



**FEROZE1888 MILLS LTD**

*Manufacturers and Exporters of Specialized Yarn & Textile Terry Products*

*Weaving a Better World®*

# اجلہ برادر گرمی چاہو...



Together Towards a Better Tomorrow



ANNUAL REPORT 2021



... **ما كان** ...

اجازتِ دل گرمی چاہوں



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## 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 and stakeholders through our exceptional quality products and 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 and growth of our valued employees. Our focus is on building an environment of prosperity and gratification for all our customers and stakeholders through our operational excellence and 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 & 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 false image of the organization 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.

## 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

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.

## CULTURE

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<sup>®</sup> 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.



It is indeed a moment of immense pleasure that Feroze1888 Mills has been selected as one of the 200 Best Under A Billion Companies by Annual Forbes Asia - August 2020 issue.

This selection is not an ordinary one - it truly reflects the confidence the customers have in our products and services and the sheer dedication of all the team members to provide unmatched value to all the stakeholders.

Our journey of success does not stop here; in fact this recognition has fueled up our aspiration to live our vision of being the market leaders and continue to serve our valued customers with even greater enthusiasm.

**Together we Achieve - Together we Prosper  
Together We Blend & We Blend it Like Feroze1888**



# FEROZE1888 SELECTED IN FORBES ASIA 200 BEST UNDER A BILLION COMPANIES LIST 2020

FEROZE1888  
MILLS  
CELEBRATES  
THE SUCCESS  
OF BEING  
SELECTED AS  
ONE OF THE “200  
BEST UNDER A  
BILLION  
COMPANIES BY  
FORBES ASIA”.

## Congratulations!



# 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. Mudassir Moten

## Bankers

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

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

## Office Building

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

## Factory Addresses

### Sindh:

Plot # H-23/4-A, H-23/-4-B & H- 23/3-II, Scheme  
# 3, Landhi Industrial Area, Landhi, Karachi.

Plot # A-5, B-4/A, C-3, C-31, F-125, F-342 &  
F-89, SITE, Karachi.

Plot # 342/A, Haroonabad, SITE, Karachi.

Plot # L-26, F.B. Industrial Area, Karachi

Plot # PL-15 & ST-03 North Karachi Industrial  
Area, 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, Balochistan.

## 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

<http://www.feroze1888.com>

CEO's Presentation is available on Company's  
website

# FEROZE1888 AT A GLANCE

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 in the global terry market. We maintain high level 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 1888Mills 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 values 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 Moto:

- Excellent Execution Every time
- 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.





## OUR JOURNEY CONTINUES...

### WEAVING UNIT

Laying the foundation of Feroze1888 Mills Limited with the inauguration of Weaving Unit

1970

### SPINNING UNIT

Whirling the Fabulous Quality of Yarn with the inauguration of Spinning Unit at Hub Location

1985

### WAREHOUSE

Preserving the Eminence of Cotton- Laying the foundation of large warehousing facility

2006

### WASTE WATER TREATMENT PLANT

Reflecting our strong belief in playing our role to save Environment

2008

### ACQUISITION OF NAKSHBANDI INDUSTRIES LIMITED

Expanding the business- Acquired Naqshbandi Industries

2009

### MERGER OF FEROZE TEXTILE INDUSTRIES & FEROZE1888

Unification of business acumen- Merger of Feroze Textile Industries & Feroze1888

2012

### WATER RECLAIM PLANT

A Promise to Sustainability & Better Environment- Waste Water is recycled & reused in our processes

2016

### PACKAGING

Inauguration of fully automated Corrugated Carton manufacturing plant & other packaging accessories

2018

1980

### STITCHING UNIT

A Stitch in time saves nine- Inauguration of Stitching Unit

1996

### DYEING & PROCESSING UNIT

Inducing the Colors of Life to the Fabric- Opening of Dyeing & Processing Unit

2007

### MERGER OF FEROZE TEXTILE & FRIENDSHIP TEXTILE

Sky is the limit- Merger of Feroze Textile Industries & Friendship Textile Mills to expand & create excellence

2008

### FIBER DYEING FACILITY

Setting an example in Terry Textile Sector with the inauguration of Fiber Dyeing Facility

2010

### NAKSHBANDI'S NAME CHANGED TO FEROZE1888

Expanding the Horizons- Conversion of Nakshbandi into Feroze1888

2014

### PRINTING FACILITY

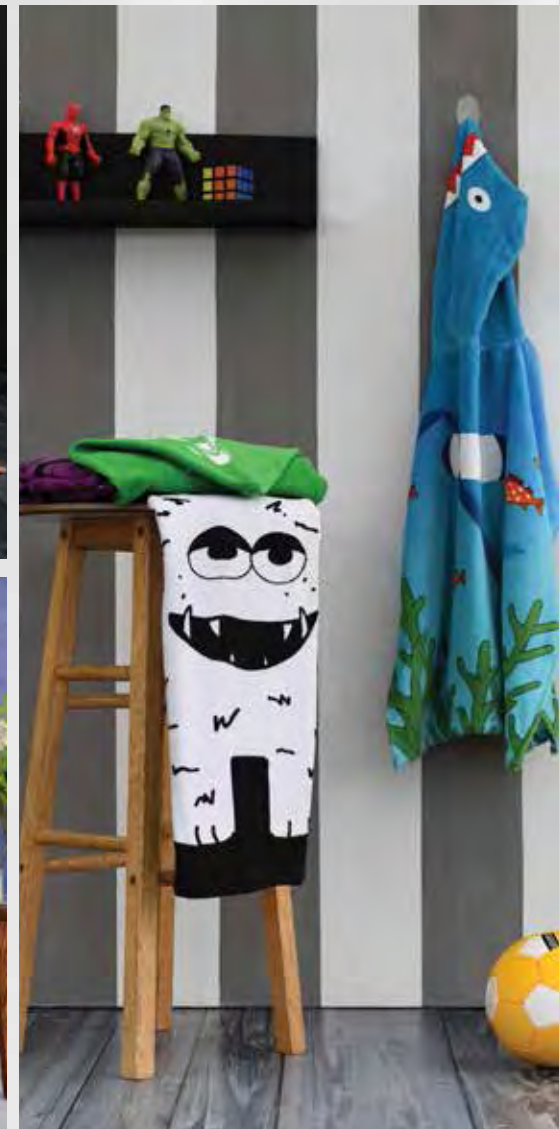
Adding Value, Creativity & Vivacity in our products- Set up of Printing Facility

2017

### EMBROIDERY

To augment product range installed embroidery setup





# PRODUCT GLIMPSSES





EXPORT  
DESTINATIONS



Australia Canada Denmark France

Germany Japan Netherlands Poland Portugal Saudi Arabia South Africa Spain United Kingdom United States



# ORGANIZATIONAL CHART

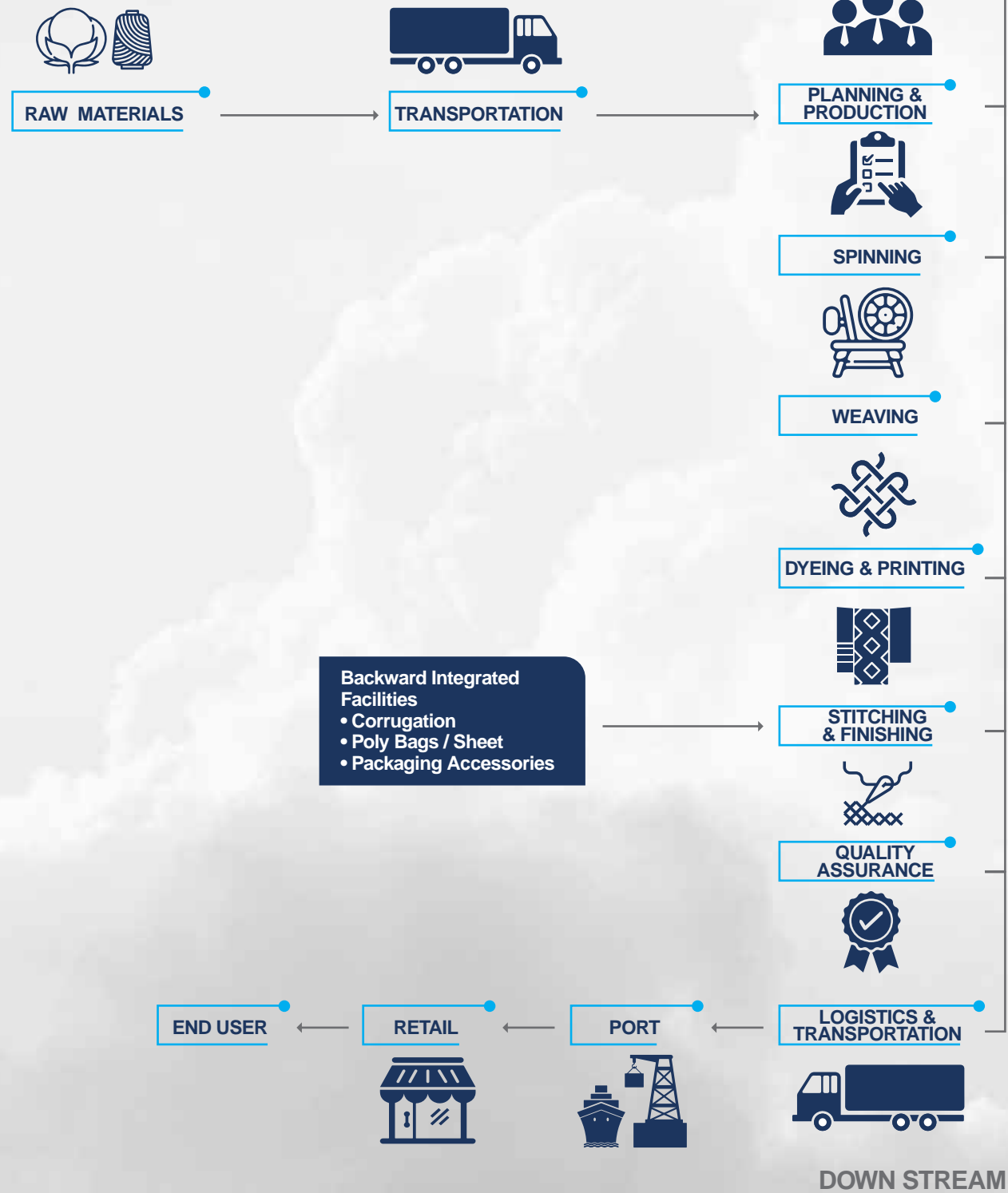


Administrative Reporting  
Functional Reporting



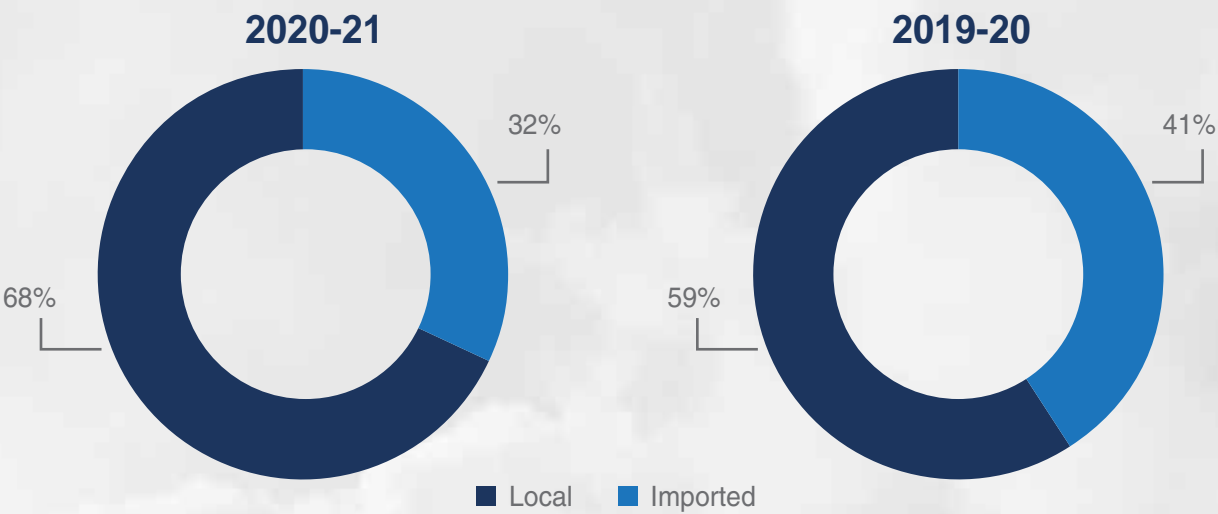
# POSITION WITHIN VALUE CHAIN

UP STREAM



# COMPOSITION OF LOCAL VS. IMPORTED MATERIAL AND SENSITIVITY ANALYSIS

For the year ended June 30, 2021



The Company is the leading Manufacturer and Exporter of Specialized yarn and Textile terry Products. Company's raw materials comprise fibers, yarn, dyes & chemicals and packing materials. Imported raw material and local raw material represent 32% and 68% of Cost of Sales for the year ended June 30, 2021 and were 41% and 59% in the corresponding year, respectively.

