further states that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis (as defined).

The Company carries out transactions with 1888 Mills USA, an associated company and a related party in the normal course of business which meet the criteria of "ordinary course" and "arms' length". The transactions are placed before the Board Audit Committee (chaired by an Independent Director) quarterly and the Board Audit Committee reviews the transactions to ensure these are conducted in ordinary course of business and on an arm's length basis.

The Board RPT Policy of the Company requires all related party transactions to be reported to and approved by the Board Audit Committee and recommended to the Board of Directors on a quarterly basis for approval. There is no carve out for related party transactions in the ordinary course and at arms' length (as provided in Proviso to the Section 208 (1) of the Act). And also since, majority of directors are interested in this related party transactions, the matter is placed before the general meeting for approval as special resolution.

- (iii) تنظیمیں اور ادارہ پر کسی کے کپیڈرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق، قبول پر کسی فارم کے ہمراہ پیش کرنی ہوں گی۔
(iv) پر کسی کو اجلاس کے وقت اپنا اصل کپیڈرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
(v) کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مقرر نامہ، نامزد کردہ شخص کے دستخط کے نمونے کیساتھ (اگر پہلے فراہم نہ کیا گیا ہو تو) کتنی کو پر کسی فارم کے ہمراہ پیش کرنا ہوگا۔

رجسٹرڈ آفس:
فیروزہ 1888، طرہ پینڈ
H-23/4A، اسکیم نمبر 3
لاٹھی انڈسٹریل ایریا، کراچی

شیئر رجسٹرار:
فینکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ
F-8 قارآن ہوٹل کے فوری بعد، نرسری،
بلاک-PECHS6، شاہراہ فیصل، کراچی

”آئین برنس“ سے متعلق سیکشن (3) 134 کے تحت اوکینیز ایکٹ 2017 کے سیکشن 208 کی قید میں اسٹینٹ، اراکین کو نوٹس کے ساتھ بھیجا گیا ہے۔

کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت آئین برنس سے متعلق اسٹینٹ

یہ اسٹینٹ، خصوصی امور سے متعلق نوٹس میں بیان کردہ ان اہم اور ضروری حقائق کا احاطہ کرتا ہے، جن پر کتنی کے 26 اکتوبر 2020 کو ہونے والے سالانہ اجلاس عام میں غور و خوض کیا جائے گا۔ کمپنیز ایکٹ 2017 (“ایکٹ”) کے سیکشن (1) 208 کی شرط کے مطابق، کتنی، ایکٹ میں بیان کردہ کسی بھی ”ریٹیلڈ پارٹی“ کے ساتھ کوئی بھی معاہدہ یا انتظام، صرف بورڈ (“بورڈ آر پی ٹی پالیسی”) سے منظور شدہ پالیسی کے مطابق ہی کیا جاسکتا ہے۔ ایکٹ کے تحت کردہ سیکشن (1) 208 میں مزید بیان کیا گیا ہے کہ جب ڈائریکٹرز کی اکثریت کسی ریٹیلڈ پارٹی ٹرانزیکشنز میں دلچسپی رکھتی ہو، ایسے معاملے کو آئین برنس کے طور پر منظوری کے لیے اجلاس عام میں پیش کیا جائے گا۔

(1) 208 میں مزید یہ بھی کہا گیا ہے کہ اس ڈی جی سیکشن کا ایسے کسی لین دین پر اثر نہیں ہوگا، جو کتنی کی جانب سے برابری کی بنیاد پر عمومی کاروبار کے طور پر کیا گیا ہو (جیسا کہ بیان کردہ ہے)۔ کتنی 1888 طرہ پینڈ اسے، جو کہ ایسوسی ایٹڈ کتنی اور ایک ریٹیلڈ پارٹی ہے، کے ساتھ عمومی کاروبار کرتی ہے، جو ”عمومی کاروبار“ اور ”برابری کی بنیاد“ کے معیار پر پورا اترتی ہے۔ معاہدے سر مانی بنیاد پر بورڈ آؤٹ کتنی (جس کی سربراہی آزاد ڈائریکٹر کرتا ہے) کے سامنے رکھے جاتے ہیں اور بورڈ آؤٹ کتنی ان معاہدوں کا جائزہ لیتی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ ان معاہدوں پر عمومی کاروبار کے طور پر اور برابری کی بنیاد پر عمل درآمد ہو رہا ہے۔