Cost of sales of the Company will increase/decrease by 3% and 6% in case of foreign currency exchange rate fluctuation by 10% and 20% respectively. Hence, this particular cost componenet is highly sensitive to such fluctuation and substantial portion of cost of sales. This analysis assumes that all other variables remain constant.



# STEEPLE ANALYSIS

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

	S SOCIAL	T TECHNOLOGICAL	E ENVIRONMENTAL	E ECONOMIC	P POLITICAL	L LEGAL	E ETHICAL
Description	The social or, more specifically, the socio-cultural factors focus on the demographic characters, norms, and customs of the population within which an organization is functioning. These factors help the marketer to understand their customers' needs more clearly. It also highlights the local workforce and the sustainable conditions under which they will be willing to work.	Since the dawn of the industrial revolution, technology has played an essential role in the health of any business organization. Innovations in technology can impact the operations of the industry and markets, both favorably and unfavorably. It has made it very important to analyze and monitor these factors. They vastly contribute to specific decision-making scenarios like to enter or not enter certain industries, to launch or not launch certain products or to outsource production activities abroad.	With growing environmental awareness, businesses cannot undermine related factors fully. Moreover, the scarcity of raw materials, carbon footprint targets, and pollution targets have made them even more pivotal to an organization's functioning. This has led to many companies getting more and more involved in practices such as corporate social responsibility (CSR) and sustainability.	Economic factors determine the financial condition of an organization or a specific industry. As these factors play an important role in deciding the supply-demand models in the economy, it has a long-term influence on a business, be it direct or indirect. Since it affects the purchasing power of consumers and could possibly change demand/supply models in the economy. Consequently it also affects the way companies price their products and services.	Political factors involve how and to what extent a government intercedes on an organization or a specific industry. It refers to the influences of governmental policies may have on your business. These are the factors that need to be taken into account when assessing the attractiveness of a potential market.	Businesses nowadays are required to understand the legal premises under which they can operate adequately. Although some of these factors overlap with the Political factors, they generally include more specific laws and policies. Companies need to know what is and what is not legal in order to trade successfully and ethically. If an organization trades globally this becomes especially tricky since each country has its own set of rules and regulations. In addition, you want to be aware of any potential changes in legislation and the impact it may have on your business in the future.	Ethics can be defined as a general code of ethics, followed by people of a particular religion. Similarly, ethical factors are those factors that help a company to decide what is a good or bad business deed. Specifically, these determine what is good and bad for company, employees and society as a whole.
Factors include	<ul style="list-style-type: none"> <li>Population size and growth rate</li> <li>Lifestyles</li> <li>Wealth distribution</li> <li>Health consciousness</li> <li>Ethical concerns</li> <li>Cultural &amp; religious norms and values</li> <li>Education level</li> <li>Per capita income</li> </ul>	<ul style="list-style-type: none"> <li>Technology innovations, incentives and awareness.</li> <li>Technological innovations</li> <li>Automation</li> <li>R&amp;D activity</li> <li>Communication &amp; Internet infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Weather &amp; climate</li> <li>Environmental policies</li> <li>Natural disasters</li> <li>Air and water pollution</li> <li>Recycling standards</li> <li>Attitudes towards green products</li> <li>Support for renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Growth rate and Interest rate</li> <li>Inflation and Exchange rate</li> <li>Availability of credit</li> <li>Spending habits of people</li> <li>Federal government budget deficits</li> <li>Gross domestic product trend</li> <li>Unemployment trend</li> <li>Stock market trends</li> <li>Economic policies</li> <li>Price fluctuations</li> </ul>	<ul style="list-style-type: none"> <li>Government stability/instability</li> <li>Corruption level</li> <li>Tax policies</li> <li>Freedom of press</li> <li>Government regulation and deregulation</li> <li>Level of government subsidies</li> <li>Bilateral relationships</li> <li>Import-export regulation/restrictions</li> <li>Trade control</li> <li>Size of government budgets</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety laws</li> <li>Employment laws</li> <li>Consumer protection laws</li> <li>Copyright and patent laws</li> <li>Education laws</li> </ul>	<ul style="list-style-type: none"> <li>Industry specific regulations / duties</li> <li>Morality and Integrity</li> <li>Proper marketing techniques and fair play</li> <li>Creating healthy and safe working conditions for employees</li> <li>Waste product utilization and recycling</li> </ul>
Organizational Response	Our Company, being a socially responsible organization, effectively contributing towards the creation of a socially secure society. The Company feel humbled in donating for various social causes including healthcare, education and environmental challenges. We have also acquired various certifications to comply with wellbeing and safety controls in order to maintain a healthy and secure work environment. The Company is continuously aspiring towards going an extra mile in CSR domain.	The management is fully aware of the fact that in today's world, technological advancement plays a decisive role in the success of an organization. Therefore, to cope up with the technological competitive environment, we have always welcomed the opportunity by exploring latest technology to strengthen the operations and to achieve competitive edge. Our entity has regularly been investing significantly in balancing, modernization, and replacement of plants and machinery in addition to training needs and technological skills enhancement of the employees.	The Company complies with ISO - 14001:2015 Environmental Management System & ISO 45001 - 2018 Occupational Health & Safety. The Company adheres to all applicable standards and regulations and voluntarily takes environmentally conscious initiatives to create long-term value for the society through efficient usage of natural resources in order to reduce our carbon foot print. The Company has also installed a water treatment plants to recover a major proportion of waste water for re-use. Moreover, we are also GRS and RCS compliant.	With a strong financial standing, the Company is very vigilant about the Debt:Equity ratio and maintains an optimal balance. Further, all the efforts are made to contain the costs in every sphere. Responding to the post lock-down scenario due to COVID-19, the Company has done remarkably well to prevent work loss and maintain business growth inspite of difficult economic conditions.	The Company continuously analyzes and monitors the political situation of the Country including changes in duty structures and taxes to mitigate any unwarranted affect through timely adjustment of strategies.	The Company ensures compliance with all the required laws and regulations. Further, it stays updated about new laws and ensures that the relevant departments are complying with the same. Company has also engaged an efficient team of professionals to ensure compliance with all enacted and or substantially enacted statutes, acts and ordinances.	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 & OPPORTUNITIES REPORT

## WHAT IS RISK?

Risk is described as “the effect of uncertainty on objectives”. Risk is the probability of an internal or external situation having the potential to impact upon Company; preventing Company from successfully achieving its objectives, delivering its services or capitalizing on its opportunities.

## RISK MANAGEMENT?

Risk management is defined as the coordinated activities to direct and control an organization with regard to risk. Risk management is the sum of culture, processes and structures that are directed towards realizing potential opportunities whilst managing an adverse effect. The main objective of the risk management is to assure uncertainty does not deflect the endeavor from the business goals.

## RISK MANAGEMENT FRAMEWORK:

The Company’s risk management system is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum level. The existence of risk presents both threats and opportunities to the Company. Company’s Risk management process is aligned with ISO 31000.

The Risk Management Framework describes the following:

### Categorization of Risk

Risk management framework starts with the understanding of the business objectives in ensuring that key risks are identified.

Identify and manage potential events that may affect the Company

Risk management framework provides a structured and consistent approach to identifying, rating, mitigating, managing and monitoring risks. It also assists decision makers to make good management decisions within an environment of tolerable strategic and business risk limits, including identifying and leveraging opportunities.

## Accountability for Risk Management

Risk Management Framework provides:

- An environment where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks;
- Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.
- Relevant, timely information across clear reporting structures.

## Governance and Oversight of Risk Management Activities

The Board is responsible for the Risk Management Framework. The Executive Leadership Team under the leadership of the Chief Executive is responsible for implementing the strategy, culture, people, processes, technology and structures which constitute the Risk Management Framework.

The Company is effectively equipped to face any challenges and uncertainties that are likely to arise. Through combined experience, skill and effective business reporting, Management remains aware of internal and external developments.

## CAPITAL STRUCTURE’S ADEQUACY:

Management believes that there is no inadequacy in capital structure.

Type of Risk	Risk	Sensitivity	Source	Nature	Likelihood	Consequences	Mitigating Strategy / Organizational Response	Related Opportunities /Value creation	Risk Ranking
Strategic Risk	High competition in global market	High	External	Ongoing	Likely	- Profit margins may shrink due to pressure on pricing. - Sharing of customer base may impact the sales growth.	- Regular market analysis performed by senior management for analyzing the marketing needs. - Continuous improvement in product quality through research and development. - Use of latest technology to achieve cost competitiveness. - Focus on innovation. - Expanding customer base by exploring new export markets. - Aggressive marketing strategies and relationship building with the customers.	To maximize the market share and augment presence through innovation, cost control and optimum product quality.	2
Strategic Risk	Technological obsolescence of production facilities and IT infrastructure	Medium	External / Internal	Long term / Ongoing	Likely	Mismatch with the momentum of technological advancements may lead to inefficiency of the processes and ultimately impacting cost of production and sales volume.	- Substantial investment in new expansion projects and BMR of existing manufacturing facility by opting for latest state of the art technology to achieve cost competitiveness and optimum production efficiency. - Continuous development of information technology infrastructures and Management Information Systems (MIS) software along with the ERP in order to meet latest reporting needs.	Timely investment in latest production facilities brings operational synergies and efficiency in our processes ultimately resulting in cost competitiveness and ultimate production quality.	4
Financial / Commercial Risks	Credit risk due to default by customers	Low	External	Medium Term / Ongoing	Remote	Defaults in payments may impact the Company's cash flows, which in turn may impact the profitability.	- Monitoring of the receivable aging on regular basis to ensure timely recoveries. - Mechanism for Reconciliation and confirmations are also in place. - Expanding customer base by exploring new export markets. - Customer's credit limits and terms have been assigned and regularly reviewed by a credit committee after complete evaluation of the credit worthiness and associated risk involved.	Planning and monitoring cash flows could result in significant cost-savings and investment opportunities.	7



# RISKS & OPPORTUNITIES REPORT

Type of Risk	Risk	Sensitivity	Source	Nature	Likelihood	Consequences	Mitigating Strategy / Organizational Response	Related Opportunities / Value creation	Risk Ranking
Financial Risk	Fluctuations in foreign exchange rates	High	External	Medium Term	Very likely	Certain operating and capital expenditures are exposed to foreign exchange risk. Further, Unfavorable PKR/USD parity has resulted in loss of export competitiveness and become a challenge for the business to budget the costs in line with the fluctuations in order to make accurate decision making.	<ul style="list-style-type: none"> <li>- A team of dedicated treasury professionals is in place to closely monitor the forex market and capitalize the fluctuations in the market on regular basis.</li> <li>- The Company has natural hedge also in case of USD.</li> <li>- The risk of forex fluctuation is being hedged through financial derivatives (forward contracts) in accordance with the policy approved by the Board.</li> </ul>	Insulation form the adverse effects of currency fluctuaton can help the Company to explore more areas for sustaining and improving its profitability.	3
Operational Risk	<ul style="list-style-type: none"> <li>- Price hike in raw materials</li> <li>- Shortage of raw material</li> </ul>	High	External	Medium Term	Very likely	Raw materials form substantial part of cost of goods sold hence, increase in their prices directly impacts profitability and price compatibility.	<ul style="list-style-type: none"> <li>The Company regularly reviews raw material prices to go for proactive approach in case of any unwarranted senario.</li> <li>- An extended and improved storage capacity for timely sourcing of goods.</li> <li>- The management is also committed towards implementation of the strategies to enhance the operational efficiencies and for effective cost controls.</li> </ul>	In case of some direct materials, possibility for availing bulk buying at discounted rates and enhancement of storage capacity may lead to less dependence on vendors.	1
Operational Risk	Variability in supply or cost of energy, fuel and water	High	External	Medium Term	Very likely	Fuel, power and water are pivotal in manufacturing business and any imbalance in the supply or cost will be directly related to the success and well run of the business.	<ul style="list-style-type: none"> <li>- The Company is using energy from multiple sources to avoid over reliance on any one along with the mechanism for having an optimal mix to minimize the cost.</li> <li>- The capacity to generate solar base power / captive power has augmented significantly the operational efficiency &amp; productivity in addition to reduction in cost.</li> <li>- Company is successfully operating waste water treatment plant to cater the need and also certified in ISO 50001 - 2011 (Energy Management System).</li> </ul>	Exploration of multiple sources of energy leading to non reliance on any one together with increased efficiency and reduction in cost by achieving optimal mix.	5
Operational Risk	Turnover of skilled staff	Low	Internal	Short Term	Likely	Excessive turnover of the skilled employees may affect the smooth running of the operations. This may also lead to hurdles in locating suitable, skilled and qualified resources consequently resulting in increase in salaries and additional cost related to onboarding and training of employees.	<ul style="list-style-type: none"> <li>- The Company esures the following to mitigate the risk and create value and to keep the employees motivated and loyal:</li> <li>* Congenial working environment</li> <li>* Optimal growth opportunities</li> <li>* Market based remuneration package</li> <li>* Career planning and development through mentoring and trainings</li> <li>* Succession planning with the aim to create future leaders</li> </ul>	Targeted personnel development and training can aid the Company in becoming the best in class and help to generate ideas and suggestions that make significant contributions to our success. Further, it will enable us to secure sufficient number of qualified young workforce with the potential to become the next generation of highly skilled specialists and executives.	9
Operational Risk	Risk of new wave of COVID-19"	Low	External	Medium Term	Remote	Cessation of the operations due to lock down imposed internationally as well as in Pakistan.	<ul style="list-style-type: none"> <li>The Company is still monitoring the COVID-19 situation and development across the globe and is ready to combat any unfavourable senario through driving the collective response strategies to the business.</li> <li>- The management has implemented strong health &amp; safety measures including compulsory vaccination, mask and social distancing with in the premises to minimize its spread.</li> </ul>	A safe working environment which acts as a catalyst for increasing the productivity and satisfaction of our employees and supply chain partners. Further, starting of new ventures for digital transformation.	6
Compliance risk	Non-compliance of applicable laws and regulations	Medium	Internal	Short term	Remote	Exposure to penalties, litigations and repercussions due to non-compliance of laws and regulations in addition to adverse impact on the reputation.	The company has equipped with a competent legal team of professionals along with the pool of advisors to make itself updated and ensure compliance on all legal & regulatory requirements including employment and industrial laws, Tax laws, code of corporate governance and Companies Act 2017 in order to avoid any legal consequences.	To operate in a stable market with least volatility and low occurrence of unforeseen variables.	8
Commercial	Trade protectionism amongst export markets via imposition of tariffs could impact Company sales.	Medium - High	External	Medium Term	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.	Market diversification with better customer satisfaction.	10



# COMPETITIVE LANDSCAPE AND MARKET POSITIONING

The competition dynamics both in the international and domestic markets has been altered as the economies are reopening and gaining momentum after the COVID-19 slow down. In specific case of Pakistan, we face a growing urge to reclaim the trading volumes that neighboring countries lost due to the Pandemic catastrophe that they dealt with. This scenario coupled with raw material prices on historically high levels - putting pressure on the sales price and business volumes.

The manufacturing landscape both internationally and domestically is expanding with investments in capacity enhancement and modernization - the need to fill the additional/idle capacities creates pressure on defending the market share. Other major areas include retail landscape and instable Pakistani Rupee.

Over the decades, Feroze1888 has strengthened its bond with the Global Retail, Hospitality & Healthcare leaders – a business relationship that has been erected on the premise of delivering quality, broadening product base and swiftly responding to their changing needs. We continue to leverage our strategic partnership with 1888Mills USA.

The focus is to capitalize on strengths, exploiting the opportunities with addressing the weaknesses and risks. The areas include:

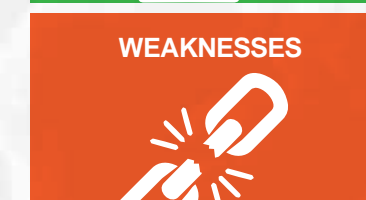
- Product Development & Innovation
- New Market Development
- Enhancing product portfolio with respect to different price points/categories
- Strengthening backward integration
- Adopting 3R (Reduce, Reuse and Recycle) philosophy
- Leading with Excellent Execution at all times

# SWOT ANALYSIS



## STRENGTHS

- Consistency in Quality
- State of the art vertically integrated manufacturing facilities
- Experienced and skilled work force
- Strong customer base
- Environmentally responsible organization
- Access to renowned global customer base
- Economies of scale
- Focus on Compliance & Sustainability



## WEAKNESSES

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



## OPPORTUNITIES

- Value addition in product lines
- Product Diversification
- Region-wise distribution diversification
- Implementation of energy efficient technologies
- Technological advancements for optimization of manufacturing processes and cost rationalization



## THREATS

- Fierce Competition
- Increase in raw material, fuel and labor costs
- Price - Cost Parity
- Economical and Un-interrupted supply of natural gas
- Instable home currency
- Inconsistent Government Policies for Textile Industry
- Struggling Global Supply Chain after COVID-19



خیر منداوت سے کیا چھوٹ  
کہ میری ابتداء کیا ہے  
کہ میں اس فکر میں رہتا ہوں  
میری انتہا کیا ہے

KNOW YOUR LIMITS BUT  
**NEVER STOP TRYING TO**  
**EXCEED THEM**



# STRATEGY AND RESOURCE ALLOCATION

## Transforming vision into reality

Feroze1888 believes in making right choices today for a better tomorrow. Management has the core objective to revolutionize the Company through strong leadership, unique organizational culture, professional excellence and financial strength in order to maximize the return for stakeholders.

S. No	OBJECTIVES	NATURE	STRATEGIES	RESOURCE ALLOCATED	STRATEGIES DIRECTLY AFFECTED BY	KPI MONITORED
1	Sales growth & profitability	Medium to Long Term	Business growth and profitability initiatives through continued focus on optimization and efficiency.	Financial capital, human capital, social and relationship capital.	Social & Environmental changes	<ul style="list-style-type: none"> <li>- Profitability margins</li> <li>- Sales growth versus market growth</li> <li>- New export destinations</li> <li>- Improved customer satisfaction index</li> </ul>
2	Enhance operational efficiency & Cost optimization	Short to Medium Term	Ensure optimum utilization of Company resources and implement systems and processes to enhance synergy among the functions.	Financial capital, human capital, manufactured capital and intellectual capital.	Technological & Environmental changes	Gross profit margin, net profit margin and Return on Investment.
3	Optimum product quality to achieve Customer satisfaction	Short to Medium Term	Implementation of strict quality assurance policies & guidelines along with obtaining certification of Quality Management System (QMS) ISO 9001: 2015.	Financial capital, human capital, Intellectual capital, social and relationship capital.	Social & Environmental changes	<ul style="list-style-type: none"> <li>- Percentage of Rejection</li> <li>- Product Quality Survey</li> </ul>
4	Environmental sustainability	Long Term	Reduce carbon footprints and contribute positively to protect the environment by investing in projects to reduce waste, conserve water and energy.	Financial capital, human capital, social and relationship capital.	Technological & Environmental changes	CSR investments and energy efficiency.
5	Be an employer of choice	Medium to Long Term	Focus on employee motivation. Take initiatives that build value of trust and contribute in creating an enjoyable, diversified and learning work environment.	Financial capital, human capital, social and relationship capital.	Social & Environmental changes	Employee turnover rate and feedback on employee engagement surveys.



## FUTURE RELEVANCE

The KPIs will remain relevant in the future.

## STRATEGY TO OVERCOME ANY LIQUIDITY PROBLEMS

The Company's ability of generating sufficient liquidity is its strength. This provides Management the flexibility to fund business expansion and invest in cost saving initiatives. The Company has a strong capital structure which is adequately supported by shareholders' equity. Moreover, the Company utilizes subsidized financing provided to exporters to fund long and short-term requirements.

The Company has the legacy of timely payments and there have been no defaults against any payment due to financial institutions, vendors, Government agencies, etc. The management is confident to successfully manage the liquidity position in future as well.

Due to strong financial position, Feroze1888 enjoys good business relationship with all reputable banks and financial institutions of the Country. The Company regularly monitors the debt-equity to effectively manage the capital structure and other financing ratio.

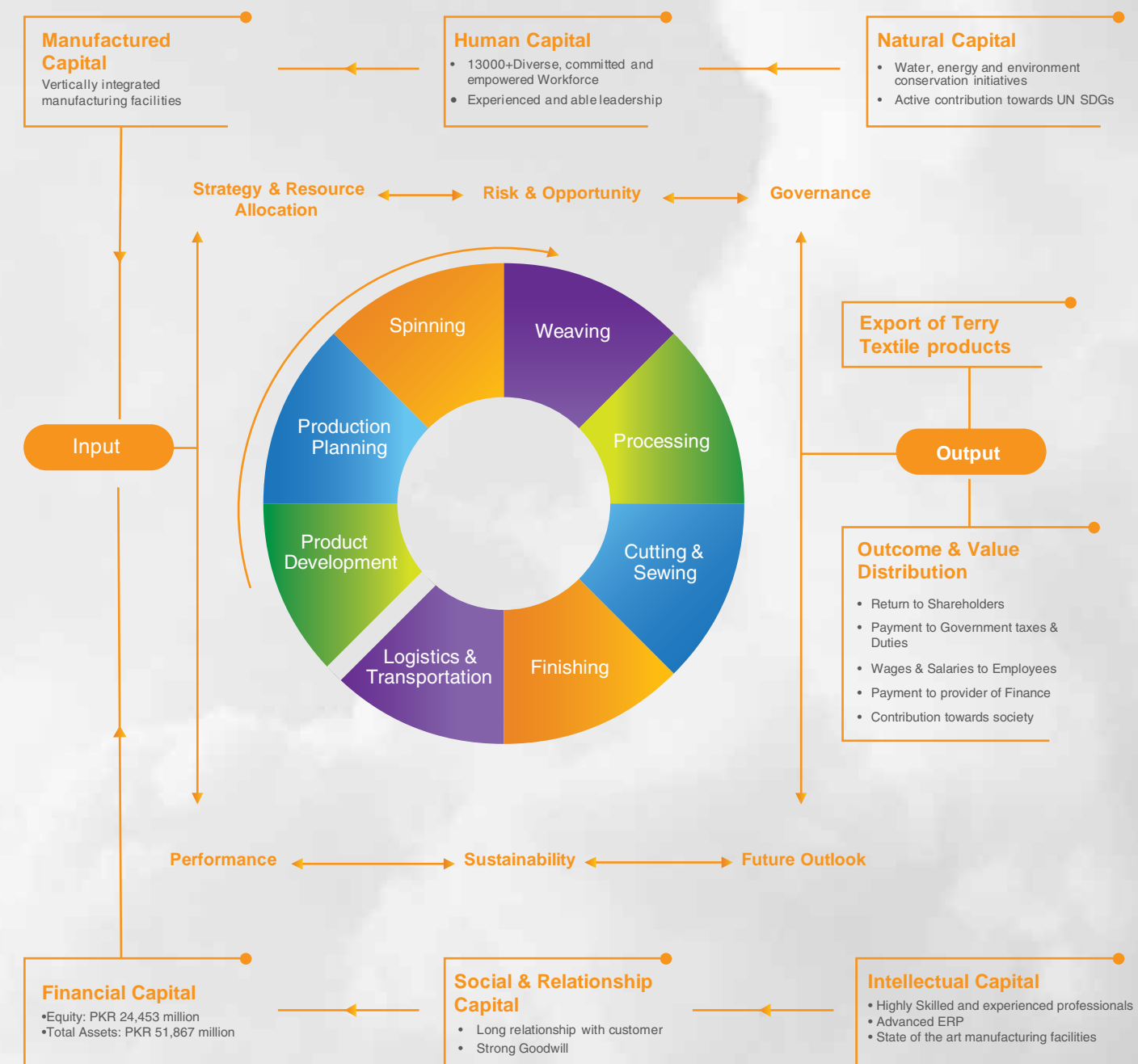
## SIGNIFICANT CHANGES FROM PRIOR YEARS

There is no material change in Company's objective and strategies from the previous year.