کتنی کی بورڈ آر پی ٹی پالیسی کے تحت تمام ریٹیلڈ پارٹی ٹرانزیکشنز کے بارے میں بورڈ آؤٹ کتنی کو رپورٹ کرنا اور ان کی منظوری حاصل کرنا اور سر مانی بنیاد پر بورڈ آؤٹ ڈائریکٹر کو پیش کرنا لازمی قرار دیا گیا ہے۔ ریٹیلڈ پارٹی ٹرانزیکشنز کے لیے برابری کی بنیاد پر عمومی کاروبار کے لیے کوئی تھیل نہیں دی گئی ہے (جیسا کہ ایکٹ کے سیکشن (1) 208 کی شرائط میں بیان کیا گیا ہے)۔ اور چونکہ ڈائریکٹرز کی اکثریت ریٹیلڈ پارٹی ٹرانزیکشنز میں دلچسپی رکھتی ہے، اس لیے اسے معاملے کو منظوری کے لیے خصوصی قرارداد کے طور پر اجلاس عام میں پیش کیا جاتا ہے۔

شیئر ہولڈر کا نام CNIC نمبر فوٹو ای ڈی سی مو بائل نمبر ای میل

✓ خواہشمند شیئر ہولڈرز سے مذکورہ بالا تفصیلات کی وصولی کے بعد کتنی لاگ ان تفصیلات ان کے ای میل ایڈریس پر ارسال کر دے گی۔

AGM کے موقع پر شیئر ہولڈرز بذریعہ اپنے اسمارٹ فون اور کمپیوٹر آلات سے اپنے سہولت کے مقام AGM کی کاروائی میں لاگ ان کر کے شرکت کر سکتے ہیں۔

✓ لاگ ان سہولت اجلاس کے وقت سے 20 منٹ قبل کھولی دی جائیگی تاکہ شناخت اور تصدیق کے عمل کے بعد شرکت کی اجلاس میں شرکت کو یقینی بنایا جاسکے۔

6۔ کتنی ایکٹ 2017ء کی شق 242 کی قید میں جس کا مینڈیٹ ہے کہ تمام فہرست شدہ کمپنیوں کو ان کی جانب سے نامزد کردہ حقدار شیئر ہولڈرز کے بینک اکاؤنٹ میں براہ راست الیکٹرونک طریقے سے ڈیویڈنڈ ادا کئے جائیں، لہذا، اس نوٹس کے ذریعے تمام شیئر ہولڈرز سے درخواست کی جاتی ہے کہ اپنے متعلقہ شرکاء کے ذریعے سینٹرل ڈپازٹری سسٹم میں اپنے بینک اکاؤنٹ کی تفصیلات اپ ڈیٹ کر لیں۔ فزیکل شیئرز کی صورت میں بینک اکاؤنٹ کی تفصیلات کتنی شیئر رجسٹرار سیرفینکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ برائے مہربانی نوٹ فرمائیں کہ کتنی کے اطلاع ڈیویڈنڈ صرف نامزد کردہ بینک اکاؤنٹس میں جمع کروائے جائیں گے، اس لئے برائے مہربانی مستقبل میں ذمت سے بچنے کے لئے اپنی تفصیلات جلد از جلد اپ ڈیٹ کر لیں۔