## 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 except for the expansion of production capacities at the production sites of the Company which is underway.

# BUSINESS MODEL





# FORWARD LOOKING STATEMENT

The upcoming year will be the year of the “survival of the fittest” – both in terms of the adaptability to the drastically changed scenario and in retaining the customer base. The raw material prices are reaching the extraordinary levels with global supply chain grappling with booming demand and delays due to slow recovery in certain parts of the World. The regional players are live now with all the efforts to recapture the customer orders – Pakistani exporters have an uphill task ahead of them to protect the export base that has been built in 2020-21.

We at Feroze1888 are geared and aligning the strategy to cope with the challenges and to deliver sustainable results. To remain competitive in the export market, the emphasis has always been on optimizing the cost of production by enhancing and modernizing the production facilities with investment in higher throughput, waste and energy efficient machine & equipment. There is even 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 optimizing the costs.

The Government is set to unveil an ambitious Textile and Apparel Policy 2020-25 laden with subsidies and lower rates on utilities to boost production and exports of value-added textile products. The proposed policy, which will be the third such policy, estimates three scenarios that the measures will lift the textile and clothing exports to a minimum of US\$ 15.7billion and a maximum of US\$ 20.8 billion by end of the year 2025. One of the major recommendations of the textile division is the restoration of the zero-rated regime for the five export-oriented sectors. The facility was withdrawn in the year 2019. 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.

## Company Performance against Last Year’s Projections

Fiscal year 2020-21 was a year wherein the Company learnt to sustain in face of the worst Pandemic of the century and yet made remarkable progress in volumes and sustaining the profitability. The textile export orders in the Country have recorded a historical jump after the COVID-19 situation in neighboring countries, it is also evident by the significant growth in the Company’s net sales revenue. The financial results reflected improvements both in figures and in ratios.

The BMR investments as envisaged in the previous year forward looking statement have been undertaken as planned.

## Sources of Information:

Management has referred data and statistics from SBP monetary policies, inflation snapshot and different economic research 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 approved strategies. 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 form basis for the forecasting. Internal capacities are reviewed based on available data and alignment is planned to achieve desired results.

## Assumptions Used:

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.



YOU ARE WHAT YOU **BELIEVE**  
**YOURSELF** TO BE

تُو شاہیٔ ہے پروانِ ہے کام تیرا  
تیرے سکا منے آسمان اور بھی ہیں

اُہیٔ ہے پروانِ ہے کام تیرا

تیرے سکا منے آسمان اور بھی ہیں





# CHAIRMAN'S REVIEW

It is a privilege to be entrusted with Chairmanship of the Board of Feroze1888 Mills Limited, comprising of diverse and proficient group of highly accomplished entrepreneurs & professionals.

On behalf of the Board of Directors, I am pleased to present the review report before our valued shareholders highlighting the overall performance of the Company for the year ended June 30, 2021 and effectiveness of the Board in achieving the objectives.

The emergence of the COVID-19 pandemic has caused a major catastrophe and has altered the business dynamics worldwide - resulting in major disruptions of industrial activities and ultimately re-evaluation of strategies and competencies. It gives me immense satisfaction to inform that we lived to our Pandemic recovery policy statement:

**“It is possible to turn risk into opportunity by being prepared and proactive”**

-the timely and effective measures taken by your Company has delivered strong results despite the unprecedented challenges posed by COVID-19.

The composition of the Board depicts reasonable balance and diversity including independent Directors - as a group, possesses the requisite skills, core competencies and industry knowledge to lead the Company. During the year, the Board performed its duties as required under the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (Regulations) effectively and diligently. Moreover, I am grateful to the valuable contributions of my fellow Board members, who offered unparalleled strategic guidance and direction in paving a prosperous way forward for the Company. Together, we endeavor to guide the Company to achieve new heights.

The Company has continued to follow growth-oriented strategy and capitalized on major decisions taken on expansions and capacity enhancements for more sustainable growth. Furthermore, I would also like to put forward, my appreciation for the admirable performance of our Chief Executive Officer under whose inspiring leadership, the Company continued with growth trajectory regardless of the global pandemic. Moving ahead, together we are committed to work earnestly in steering the Company towards the accomplishment of its objectives and deliver sustained results while ensuring value creation for the shareholders.

On behalf of the Executive Management Team and Board members, I take this opportunity to thank our valued global customers for the trust and confidence they continue to place in the Company and its products. I would also like to express my gratitude to all our shareholders, business partners, associates and employees for their continued support and encouragement in building Feroze1888 Mills Limited a matchless Company.

**Jonathan R. Simon**  
Chairman and Director

**Date: August 30, 2021**



# CEO'S MESSAGE

## Assalam-o-Alaikum

The year 2020-21 was a year like no other. The start was nervous, the entire world saw the COVID-19 health crisis, which grew into a global pandemic impacting industries, economies and countries around the world – the variants are still a threat.

Alhamdulillah, Pakistan as a Country performed better in terms of containing the impacts - resulting in shift of export orders especially in textiles was a breakthrough. The export numbers show the strong performance of the Country and Feroze1888 Mills alike. Despite the challenging business landscape in second half of the year, we remained steadfast in executing our strategies, sustaining operational efficiencies and ensuring financial discipline.

This year I would like to focus my message on our Values – PROSPER and how this confluence of challenging conditions has provided the impetus for us to live out our values when it counted the most. We have remained strong because of our values:

**P**eople Development – Securing the well-being, health and safety of our employees and their families.

**R**espect – A culture that helped us during these testing times with our customers, stakeholders, vendors, employees and community

**O**wnership & Accountability – We take ownership of the decisions we took in the face of uncertainty and that paid off for us

**S**uccess Will – The resilience to succeed in all situations

**P**roactive – Living our Pandemic policy statement of “It is possible to turn risk into opportunity by being prepared and proactive”

**E**xcellence In Work - The level of coordination, logistics and communication to maintain the highest levels of customer service while keeping employees safe speak volumes of our commitment towards excellence.

**R**eliability – Exhibited the dependability and reliability to our customers with consistent quality and delivering on promises.

Our character is both internally embedded and externally recognized as selected by Forbes Asia 200 Best Under A Billion Companies List 2020.

With solid foundations of our vision, mission and values, I am confident that we will be able to withstand the headwinds in the ensuing year and will manage to maintain the growth momentum to propel us forward in the times to come.

I would like to thank entire Feroze1888 family for demonstrating resilience and great commitment in unprecedented times. I am also grateful for the support and stewardship that the Board of Directors have provided through the past year and our Shareholders, for the trust they have placed in us.

**Please take care and stay healthy for yourself and your loved ones!!**

**Rehan Rahman**

Chief Executive Officer





# DIRECTORS' PROFILE

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

Mr. Jonathan Simon is the Chairman on the Board of Feroze1888 Mills Limited since 2016 and is also currently serving on the Board of 1888 Mills USA and Premier 1888 Mills Limited, Bangladesh. He previously served as President of Shel-Nor Mills 1983-1996, President ESN, Inc 1996-2003, President 1888 Mills 2003-2005, President and CEO 1888 Mills 2005-2020.

With over 35 years in the Home and Commercial Textile Industry, Mr. Simon brings global business experience across the continents including North America, Asia, Europe, Middle East, and Africa. As a former member of ITMF (International Textile Manufacturers Federation) Home Textiles Producers Committee, he worked on Social and Environmental Audit compliance initiatives.

He has proudly been associated with Feroze1888 Mills Limited for over 25 years and helped it to establish the retail towel business in the USA. The depth of his knowledge and breadth of his experience is a driving force behind the Board of Feroze1888 Mills Limited.

Mr. Simon received his education from Indiana University, with a Bachelor's Degree in Business Administration & Management and from the University Of Chicago Booth School Of Business, AMP.

- Other Directorship
- 1888 Mills, LLC
- Premier 1888 Ltd.

**Mr. Nasim Hyder**  
Vice Chairman – Independent Director

Mr. Nasim Hyder 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.

Mr. Hyder 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).

Mr. Hyder is a fellow member of the Institute of Chartered Accountant of Pakistan.

- Other Directorship
- Orix Leasing Pakistan Ltd.
- The Indus Hospital

**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 practicing 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.

- Other Directorship
- ARS Impex (Pvt.) Ltd.
- The Indus Hospital
- The ILM Foundation
- DMS Education Foundation
- Nigehban (Pvt.) Ltd.

**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.
- Prominence Hospitality Pakistan (Pvt.) Ltd.



**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
- GMI Fund, LLC
- Grangeford USA INC
- Premier1888 Ltd.

**Mr. Perwez Ahmed**  
Non-Executive Director

Mr. Perwez Ahmed’s career began nearly five decades ago and his association with Feroze1888 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.

**Other Directorship**

- The Patient’s Behbud’s Society for AKUH
- M&N Impex (Pvt.) Ltd.
- Friendship Dairies (Pvt.) Ltd.

**Mr. Anas Rahman**  
Non-Executive Director

Mr. Anas Rahman 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. Mr. Anas Rahman is currently involved in diversifying his family business profile by selecting and evaluating different businesses. He completed his M.B.A. in Marketing from Institute of Business Management Karachi.

**Other Directorship**

- Frieden Management (Pvt.) Ltd.
- Dost-e-Zeest Foundation
- Friendship Dairies (Pvt.) Ltd.
- Johanmacia Pharmaceutical (Pvt.) Ltd.
- Premier1888 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.

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 Pakistan Aluminum Beverage Can Limited playing an active role in its strategy and growth.

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, technology transfer and system development.

**Other Directorship**

- Liberty Mills Ltd.
- Pakistan Aluminum Beverage Cans Ltd.
- Oncogen Pharma (Pvt.) Ltd.



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

Ms. Huma is currently serving as the Senior Partner at Usmani & Co. and brings with her over 35 years of local and international working experience with various national and global institutions including Citibank, Hub Power Company and Dawood Hercules group in several management capacities. Besides this, she is a professional trainer and has been carrying out workshops, seminars and conferences at various reputable institutions. She is highly passionate for training services and more frequently indulge herself in various trainings on Directors training, Board performance evaluation, risk based internal audit including role of Internal Audit in connection with Ethics and Fraud, and sustainable business propositions etc.

Huma has served on the Audit Committee of the State Bank of Pakistan Banking Services Corporation and carried out quality assurance review of State Bank of Pakistan's Internal Audit and Compliance Department. She has also served on the Quality Assurance Board of ICAP and several of their Committees and was highly active with the Institute of Internal Auditors Global and Institute of Internal Auditors International Board. She was the first Chairperson of the Chartered Accountants Woman's Forum of ICAP.

She is a Chartered Accountant by profession and has obtained various certifications including Certification in Risk Management Assurance; Internal Controls and Internal Audit.

**Other Directorship**

- HI-TECH Alloy Wheels Ltd.
- UBL Fund Manager Ltd.
- Medical Aid Foundation
- Path Education Society

**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. Ms. 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.

Ms. 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.

Ms. Aminah completed Masters in Business Administration from The Institute of Business Administration (IBA) Karachi in 1990 with majors 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**

- Fauji Food Pakistan Ltd.
- Orix Leasing Pakistan Ltd.

**Mr. Rehan Rahman**  
Chief Executive Officer

Mr. Rehan Rahman was appointed Chief Executive Officer of Feroze1888 Mills in April 2016 and upon completion of his first term as CEO - was re-appointed for the second term effective April 2019. He brings with him an extensive and cross functional hands on experience of over 20 years in Feroze1888 and legacy companies.