7۔ شیئر ہولڈرز کو مطلع کیا جاتا ہے کہ حکومت پاکستان نے انٹر نیشنل آر ڈی نیٹس 2001ء کی دفعہ 150 میں چند ترمیمات کی ہیں جس کے ذریعے نیٹنگ کی جانب سے ادا کیا جانے والا منافع محکمہ کی رقم پر دوہونگد ٹیکس کی منہائی کیلئے مختلف ریٹ مقرر کئے گئے ہیں۔ یہ ٹیکس ریش منہ ہونے لگی ہیں

- (a) انٹر نیشنل ریٹرن داخل کرنے والوں کیلئے 15%
(b) انٹر نیشنل ریٹرن داخل نہ کرنے والوں کیلئے 30%

شیئر ہولڈرز کو جاہت کی جاتی ہے کہ وہ فائلز کیلئے قابل اطلاق دوہونگد ٹیکس ریٹ کا قاعدہ حاصل کرنے کیلئے CDC کے شرکاء اور ہماری کتنی کے شیئر رجسٹرار کو اپنا درست اور اپ ڈیٹ CNIC/NTN فراہم کریں۔

8۔ کمپنیز ایکٹ 2017 کی دفعہ 72 کے تحت لحد کتنی کو اپنے فزیکل شیئر کو ایک مخصوص انداز میں بک انٹرنی فارم میں کمپنیشن کی مطلع کردہ تاریخ تک تبدیل کرنا ہوگا، ایکٹ کے آغاز سے چار سال سے زائد مدت کے نوٹ میں یعنی 30 مئی 2017۔

فزیکل شیئر ہولڈنگ رکھنے والے شیئر ہولڈرز کی حوصلہ افزائی کی جاتی ہے کہ وہ کسی بھی بروکر کے ساتھ انویسٹر اکاؤنٹ سروسز یا سب اکاؤنٹ کھولوائیں تاکہ ان کے فزیکل شیئر اسکرپٹ لیس فائل میں ہوں اس سے انہیں بہت سے طریقوں سے سہولت ملے گی، بشمول محفوظ تحویل اور شیئرز کی فروخت، جب بھی وہ چاہیں، کیونکہ پاکستان اسٹاک ایکسچینج کے موجودہ قواعد کے مطابق فزیکل شیئرز کی تجارت کی اجازت نہیں ہے۔

9۔ بحوالہ SEC/P787(I)/2014 مورخہ 8 ستمبر 2014ء کتنی اپنے شیئر ہولڈرز کو بذریعہ ای میل اپنے سالانہ مالیاتی گوشوارہ مع کتنی کے سالانہ اجلاس عام کا نوٹس بھیج سکتی ہے۔ جو اشخاص بذریعہ ای میل سالانہ آؤٹ شدہ رپورٹ حاصل کرنے کے خواہشمند ہوں ان سے التماس ہے کہ وہ کتنی کو مکمل رضامندی کا فارم فراہم کریں۔ ای میل رضامندی فارم ہماری ویب سائٹ پر دستیاب ہے۔

10۔ ممبران کمپنیز ایکٹ، 2017ء کی شق 143 اور 144 اوکینیز (پمٹل بیٹ) ریگلیشنز 2018ء کی قابل اطلاق شق کی شرائط سے مشروط ای۔ ونگ کے اپنے حق کو بھی استعمال کر سکتے ہیں۔

11۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ گائیڈ لائنز برائے CDC اکاؤنٹ ہولڈرز

ذاتی طور پر شرکت کے لئے :-

- (i) انفرادی حیثیت میں اکاؤنٹ ہولڈر یا سب ہولڈر اور / یا وہ فرد جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ ہوں، وہ اجلاس میں شرکت کے وقت اپنا قومی شناختی کارڈ پیش کر کے اپنی شناخت کو ثابت کر سکتا / کر سکتی ہے۔
(ii) کاروباری ادارے کی صورت میں اجلاس کے وقت بورڈ آؤٹ ڈائریکٹرز کی قرارداد/مقرر نامہ، نامزد کردہ شخص کے دستخط کے نمونے کیساتھ (اگر پہلے فراہم نہ کیا ہو تو) پیش کرنا ہوگا۔