Mr. Rahman played an instrumental role in the integration process after the acquisition of Nakshbandi Industries Limited (NBIL) in 2010. He was also appointed as CEO of NBIL and transformed a deteriorating unit into a gradually performing unit.

As Chief Executive Officer, Rehan leads Feroze1888 Mills in its purpose: "Weaving a Better World" with a commitment to drive the organization forward with his progressive mindset. In various roles within the Company, he has consistently been focusing on driving high quality & disciplined execution and building strong teams.

During his tenure as a CEO of Feroze1888 Mills since April 2016, the Company has achieved many milestones; from highest ever sales revenue and profitability, capacity enhancements, HR development programs - to winning multiple customer and sustainability awards, locally and internationally.

Besides focus on business, the cause of the wider community is central to his vision. Over the years, he has led the Company to participate in various charitable activities and steered the Company and the employees too, to contribute to the society at large.

**Other Directorship**

- Premier1888 Ltd.



# DIRECTORS' REPORT

In compliance with Section 227 of the Companies Act, 2017 and section 34 of the Code of Corporate Governance Regulation 2019, the Directors are pleased to present the Annual Report along with audited financial statements and Auditors' Report thereon for the year ended 30 June 2021.

## ECONOMIC OUTLOOK

The COVID-19 viral Pandemic continues to be a highly personal, individual experience that is also an unprecedented globally-shared phenomenon with wide-ranging repercussions. The Pandemic has disrupted lives across all countries and communities and negatively affected global economic growth beyond anything experienced in nearly a century. The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020; on March 11 it announced the viral outbreak was officially a Pandemic, the highest level of health emergency. Since then, the emergency evolved into a global public health and economic crisis that affected the \$90 trillion global economy and the virus has been detected in over 200 countries. The human costs in terms of lives lost will permanently affect global economic growth in addition to the cost of elevated levels of poverty, lives upended, careers derailed, and increased social unrest. In response to the unprecedented drop in economic activity, governments across the globe adopted a series of actions initially comprised of monetary policies aimed at stabilizing financial markets and ensuring the flow of credit. In the second phase, policy actions shifted to fiscal measures aimed at sustaining economic growth as governments adopted quarantines and social distancing measures. In the third phase, government policies shifted to developing, purchasing and distributing vaccines.

Pakistan's total exports have witnessed a growth of 18.28 percent during 2020-21 recorded their highest level at \$25.3 billion compared to \$21.39 billion during 2019-20, higher than the \$25.11 billion recorded in 2013-14. Notwithstanding, the recent rise in COVID-19 cases, Pakistan has been showing signs of a fragile economic recovery with a gradual resumption of economic dynamism, according to a new World Bank report. Pakistan's economic growth for the FY2021 is 3.94 percent and further strengthening is expected in upcoming years. The baseline economic growth forecast, however, is highly uncertain, especially given the new and more-contagious wave of the Pandemic with rapidly spreading Delta variant and rolling Pandemic hot spots which could prolong the Pandemic and dampen prospects of a recovery.

## INDUSTRY OVERVIEW

The Country's textile exports have witnessed a growth of 22.94 percent during the last financial i.e. 2020-21 and remained \$15.4 billion compared to \$12.526 billion during 2019-20. It registered an increase of 57.81 percent on month-on-month basis as it reached \$1.660 billion in June 2021 compared to \$1.051 billion in May 2021.

Raw cotton exports, as expected registered 95.27 percent decline during July-June 2020-21 and remained at \$0.804 million compared to \$17.002 million during the same period of last year whereas cotton yarn exports grew by 3.26 percent during July-June 2020-21 and remained at \$1.016 billion compared to \$984 million during the same period of last year and reflected 67.76 percent & 62.71 percent growth on month-on-month and year-on-year basis respectively and remained at \$120.931 million in June 2021. Specifically towel exports went up 31.81% in value and 22.71% in quantity and stood at \$937.5 million during the year 2020-21.

On the other hand, cotton production in Pakistan for FY21 has been recorded at the lowest in decades. This production shortfall to the critical level has pushed the cotton prices to a record 11 years high to Rs.13,000 / maund consequently cotton imports have increased by 59.75% in quantity and 68.12% in US dollars during July-June 2020-21 as compared to last year. The import of synthetic fiber and artificial silk yarn have also increased by 47.19% & 30.21% respectively in US dollar terms. Further, prices also remained higher in the international market. Consequently, despite increasing textile exports by 22.94% during the last fiscal year, Pakistan remained a net importer with 68% increase in cotton imports.

## REVIEW OF OPERATIONS & FINANCIAL RESULTS

A brief overview of performance of your Company for the year ended 30th June 2021 is stated below:

	Rs. in '000	
	Jun-21	Jun-20
Sales- net	42,575,465	31,205,677
Gross profit	10,066,127	7,497,064
Profit before taxation	4,789,284	3,283,625
Profit after taxation	4,311,291	2,937,221
EPS	11.44	7.80

The Company's profit after tax has amplified by Rs. 1,374.07 million i.e. by 46.78% in comparison with corresponding period of last year. The financial results reflected improvements both in figures and in ratios. The textile export orders in the Country have recorded a historical jump this year and it is also reflected through the significant growth in the Company's net sales revenue which increased by Rs. 11,370 million i.e. by 36.44% in comparison with corresponding period of last year and reached to Rs. 42,575 million.

The Company tried hard to keep the operational costs in line with the increase in sales volume and also made focused efforts to keep administrative cost under control. While on the other side of the coin, the continued raise in yarn prices, volatility of rupee to US dollar parity, delay in releasing of DTLT refund claims from the Government and short availability of containers/vessels has resulted in increased freight, delay in shipments - consequently significant high levels of finished goods inventory were the major challenges faced during the year.

## DIVIDEND & APPROPRIATIONS

Keeping in view the results, the Board of Directors has announced final cash dividend for the year ended June 30, 2021 at Rs. 1.43/- per share (14.3%). This is in addition to interim cash dividend already paid at Rs. 2/- per share (20%), thus making a total cash dividend at Rs. 3.43/- per share (34.3%) for the year. Future prospects of dividend are dependent on future economic conditions.

## EVALUATION OF COMPANY'S PERFORMANCE

For the purpose of evaluating the performance of the Company, the Management uses various indicators like industry growth, position of peer companies, prior years' performance, macroeconomic indicators and business environment impacting the Company. Budgets are formulated and actual performance is measured against the budget, at regular intervals during the year, enabling remedial actions on a timely basis.



## SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the year and the date of this report.

## DEFAULT OF REPAYMENTS, DEBT/LOAN ETC.

Adhering to the best business practices, the Company recognizes its responsibility of timely repayments of due amount. No default on payment of loan/debts was recorded during the year under review. Furthermore, no payment on account of taxes, duties and levies is overdue or outstanding at financial year end.

## CHANGE IN NATURE OF BUSINESS

No change has occurred during the financial year concerning the nature of the business of the Company.

## ADEQUACY OF INTERNAL CONTROL

The Board of Directors has established a system of sound internal control, which is effectively implemented and maintained at all levels within the Company. The independent internal audit function of the Company is outsourced to a reputable professional service firm, A.F.Ferguson & Co (member of PWC network) who are suitably qualified and experienced for the purpose.

The internal audit is conducted as per the internal audit plan duly reviewed and approved by the Audit Committee. The internal audit plan is driven by the Company's organizational objectives and priorities, and the risks that may prevent the Company from meeting those objectives. The Audit Committee reviews the effectiveness of the internal control framework whereas AFF regularly monitors and provides assurance on the effectiveness and adequacy of the internal controls.

## MANAGEMENT'S RESPONSIBILITY TOWARDS PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Management is aware of its responsibility for the preparation and fair presentation of its 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.

## REVIEW OF RELATED PARTY TRANSACTIONS

In compliance with the Companies Act, 2017, Code of Corporate Governance and other applicable laws and regulations, details of all related party transactions are placed periodically before the Audit Committee and upon their recommendation, the same are placed before the Board for review and approval. The details of transactions where majority of directors are interested are also placed annually before the members for approval.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company is effectively equipped to face any challenges and uncertainties that are likely to arise. Through combined experience, skill and effective business reporting, Management is always aware of internal and external developments. The Company has formulated unique specialized cross functional teams that routinely discuss key issues and risks to come up with the most forward approach. To face vigorous competition, Management ensures that the capacity to produce and to sell is fully utilized to its utmost potential.

The Board of Directors of the Company has carried out a vigilant and thorough assessment of both internal and external risks that the Company might face and have taken concrete steps to mitigate these risks. Following are some of the challenges which the Company is facing:

- New wave of COVID-19 Pandemic variant DELTA
- Surge in raw material costs
- International supply chain challenges
- Instability of currency exchange rate
- Overall inflationary increase in operational expenses

## AUDITORS

The existing auditors EY Ford Rhodes, Chartered Accountants, in their independent auditors' report on financial statements of the Company for the year have expressed an unqualified opinion on the state of affairs of the Company.

The Board has recommended, as suggested by the Audit Committee, the appointment of EY Ford Rhodes, Chartered Accountants, the retiring auditors who being eligible, have offered themselves for re-appointment for the ensuing year, subject to approval of the members in the forthcoming Annual General Meeting.

## ENVIRONMENT, HEALTH AND SAFETY (EHS)

Your Company is committed towards safeguarding a healthy environment for everyone by reducing the environmental impacts of its business through compliance with all environmental standards at the production facility and fully cognizant of its responsibility in this regard.

The recent rise in COVID-19 cases through new and more-contagious wave of the Pandemic with rapidly spreading Delta variant required an urgent and concerted response as it imposed grave danger on the general public. As a major player in the market, we are completely aware of our responsibilities towards joining the community in the fight against the Pandemic. For the cause, we have been conducting constant awareness sessions, providing vaccination facility to the employees and workers at the factory premises and ensuring that all the staff get vaccinated on time. In addition to that, a dedicated clinic/dispensary, managed by a qualified team is also available in the factory premises for wellbeing of the staff.

Our production practices conform to international standards and comply with good manufacturing practices. Our processes and controls are agile and sustainable, ensuring that we do not compromise on

quality and safety for our employees. Further, we also hold certification in ISO 14001 - 2015 (Environmental Management System) and ISO 45001 - 2018 (Occupational Health & Safety).

## SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

Being conscious of its Corporate Social Responsibilities, your Company made significant contributions during the year to multiple nonprofit organizations for education, healthcare, social welfare and environmental protection in line with its corporate social responsibility policies. These included donations to the Indus Hospital, Green Crescent Trust, Karachi Down Syndrome Program, Burns Centre, Kiran Foundation and Hunar Foundation. The Company believes in returning to the community by actively participating in various social initiatives and the significant portion of CSR funds goes to education and health sector.

We focus on sustainability by minimizing our carbon footprint and undertaking projects that help in conservation of water and energy. The Company has successfully achieved the target by meeting the National Environmental Quality Standard (NEQS). Moreover, the Company has been investing in green energy projects to protect the environment by reducing environmental footprints and also collaborated with World Wide Fund (WWF) for a plantation drive.

We are committed to responsible business practices, both within the Company and throughout our value chain. The Company has a proven track record of its strong commitment towards the purpose and feel proud to work in the best interest of all the stakeholders and environment. Furthermore, details regarding CSR activities performed by us during the period is provided on page 87 to 102.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE REGULATIONS, 2019

As required by the Listed Companies (Code of Corporate Governance) Regulations 2019, the Directors are pleased to state as follows:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The Company maintains a sound internal control system which gives reasonable assurance against material misstatement or loss. The internal control system is regularly reviewed.
- We affirm the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance.
- Key operating and financial data for the last six years is summarized on page 105 to 115.
- Outstanding taxes, statutory charges and duties, if any, have been duly disclosed in the financial statements.
- Significant deviations, from last year in the operating results of the Company have been highlighted and explained.
- The Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.
- Outstanding debts, if any, have been duly disclosed in the financial statements.

## COMPOSITION OF THE BOARD

In line with the requirements of the Regulations, the Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board. The total number of directors are eleven including Chief Executive as a deemed director as per the following:

Male	9
Female	2

The current composition of the Board is as follows:

Executive Director	1
Non-Executive Directors	7
Independent Directors	3

## COMMITTEES OF THE BOARD

The Board has formed the following committees comprising of members given below:

### BOARD AUDIT COMMITTEE:

Mr. Nasim Hyder	Chairman (Independent Director)
Mr. Khaleequr Rahman	Member
Mr. Zain Ashraf Mukaty	Member
Ms. Aminah Zahid Zaheer	Member (Independent Director)

### BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE:

Ms. Aminah Zahid Zaheer	Chairperson (Independent Director)
Mr. Nasim Hyder	Member (Independent Director)
Mr. Zain Ashraf Mukaty	Member

## DIRECTORS' REMUNERATION

In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Articles of Association of the Company, the policy for remuneration of non-executive directors (including independent directors) has been approved by the Board of Directors according to which the Company does not pay any remuneration to its non-Executive directors (including independent directors) except as meeting fees for attending the Board and its Committee meetings. The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors

## DIRECTORS' TRAINING

The Directors of the Company are adequately trained to perform their duties and are aware of their powers and responsibilities under the Companies Act, 2017 and the Regulations of PSX Rule book.

## PATTERN OF SHAREHOLDING

Pattern of shareholding of the Company in accordance with the Companies Act, 2017 as at June 30, 2021 is annexed.

## FUTURE OUTLOOK AND CHALLENGES

In order to keep pace with the rapidly changing world due to technological up-gradation, the Company has been investing in the long term expansion plan for its spinning and composite unit in conjunction with the inclusion of state of the art machineries and processes with the aim to elevate the Country's export and continuing growth for the Company. It's imperative for us as organization, and the industry as a whole, to be flexible and adaptable to the changing environment. We will continue to build on our competencies and review our strategies to ensure that they remain relevant and most suited, in line with changing dynamics in the global marketplace. Your Company is making all efforts to sustain profitability in the upcoming years where raw material costs significantly impacting the bottom line and we expect to sail through the rough waters

For and on behalf of the Board of Directors

**Rehan Rahman**  
Chief Executive Officer

Karachi  
**Date: August 30, 2021**

through innovation, improved efficiency and effective cost containment initiatives.

Moreover, to ensure a safe and healthy work environment, the Company is adapting its health and safety practices in line with WHO guidelines to deal with the Pandemic and mitigate the adverse impacts.

Going forward, we remain committed to work together earnestly in steering the Company towards the accomplishment of its objectives while ensuring value creation for the stakeholders.

## INTERNATIONAL RECOGNITION & ACKNOWLEDGMENT

It is indeed a moment of pleasure that, during the year, Feroze1888 Mills has been selected as one of the 200 Best Under A Billion Companies by Forbes Asia.

Our journey of success does not stop here; in fact this recognition has fueled up our aspirations to live our vision of being the market leaders and continue to serve our valued customers with even greater enthusiasm.

The Board takes this opportunity to express its deep sense of gratitude to the shareholders, employees, customers, financial institutions and other stakeholders for the confidence and faith they have always reposed in the Company.

**Aminah Zahid Zaheer**  
Director



- مالیاتی گوشواروں کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل درآمد کیا گیا ہے اور اس سے کسی انحراف کی صورت میں واضح اور تفصیل سے بیان کیا گیا ہے۔
- کمپنی ایک مؤثر اندرونی کنٹرول سسٹم کو برقرار رکھتی ہے جو مادی غلط بیانی یا نقصان کے خلاف معقول یقین دہانی کراتی ہے۔ اندرونی کنٹرول سسٹم کا قاعدہ جائزہ لیا جاتا ہے۔
- ہم تصدیق کرتے ہیں کہ کمپنی موجودہ حیثیت میں کام جاری رکھنے کی اہلیت رکھتی ہے۔
- کارپوریٹ گورننس کے بہترین اصولوں سے کسی بھی جگہ انحراف نہیں کیا گیا۔
- پچھلے چھ برسوں کے کلیدی آپرینٹنگ اور مالیاتی اعداد و شمار کا خلاصہ صفحہ --- پر دیا گیا ہے۔
- کوئی بھی واجب الادائیکس، قانونی چارجز یا ڈیوٹیاں اگر ہیں تو انھیں گوشواروں میں مناسب طریقے سے بیان کیا گیا ہے۔
- کمپنی کے آپرینٹنگ نتائج میں پچھلے سال کے مقابلے میں کسی قسم کی اہم تبدیلیوں کو نمایاں کیا گیا ہے اور ان کی وضاحت کی گئی ہے۔
- بورڈ کے ڈائریکٹر کارپوریٹ اداروں کے ڈائریکٹر کی حیثیت سے اپنے فرائض اور ذمے داریوں سے پوری طرح آگاہ ہیں۔
- بقایا قرض، اگر کوئی ہیں تو انھیں مالیاتی گوشواروں میں مناسب طریقے سے ظاہر کیا گیا ہے۔

### مجلس نظام کی تشکیل

کوڈ آف کارپوریٹ گورننس کے مطابق کمپنی اپنے بورڈ میں آزاد اور نان ایگزیکٹو ڈائریکٹرز کے ساتھ ساتھ صنفی تنوع کی بھی حوصلہ افزائی کرتی ہے۔ چیف ایگزیکٹو سمیت بورڈ کے ڈائریکٹروں کی تعداد ہے جن کی تفصیل حسب ذیل ہے:

مرد	9
خواتین	2

مجلس نظام کی حالیہ تشکیل حسب ذیل ہے:

ایگزیکٹو ڈائریکٹر	1
نان ایگزیکٹو ڈائریکٹر	7
آزاد ڈائریکٹر	3

### بورڈ کی کمیٹیاں

### بورڈ آڈٹ کمیٹی:

جناب نسیم حیدر	چیئر مین (آزاد ڈائریکٹر)
جناب خلیق الرحمان	رکن
جناب زین اشرف مکاری	رکن
محترمہ امینہ زاہد ظہیر	رکن (آزاد ڈائریکٹر)

### بورڈ انسانی وسائل اور معاوضہ کمیٹی:

محترمہ امینہ زاہد ظہیر	چیئر پرسن (آزاد ڈائریکٹر)
جناب نسیم حیدر	رکن (آزاد ڈائریکٹر)
جناب زین اشرف مکاری	رکن

### ڈائریکٹرز کا معاوضہ

لسٹڈ کمپنیز ریگولیشنز 2019 (کوڈ آف کارپوریٹ گورننس) اور کمپنی کے آرٹیکل آف ایسوسی ایشن کے تقاضوں کے مطابق بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو ڈائریکٹرز (بشمول آزاد ڈائریکٹرز) کے معاوضے کی پالیسی کو منظور کیا ہے۔ اس پالیسی کے مطابق کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز (بشمول آزاد ڈائریکٹرز) کو بورڈ اور کمیٹی کے اجلاسوں میں شرکت کی فیس کے سوا کوئی معاوضہ ادا نہیں کرتی۔ بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے ڈائریکٹروں کا معاوضہ وقتاً فوقتاً بورڈ آف ڈائریکٹرز کے ذریعے طے اور منظور کیا جاتا ہے۔

### ڈائریکٹرز کی تربیت

کمپنی کے ڈائریکٹر اپنے فرائض کی انجام دہی کے لیے مناسب تربیت یافتہ ہیں اور کمپنیز ایکٹ 2017 اور پی ایس ایکس رول بک کی ریگولیشنز کے تحت اپنے اختیارات اور ذمے داریوں سے آگاہ ہیں۔

### حصص یافتگی کی ترتیب

کمپنیز ایکٹ 2017 کے مطابق 30 جون 2020 تک ترتیب حصص یافتگی کی رپورٹ اس رپورٹ کے ساتھ منسلک ہے۔

### مستقبل کا زاویہ نگاہ اور مشکلات

تکنیکی اپ گریڈیشن کے باعث تیزی سے بدلتی دنیا کے ساتھ ہم قدم رہنے کے لیے کمپنی اپنے اسپننگ اور کمپوزٹ یونٹ میں طویل مدتی توسیعی منصوبے میں سرمایہ کاری کر رہی ہے۔ اس کے تحت ملک کی برآمدات بڑھانے اور کمپنی کی مسلسل ترقی کے لیے جدید ترین مشینری کی شمولیت سے پیداواری عمل میں جدت لائی گئی ہے۔

ہمارے لیے بطور ایک تنظیم اور صنعت کے بدلے ہوئے ماحول کے لیے مطابقت پذیر ہونا ضروری ہے۔ ہم اپنی صلاحیتوں کو بڑھاتے رہیں گے اور اپنی حکمت عملیوں کا جائزہ لیں گے تاکہ یہ یقینی بنایا جا سکے کہ وہ عالمی منڈی میں بدلتی ہوئی حرکیات کے مطابق متعلقہ اور انتہائی موزوں رہیں۔ آپ کی کمپنی آئندہ برسوں میں منافع کو برقرار رکھنے کے لیے تمام کوششیں کر رہی ہے جہاں خام مال کی بڑھتی ہوئی قیمت پیداواری لاگت کو نمایاں طور پر متاثر کر رہی ہیں اور ہم توقع کرتے ہیں کہ جدت طرازی، بہتر کارکردگی اور لاگت پر قابو پانے کے مؤثر اقدامات کے ذریعے ان چیلنجوں کا مقابلہ کر لیں گے۔

مزید یہ کہ محفوظ اور صحت مند کام کے ماحول کو یقینی بنانے کے لیے کمپنی اپنے صحت اور سیفٹی کے طریقوں کو عالمی ادارہ صحت کے رہنما اصولوں کے مطابق ڈھال رہی ہے تاکہ عالمی وبا سے نمٹا جا سکے اور اس کے منفی اثرات کو کم کیا جاسکے۔

مستقبل میں ہم کمپنی کو اس کے مقاصد کی تکمیل کی طرف بڑھانے کے لیے مل کر کام کرنے اور شراکت داروں کے لیے اسے قابل قدر برقرار رکھنے کے لیے پرعزم ہیں۔

### عالمی سطح پر پذیری اور اعزازات

ہمارے لیے یہ حقیقی خوشی کی بات ہے کہ سال کے دوران فیروز 1888 ملز کو فوربز ایشیا کی جانب سے 200 بہترین انڈر پلیمن کمپنیوں کی فہرست میں شامل کیا گیا۔

ہماری کامیابی کا سفر ہمیں نہیں رکتا؛ درحقیقت اس اعزاز نے مارکیٹ لیڈر بننے کے ہمارے وژن کو تازہ رکھے اور اس سے بھی زیادہ جوش و خروش کے ساتھ اپنے قابل قدر صارفین کی خدمت جاری رکھنے کی خواہشات کو تقویت بخشتی ہے۔

بورڈ اس موقع پر اپنے حصص یافتگان، ملازمین، صارفین، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز سے اظہار تشکر کرتا ہے جنہوں نے ہمیشہ کمپنی پر اعتماد کا مظاہرہ کیا۔

برائے اور مخائب بورڈ آف ڈائریکٹرز

ریحان رحمان

چیف ایگزیکٹو آفیسر

کراچی

تاریخ: ۳۰ اگست ۲۰۲۱

آمنہ زاہد ظہیر  
ڈائریکٹر



سال کے اختتام اور اس رپورٹ کے اجرا کے درمیان کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی بڑی راہم تبدیلیاں یا معاہدے نہیں ہوئے۔

قرضوں اور واجب الادا قومی ادا نیکیاں

بہترین کاروباری طریقوں پر عمل کرتے ہوئے کمپنی واجب الادا قومی کی بروقت ادائیگی کی اپنی ذمہ داری کو تسلیم کرتی ہے۔ زیر جائزہ سال کے دوران واجبات/قرض کی ادائیگی میں کوئی نا دہندگی ریکارڈ نہیں کی گئی۔ مزید برآں مالی سال کے اختتام پر ٹیکسوں، ڈیویڈنڈ اور لیویز کی مد میں کوئی ادائیگی واجب الادا یا بقایا نہیں ہے۔