پراکسی نامزد کرنے کے لئے :-

- (i) انفرادی حیثیت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور / یا ایسا فرد جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور اس کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ ہوں، کو درج ذیل مطلوبہ شرائط کے تحت پراکسی فارم جمع کرنا ہوگا۔
(ii) پراکسی کی دوا فراہم کی جانب سے گواہی دی گئی ہو جن کا نام، پتہ اور کپیڈرائزڈ قومی شناختی کارڈ نمبر فارم میں درج کرنا ہوگا۔

فیروز 1888 ملز لمیٹڈ 48واں سالانہ اجلاس عام کانوٹس

بذریعہ بذریعہ مطلع کیا جاتا ہے کہ کمپنی کے ممبران کا 48واں سالانہ اجلاس عام بروز جمعہ 26 اکتوبر 2020ء بوقت دوپہر 01:00 بجے C-3 سائٹ کراچی میں بذریعہ ویڈیو لنک مندرجہ ذیل
انور کی انجام دہی کے لئے منعقد کیا جائیگا۔

عمومی امور:

- 20 جولائی 2020ء کو منعقد کمپنی کے غیر معمولی اجلاس عام کی کارروائی کی توثیق۔
- 30 جون 2020ء کو ختم شدہ سال کے لئے کمپنی کے سالانہ آڈٹ شدہ مالیاتی اسٹیٹمنٹس بشمول ان پر چیئرمین کا جائزہ، ڈائریکٹرز اور آڈیٹرز کی رپورٹ وصول کرنا وغیرہ اور اختیار کرنا۔
- 30 جون 2020ء کو ختم شدہ سال کے لئے بورڈ آف ڈائریکٹرز کے -ٹھانڈ کر دہ کمپنی کے تمام شیئر ہولڈرز کو Re.0.59 فی شیئر (5.9%) نقد منافع تقسیم پر غور کرنا اور اگر مناسب سمجھے تو منظور کرنا۔ مزید یہ کہ Rs. 1.75 فی شیئر (17.5%) کے عبوری نقد منافع تقسیم جو کہ پیسے ہی ادا کیا گیا ہے۔
- 30 جون 2021ء کو ختم ہونے والے سال کے لئے قانونی آڈیٹرز کا تقرر اور ان کا اعزاز یہ مقرر کرنا۔ حالیہ آڈیٹرز ممبر EY Ford Rhodes چارٹرڈ اکاؤنٹنٹس سیکرٹری اور اہل ہونے کی بناء پر خود کو دوبارہ تقرر کے لئے پیش کیا ہے۔

خاص امور:

- درج ذیل قرارداد کو ترمیم کے ساتھ یا ترمیم کے بغیر پاس کر کے کمپنی کو ریٹیل پارٹی کے ساتھ ٹرانزیکشنز کرنے کی توثیق، منظوری اور اختیار تفویض کرنا۔
”کمپنی کو برابری (آرمرلینڈ) کی بنیاد پر 1888 ملز ایس اے، جو کہ کمپنی کی برآمدات بشمول خرید و فروخت، کمیشن اور دیگر اخراجات اور اس نوعیت کے دیگر مقاصد کے لیے ریٹیل پارٹی ہے، کے ساتھ عمومی کاروبار اور لین دین کا اختیار تفویض کرنے کی قرارداد پیش کی جاتی ہے۔“
- دیگر امور:
- چیئرمین مجلس کی اجازت سے دیگر امور پر کارروائی۔

حسب اہم بورڈ

(محمد اسامہ صدیقی)
کمپنی سیکریٹری

کراچی، 05 اکتوبر 2020ء

نوٹس:

- کمپنی کی شیئر ٹرانسفر بکس بغیر 17 اکتوبر 2020ء تا 26 اکتوبر 2020ء (بشمول دونوں ایام) بند رہیں گی، شیئر رجسٹر اس کے آفس میں جمعہ 16 اکتوبر 2020ء کو کاروبار کے اختتام پر موصول ہونے والے ٹرانسفر اجلاس میں شرکت اور ووٹ دینے اور ٹرانسفر کرنے کے مندرجہ بالا استحقاق کے مقصد کے لئے بروقت تصور ہوں گے۔
- کمپنی کا ایک رکن جو اجلاس ہذا میں شرکت اور ووٹ دینے کا حقدار ہوگا، وہ اپنی جگہ اجلاس میں شرکت، گفتگو اور ووٹ دینے کے لئے کسی دوسرے کو اپنا جائز مقرر کر سکتا ہے، مجاز فرد لازمی طور پر کمپنی کا رکن ہونا چاہیے، مجاز مقرر کئے جانے والے دستاویز اور پاور آف اٹارنی یا دیگر اتھارٹی (اگر ہو) کہ جس کی جانب سے وہ دستخط شدہ ہو یا اس پاور آف اتھارٹی کی **notarially** سرٹیفیکیشن کا پل اجلاس کے مقررہ وقت سے 48 گھنٹے قبل کمپنی کے رجسٹر آفس یا شیئر رجسٹر اس کے دفتر میں موصول ہو جانی چاہئے، ایک رکن ایک سے زائد مجاز مقرر کرنے کا حقدار نہیں، اگر کوئی رکن ایک سے زائد مجاز مقرر کرے گا یا مجاز فرد سے متعلق ایک سے زائد دستاویز کمپنی میں جمع کرانے کا ایسی تمام دستاویز ناقابل عمل تصور ہوں گی۔ مجاز فرد کو اپنی شناخت ثابت کرنے کیلئے اپنا اصل شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔
- اراکین سے درخواست ہے کہ وہ اپنی کمپیوٹرائزڈ شناختی کارڈ کی نقل جمع کروائیں اور اپنے پتے میں کسی بھی تبدیلی کی صورت میں رجسٹر آفس میں فوری طور پر مطلع کریں۔
- اراکین کو مراسلت کیلئے اور اجلاس میں شرکت کے وقت اپنا فوئیل / CDC نمبر درج کرنا ہوگا۔

Covid-19 وباء کی بناء پر ویڈیو لنک کے ذریعے اجلاس میں شرکت:

SECP کے سرگرم نمبر 5 اور 10 سال 2020ء تا تاریخ بالترتیب 17 مارچ 2020ء اور یکم اپریل 2020ء میں (Covid-19) کو دنیا دائرہ کے اثر کو کاروباری سیکٹر میں کم کرنے کے لئے ریگولیٹری ریلیف کے تحت شیئر ہولڈرز جو سالانہ اجلاس عام (AGM) میں ویڈیو لنک سہولت (Zoom) کے ذریعے شرکت کرنے کے خواہشمند ہیں، جو کہ گھنٹے پہلے اسٹور اور اپیل اسٹور سے ڈاؤن لوڈ کیا جاسکتا ہے۔ ان سے درخواست ہے کہ کمپنی سیکریٹری کے آفس میں AGM کے انعقاد سے کم از کم دو کاروباری روز قبل ای میل secretary@feroze1888.com پر یا کمپنی کے شیئر رجسٹر اریٹیکو ایس ایس (پرائیویٹ) لمیٹڈ واقع F-8 تحصیل ہوٹل قارن، زمزمی باک PECHS6 شاہراہ فیصل کراچی میں مندرجہ ذیل تفصیلات فراہم کر کے اپنا اندراج کرائیں۔

Proxy Form

I/We	
of	
being a member of Feroze1888 Mills Limited holding	
Ordinary shares as per the Share Register Folio No.	and/or CDC
Participant I. D. No.	and Account/Sub-Account No.
hereby appoint	of
or failing him/her	
PROXY FORM E-voting (Option 2)	
I/We	
Of	
being a member of Feroze1888 Mills Limited holding	
ordinary shares as per the Share Register Folio No.	and/or CDC
Participant I. D. No.	and Account/Sub-Account No.
hereby appoint	of
or failing him/her	
as my/our Proxy to vote for me and on my/our behalf at the Annual General Meeting of the Company to be held at C-3, SITE, Karachi on Monday, 26 October 2020 at 01:00 p.m. and at any adjournment thereof.	

Signature of Member	Signature on Revenue Stamp of Rs. 5/-
Name of Member	
Folio No./CDC No.	

WITNESSES:

1. Signature	2. Signature
Name	Name
Address	Address
CNIC/Passport No.	CNIC/Passport No.

NOTES:

- 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:

- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
- Attested copies of CNIC or the passport of the beneficial owner(s) and the proxy shall be proved with the proxy form.
- The proxy shall produce his/her CNIC or original passport at the time of the meeting.
- 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.

فیروزہ 1888 ٹریڈنگ
پرائیویٹ فارم

پرائیویٹ فارم (آپشن 1)

میں / ہم

ساکن

بہشت ممبر فیروزہ 1888 ٹریڈنگ

عمومی شیئرڈ شیئر ہولڈر کے فیلو نمبر کے تحت

اور ایسی ڈی سی

شرکاء کی آئی ڈی نمبر

اور اکاؤنٹ اسب اکاؤنٹ نمبر

نامزد کرتا ہوں

ساکن

یا ان کے نام جاننے پر

پرائیویٹ فارم ای۔ دو گلب (آپشن 2)

میں / ہم

ساکن

بہشت ممبر فیروزہ 1888 ٹریڈنگ

عمومی شیئرڈ شیئر ہولڈر کے فیلو نمبر کے تحت

اور ایسی ڈی سی

شرکاء کی آئی ڈی نمبر

اور اکاؤنٹ اسب اکاؤنٹ نمبر

نامزد کرتا ہوں

ساکن

یا ان کے نام جاننے پر

بلور پرائیویٹ مقرر کرنا کرتے ہیں تاکہ وہ میری / ہماری جگہ اور میری / ہماری طرف سے کئی کے سالانہ اجلاس عام بمقام C-3، سائٹ کراچی بروز جمعہ 26 اکتوبر 2020 بوقت 1:00 بجے سہ پہر منعقد ہو رہا ہے، اس میں یا اس کے کسی ملحق شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

راجنند اسٹامپ پرنٹنگ
 رقم - 5/- روپے

ممبر دستخط

ممبر کا نام:

فیلو نمبر / CDC نمبر

گواہان

(1)

دستخط

نام

پتہ

شناختی کارڈ نمبر / پاسپورٹ نمبر

(2)

دستخط

نام

پتہ

شناختی کارڈ نمبر / پاسپورٹ نمبر

نوٹس:

- ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے وہ تحریری طور پر کسی دوسرے فرد کو بطور پرائیویٹ یا اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کر سکتا ہے۔ پرائیویٹ ممبر کا ممبر ہونا چاہئے۔
- اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم جمع دستخط مکمل کر کے کئی بیکریٹری کو رجسٹرڈ آفس پراجکٹس کے انعقاد سے 48 گھنٹے قبل بھجوا دے۔
- CDC اکاؤنٹ ہولڈرز / کارپوریٹ انٹیکس
- مندرجہ بالا اشخاص کے علاوہ مندرجہ ذیل اشخاص کو پورا کریں:
- (I) پرائیویٹ فارم میں دو گواہان کے نام دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
- (II) پرائیویٹ فارم کیساتھ رکن اور پرائیویٹ کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقل بھی منسلک کریں۔
- (III) پرائیویٹ کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔
- (IV) Corporate Entity کی صورت میں یورڈ آف ڈائریکٹرز کی قرارداد / Power of Attorney / دستخط کیساتھ (بجرا اگر پہلے ہی جمع کروادی گئی ہے) پرائیویٹ فارم کے ہر اہل ممبر کو جمع کروائیں۔



Together Towards a Better Tomorrow