کاروبار کی نوعیت میں تبدیلی

کمپنی کے کاروبار کی نوعیت میں مالی سال کے دوران کوئی تبدیلی نہیں آئی ہے۔

اندرونی کنٹرول کا مؤثر نظام

مجلسِ نفعیاء نے داخلی کنٹرول کا ایک فعال نظام قائم کیا ہے جو کمپنی کے اندر ہر سطح پر مؤثر طریقے سے نافذ اور برقرار رکھا جاتا ہے۔ کمپنی کا آزاد داخلی آڈٹ معروف پروفیشنل سروس فرم اے ایف فرگوسن اینڈ کمپنی (پی ڈبلیو سی نیٹ ورک کی ممبر) کو تفویض کیا ہے جو اس مقصد کے لیے مناسب اہلیت اور تجربہ رکھتی ہے۔

اندرونی آڈٹ، اندرونی آڈٹ پلان کے مطابق کیا جاتا ہے جس کو آڈٹ کمیٹی جائزے کے بعد منظور کرتی ہے۔ اندرونی آڈٹ پلان کمپنی کے تنظیمی مقاصد اور ترجیحات اور ان خطرات کے مطابق متعین کیا جاتا ہے جو کمپنی کو اس کے مقاصد پورا کرنے سے روک سکتے ہیں۔ آڈٹ کمیٹی اندرونی کنٹرول فریم ورک کے مؤثر ہونے کا جائزہ لیتی ہے جبکہ اے ایف ایف باقاعدگی سے نگرانی کرتا ہے اور اندرونی کنٹرول کے فعال اور مؤثر ہونے کو یقینی بناتا ہے۔

مالیاتی گوشواروں کی تیاری اور پیش کرنے میں انتظامیہ کی ذمہ داری

پاکستان میں قابل اطلاق اکاؤنٹنگ اور رپورٹنگ کے معیار اور کمپنیز ایکٹ 2017 (XIX 2017) کے تقاضوں کے مطابق مالیاتی گوشواروں کی تیاری اور اسے منصفانہ طور پر پیش کرنے کے لیے انتظامیہ اپنی ذمہ داریوں سے آگاہ ہے اور اس کے لیے ایسے اندرونی کنٹرول نافذ کرتی ہے جس کے ذریعے مالیاتی گوشواروں کو فراڈ یا غلطی سے ہونے والی مادی غلط بیانیوں سے مبرا رکھا جاسکے۔

متعلقہ پارٹی ٹرانزیکشنز کا جائزہ

کمپنیز ایکٹ 2017، کوڈ آف کارپوریٹ گورننس اور دیگر قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل میں، تمام متعلقہ پارٹی لین دین کی تفصیلات مقررہ مدت پر (periodically) آڈٹ کمیٹی کے سامنے رکھی جاتی ہیں اور ان کی سفارش پر بورڈ کے سامنے جائزے اور منظوری کے لیے پیش کی جاتی ہیں۔ ایسے لین دین کی تفصیلات جن میں ڈائریکٹروں کی اکثریت دلچسپی رکھتی ہو وہ بھی ممبران کے سامنے سالانہ منظوری کے لیے رکھی جاتی ہیں۔

بنیادی خطرات اور غیر یقینی حالات

کمپنی مؤثر طریقے سے کسی بھی چیلنج اور غیر یقینی صورتحال کا سامنا کرنے کے لیے تیار ہے جو ممکنہ طور پر پیدا ہو۔ مشترکہ تجربے، مہارت اور مؤثر کاروباری رپورٹنگ کے ذریعے منجمنٹ ہمیشہ اندرونی اور بیرونی پیش رفت سے آگاہ رہتی ہے۔ کمپنی نے منفرد خصوصی کراس فیکشنل ٹیمیں تشکیل دی ہیں جو باقاعدہ طور پر اہم مسائل اور خطرات کے متعلق تبادلہ خیال کرتی ہیں تاکہ پیش بندی کے اقدامات کیے جاسکیں۔ بھرپور مقابلے کا سامنا کرنے کے لیے منجمنٹ اس بات کو یقینی بناتی ہے کہ پیداوار اور فروخت کی استعداد کو پوری صلاحیت سے استعمال کیا جائے۔

کمپنی کے بورڈ آف ڈائریکٹرز نے ایسے تمام اندرونی اور بیرونی خطرات کا باریک بینی سے اور مکمل جائزہ لیا ہے جن کا سامنا کمپنی کو ہو سکتا ہے اور انھوں نے ان خطرات کو کم کرنے کے لیے ٹھوس اقدامات کیے ہیں۔ مندرجہ ذیل چند چیلنج ہیں جن کا کمپنی کو سامنا ہے:

- کورونا وائرس کے ویرینٹ ڈیلٹا کی نئی لہر
- خام مال کی قیمتوں میں اضافہ
- بین الاقوامی ترسیل و فراہمی کے مسائل
- بین الاقوامی کرنسی کے نرخ میں عدم استحکام
- مجموعی افراط زر کے باعث آپریشنل اخراجات میں اضافہ

موجودہ آڈیٹرز ای وائی فورڈ رھوڈز (EY Ford Rhodes) چارٹرڈ اکاؤنٹنٹس نے ختم ہونے والے سال کے لیے کمپنی کے مالی بیانات کے بارے میں اپنی آزاد آڈیٹرز کی رپورٹ میں کمپنی کے معاملات پر غیر مشروط رائے کا اظہار کیا ہے۔

آڈیٹرز ای وائی فورڈ رھوڈز (EY Ford Rhodes)، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہلیت کی بنیاد پر خود کو دوبارہ تقرری کے لیے پیش کر رہے ہیں۔ بورڈ نے آڈٹ کمیٹی کی تجویز کے مطابق ان کی دوبارہ تقرری کی سفارش کی ہے جو سالانہ اجلاس عام کی منظوری سے مشروط ہوگی۔

ماحول، صحت اور حفاظت

آپ کی کمپنی پیداواری یونٹ پر تمام ماحولیاتی معیارات و قوانین کی تعمیل کے ذریعے اپنے کاروبار کے ماحولیاتی اثرات کو کم کر کے ہر ایک کے لیے صحت مند ماحول یقینی بنانے کے لیے پرعزم ہے اور اس حوالے سے اپنی ذمہ داری سے پوری طرح آگاہ ہے۔

کورونا وائرس کی نئی اور زیادہ مہلک قسم ڈیلٹا ویرینٹ کی وجہ سے وبا کے پھیلاؤ میں تیزی آئی ہے جس کے سدباب کے لیے فوری اور ٹھوس رد عمل ضروری تھا کیونکہ اس سے عام لوگوں کے لیے سنگین خطرہ لاحق تھا۔ ایک بڑی اور نمایاں کمپنی کی حیثیت سے ہم اس عالمی وبا کے خلاف جنگ میں کیونٹی کے ساتھ شریک ہونے کی اپنی ذمہ داریوں سے پوری طرح آگاہ ہیں۔ اس مقصد کے تحت ہم فیکٹری کے احاطے میں ملازمین اور ورکرز کو ویکسینیشن کی سہولت فراہم کرتے ہیں، مسلسل آگاہی سیشن منعقد کرتے رہے ہیں اور اس بات کو یقینی بناتے ہیں کہ تمام عملہ بروقت ویکسین لگوائے۔ اس کے علاوہ عملے کی فلاح و بہبود کے لیے فیکٹری کے احاطے میں ایک کلینک/ڈسپنسری بھی اہل ٹیم کے زیر انتظام کام کر رہی ہے۔

ہمارے پیداواری طریقے بین الاقوامی معیار پر پورا اترتے ہیں اور اچھے مینوفیکچرنگ طریقوں کے عین مطابق ہیں۔ ہمارا پیداواری عمل اور انتظام متحرک اور دیروپا ہے جو اس بات کو یقینی بناتا ہے کہ ملازمین کی اہلیت اور حفاظت پر کوئی سمجھوتہ نہ ہو۔ مزید یہ کہ ہم ISO 14001-2015 (انوائرمینٹل منجمنٹ سسٹم) اور ISO 45001-2018 (پیشہ ورانہ صحت اور حفاظت) میں سرٹیفیکیشن بھی رکھتے ہیں۔

کاروباری استحکام اور کارپوریٹ سماجی ذمہ داری

اپنی کارپوریٹ سماجی ذمہ داریوں کا شعور رکھتے ہوئے، آپ کی کمپنی نے حالیہ سال کے دوران اپنی کارپوریٹ سماجی ذمہ داری کی پالیسیوں کے مطابق تعلیم، صحت، سماجی، بہبود اور ماحولیاتی تحفظ کے لیے متعدد غیر منافع بخش تنظیموں کے ساتھ شراکت کی۔ اس سلسلے میں انڈس اسپتال، گرین کریسنٹ ٹرسٹ، کراچی ڈاؤن سنڈروم پروگرام، برنس سینٹر، کرن فاؤنڈیشن اور ہنرفاؤنڈیشن کو عطیات دیے گئے۔ کمپنی مختلف سماجی اقدامات میں فعال طور پر حصہ لے کر کمیونٹی کی خدمت پر یقین رکھتی ہے اسی لیے CSR فنڈز کا اہم حصہ تعلیم اور صحت کے شعبے کو جاتا ہے۔

ہم نے کاربن فٹ پرنٹ کو کم کر کے اور پانی اور توانائی کے تحفظ میں مدد کرنے والے منصوبے شروع کر کے ماحولیاتی استحکام پر توجہ مرکوز رکھی ہے۔ کمپنی نے نیشنل انوائرمینٹل کوالٹی اسٹینڈرڈ (NEQS) کو پورا کر کے کامیابی سے ہدف حاصل کر لیا ہے۔ مزید برآں، کمپنی گرین انرجی پراجیکٹس میں سرمایہ کاری کرتی رہی ہے تاکہ ماحولیاتی فوٹ پرنٹ کو کم کر کے ماحول کی حفاظت کی جائے، اس کے ساتھ ساتھ کمپنی نے شجرکاری مہم کے لیے ورلڈ وائڈ فنڈ (WWF) کے ساتھ بھی تعاون کیا ہے۔

ہم کمپنی کے اندر اور ہماری پوری ویلیو چین میں ذمہ دار کاروباری طریقوں کے لیے پرعزم ہیں۔ کمپنی کے پاس اس مقصد کے لیے اپنی دیرینہ دائیگی کا ٹریک ریکارڈ ہے اور ہم تمام اسٹیک ہولڈرز اور ماحول کے بہترین مفاد میں کام کرنے پر فخر محسوس کرتے ہیں۔ مزید برآں متعلقہ سال کے دوران ہماری طرف سے کی گئی CSR سرگرمیوں سے متعلق تفصیلات صفحہ \_\_\_\_\_ پر فراہم کی گئی ہیں۔

کارپوریٹ گورننس ریگولیشنز، 2019 کے ساتھ مطابقت کا بیان

جیسا کہ سی ڈی سی ریگولیشنز 2019 (کوڈ آف کارپوریٹ گورننس) کی ہدایات کے مطابق ہے، ڈائریکٹریہ بتاتے ہوئے خوشی محسوس کرتے ہیں کہ:

- کمپنی کی منجمنٹ کی جانب سے تیار کردہ 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 کھاتوں کو باقاعدہ اور درست طور پر مرتب کیا گیا ہے۔
- مالیاتی گوشواروں کی تیاری میں ہر جگہ مناسب اکاؤنٹنگ پالیسیوں کو مستقل لاگو کیا گیا ہے اور حسابات کے تخمینوں کے لیے مناسب ترین اور دانشمندانہ فیصلے کیے گئے ہیں۔



# ڈائریکٹر رپورٹ

کمپنیز ایکٹ 2017ء کے سیکشن 227 اور کوڈ آف کارپوریٹ گورننس ریگولیشن 2019ء کے سیکشن 34 کی تعمیل میں، ناظمین کمپنی کے متفق شدہ مالیاتی گوشوارے اور آڈیٹرز رپورٹ برائے اختتام سال 30 جون 2021ء بشمول سالانہ رپورٹ پیش کرتے ہوئے مسرور ہیں۔

## اقتصادی زاویہ نگاہ

وبائی بیماری COVID-19 نے انفرادی اور عالمی سطح پر مشترکہ المیہ کو جنم دیا ہے اور وسیع پیمانے پر اپنے اثرات مرتب کئے ہیں۔ اس وبائی بیماری نے تمام ممالک کے افراد کی زندگیوں کو تہہ وبالا کرنے کے ساتھ ساتھ عالمی سطح پر معاشی نمو کو بھی منفی طور پر متاثر کیا ہے جو عالمی گزشتہ سوسالوں میں اپنی نوعیت کا واحد تجربہ ہے۔ جنوری 2020ء میں عالمی ادارہ صحت (WHO) نے COVID-19 کو پہلے عالمی صحت ابھرنے والا مرض قرار دیا؛ امارچ کو اس نے اعلان کیا کہ وائرس کا پھیلنا باضابطہ طور پر ایک وبا تھی گویا صحت کی ایک انتہائی ابھرنے والی بیماری۔ اُس وقت سے ابھرنے والی صحت عالمی صحت عالمہ اور معاشی بحران میں تبدیل ہو گئی جس نے 90 کھرب ڈالر کی عالمی معیشت کو متاثر کیا اور 200 سے زائد ممالک میں اس وائرس کا انکشاف ہوا۔ انسانی جانوں کے ضائع ہونے کے اثر کے علاوہ غربت کی بلند سطح، لوگوں کی درہم برہم زندگیاں، غیر یقینی مستقبل اور سماجی بد امنی میں اضافہ، عالمی اقتصادی ترقی کو مستقل طور پر متاثر کریں گے۔

معاشی سرگرمیوں میں غیر معمولی کمی کے نتیجے میں، دنیا بھر کی حکومتوں نے ابتدائی طور پر مالیاتی پالیسیوں پر مشتمل اقدامات کا ایک سلسلہ اختیار کیا جس کا مقصد یہ تھا کہ مالیاتی منڈیوں کو مستحکم کیا جائے اور کریڈٹ کے بہاؤ کو یقینی بنایا جائے۔ دوسرے مرحلے میں پالیسی کے اقدامات مالیاتی اقدامات میں تبدیل ہو گئے جس کا مقصد معاشی ترقی کو برقرار رکھنا تھا کیوں کہ حکومتوں نے قرضہ دینا اور سماجی دوری کے اقدامات کو اپنایا۔ تیسرے مرحلے میں، حکومت کی پالیسیاں ویکسین تیار کرنے، خریدنے اور انہیں تقسیم کرنے کی طرف منتقل ہوئیں۔

پاکستان کی مجموعی برآمدات میں 2020-21 کے دوران 18.28 فیصد اضافہ دیکھنے میں آیا جو 2019-20 کی 21.39 ارب ڈالر کے مقابلے میں 25.3 ارب ڈالر کی بلند ترین سطح پر ریکارڈ کی گئیں اور 2013-14 کی 25.11 ارب ڈالر برآمدات سے بھی زیادہ رہیں۔ عالمی بینک کی ایک تازہ رپورٹ کے مطابق پاکستان میں کووڈ کی وبا میں حالیہ اضافے کے باوجود ملکی معیشت کسی حد تک بحالی کی طرف گامزن ہے اور معاشی حرکیات بتدریج معمول پر لوٹ رہی ہیں۔

پاکستان کی معاشی شرح نمو مالی سال 2021 میں 3.94 فیصد رہی اور آئندہ برسوں میں اس میں اضافہ متوقع ہے۔ تاہم بنیادی معاشی نمو کی پیش گوئی انتہائی غیر یقینی ہے، خاص طور پر وباء کی نئی اور زیادہ مہلک لہر کے پیش نظر جس میں تیزی سے پھیلنے والا ڈیلٹا ویریئنٹ اور وبائی امراض کے بدلتے ہوئے ہائٹ اسپاٹ سامنے آئے ہیں جو وبا کے دورانیہ کو طول دے سکتے ہیں اور بحالی کے امکانات کو متاثر کر سکتے ہیں۔

## صنعتی جائزہ

ملک کی ٹیکسٹائل برآمدات میں گزشتہ مالی سال یعنی 2020-21 کے مقابلے میں 22.94 فیصد اضافہ دیکھنے میں آیا ہے اور 2019-20 کی 12.526 ارب ڈالر کے مقابلے میں برآمدات 15.4 ارب ڈالر رہیں۔ ماہانہ بنیاد پر ٹیکسٹائل برآمدات میں 57.81 فیصد اضافہ ریکارڈ کیا گیا جبکہ جون 2021 میں برآمدات 1.660 ارب ڈالر تک پہنچ گئیں جبکہ مئی 2021ء میں یہ 1.051 ارب ڈالر تھیں۔

جولائی تا جون 2020-21 کے دوران خام کپاس کی برآمدات میں متوقع طور پر 95.27 فیصد کی ریکارڈ کی گئی اور یہ گزشتہ سال کی اسی مدت کے دوران 17.002 ملین کے مقابلے میں 0.804 ملین ڈالر رہیں جبکہ جولائی تا جون 2020-21 کے دوران کاٹن یارن کی برآمدات میں 3.26 فیصد اضافہ ہوا اور یہ پچھلے سال کی اسی مدت کے دوران 984 ملین ڈالر کے مقابلے میں 1.016 ملین ڈالر رہیں جو ماہانہ اور سال بہ سال بالترتیب 67.76 فیصد اور 62.71 فیصد اضافہ ظاہر کرتا ہے اور جون 2021 میں یہ 120.931 ملین رہیں۔ خاص طور پر تولیوں کی برآمدات میں مالیت کے لحاظ سے 31.81 فیصد اور مقدار کے لحاظ سے 22.71 فیصد اضافہ ہوا اور سال 2020-21 کے دوران یہ 937.5 ملین ڈالر رہیں۔

دوسری جانب پاکستان میں مالی سال 2021 کے دوران کپاس کی پیداوار کئی دہائیوں میں سب سے کم ریکارڈ کی گئی ہے۔ سنگین سطح تک پہنچنے والی اس پیداواری قلت نے کپاس کی قیمتوں کو 11 سال کی بلند ترین سطح 13,000 روپے فی من تک پہنچا دیا جس کے نتیجے میں جولائی تا جون 2020-21 کے دوران کپاس کی درآمدات میں پچھلے سال کے مقابلے میں مقدار کے لحاظ سے 59.75 فیصد اور مالیت کے لحاظ سے 68.12 فیصد اضافہ ہوا۔ امریکی ڈالر کے لحاظ سے مصنوعی فائبر اور مصنوعی ریشم کے دھاگے کی درآمد میں بالترتیب 47.19 فیصد اور 30.21 فیصد اضافہ ہوا۔ مزید یہ کہ بین الاقوامی مارکیٹ میں بھی قیمتیں زیادہ رہیں۔ اس کے نتیجے میں گزشتہ مالی سال کے دوران ٹیکسٹائل کی برآمدات میں 22.94 فیصد اضافہ ہونے کے باوجود پاکستان کپاس کی درآمدات میں 68 فیصد اضافے کے ساتھ خالص درآمد کنندہ رہا۔

کاروباری اور مالیاتی کارکردگی کا جائزہ

30 جون 2021ء کو ختم ہونے والے سال کے لیے آپ کی کمپنی کی کارکردگی کا ایک مختصر جائزہ ذیل میں بیان کیا گیا ہے:

رقم 000	جون 21	جون 20
خالص فروخت	42,575,465	31,205,677
مجموعی منافع	10,066,127	7,497,064
منافع قبل از ٹیکس	4,789,284	3,283,625
منافع بعد از ٹیکس	4,311,291	2,937,221
فی حصہ آمدن	11.44	7.80

کمپنی کا ٹیکس کے بعد منافع 1,374.07 ملین روپے بڑھا ہے جو پچھلے سال کی اسی مدت کے مقابلے میں 46.78 فیصد زیادہ ہے۔ مالیاتی نتائج اعداد و شمار اور تناسب دونوں میں بہتری کی عکاسی کرتے ہیں۔ ملک میں ٹیکسٹائل برآمدات کے آرڈر اس سال تاریخی طور پر بڑھے ہیں جس کی عکاسی کمپنی کی خالص فروخت آمدنی میں نمایاں اضافے سے بھی ہوتی ہے جس میں 11,370 ملین روپے کا اضافہ ہوا جو پچھلے سال کی اسی مدت کے مقابلے میں 36.44 فیصد اضافے کے بعد 42,575 ملین روپے رہی۔

کمپنی نے آپریشنل اخراجات کو فروخت کے حجم میں اضافے کے مطابق رکھنے کی بھرپور کوشش کی اور انتظامی لاگت کو کنٹرول میں رکھنے کے لیے بھی توجہ مرکوز کی۔ جبکہ دوسری جانب یارن کی قیمتوں میں مسلسل اضافے، امریکی ڈالر کے مقابلے میں روپے کی قدر میں اتار چڑھاؤ، حکومت کی جانب سے ڈی ایل ٹی ایل ریفرنڈم کلیم کے اجرا میں تاخیر اور کنٹینرز/جہازوں کی کم دستیابی کے باعث شپمنوں میں تاخیر اور ترسیلی اخراجات میں اضافہ ہوا۔ اس کے نتیجے میں تیار شدہ سامان کی بڑے پیمانے پر انوینٹری کا جمع رہنا سال کے دوران درپیش بڑے چیلنجوں میں سے تھا۔

## منافع منقسمہ اور تصرفات

نتائج کو مد نظر رکھتے ہوئے مجلسِ نظماء نے 30 جون 2021ء کو ختم ہونے والے سال کے لیے ۱.۴۳ روپے فی شیئر (۱۴.۳٪) حتمی نقد منافع کا اعلان کیا ہے۔ یہ عبوری نقد منافع منقسمہ کے علاوہ ہے جو پہلے ہی 2/ روپے فی شیئر (20٪) ادا کیا جا چکا ہے۔ اس طرح ختم ہونے والے سال کے لیے کل نقد منافع ۳.۴۳ روپے (۳۴.۳٪) فی شیئر بنتا ہے۔ مستقبل کے منافع کے امکانات مستقبل کے معاشی حالات پر منحصر ہیں۔

## کمپنی کی کارکردگی کا جائزہ

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ مختلف اشارے استعمال کرتی ہے جیسے صنعت کی ترقی، ہم عصر کمپنیوں کی کارکردگی، گزشتہ برسوں کی کارکردگی، میکرو اکنامک اشارے اور کاروباری ماحول جو کمپنی پر اثر انداز ہوتے ہیں۔ بجٹ مخصوص کیے جاتے ہیں اور سال کے دوران باقاعدہ وقفوں سے بجٹ کے مقابلے میں حقیقی کارکردگی کا جائزہ لیا جاتا ہے اور بروقت اصلاحی اقدامات کیے جاتے ہیں۔





# 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 governance and control of Feroze1888 is carried out through number of corporate bodies. 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.

The basis of our 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.

## ROLE AND RESPONSIBILITIES OF THE 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 and

Listed Companies (Code of Corporate Governance) Regulations, 2019 with responsibility, diligence and in compliance with the legal framework after due deliberations in its meetings. These include but are not limited to approval of annual budgets including capital expenditures, investments in new ventures, approval of related party transactions and appointment of key management positions etc. Financial statements of the Company, 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.

## ROLE OF THE CHAIRMAN & THE CEO:

Following is the brief comparison of roles of the Chairman & the Chief Executive Officer:

ROLE OF THE CHAIRMAN	ROLE OF THE CEO
The Chairman of the Board has the responsibility to lead the Board and ensure its effective functioning and continuous development.	The CEO is primarily responsible for the management of the Company and its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Companies Act, 2017.
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 or delegate the signing of the minutes of the Board meetings.	The responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that all the resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.
The Chairman ensure that the Board of Directors remains effective in its tasks of setting and implementing the Company's direction and strategy.	The CEO of the Company is to whom all Business and Functional heads directly or indirectly report and is responsible for presentation of the Company's aims and policies to the Government and all stakeholders.





## PERFORMANCE EVALUATION OF THE DIRECTORS ON THE BOARD:

Complying with Listed Companies (Code of Corporate Governance) Regulations, 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 has been hired for the same in last three years.

## 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.

## DIRECTORS' TRAINING:

The Directors' on the Board are well aware of their duties and responsibilities as outlined in the Corporate Laws and Regulations. In compliance with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019, nine of our directors including Chief Executive have already attended and completed the required Directors' Training. In addition to this, during the year one female Executive has also completed Directors' Training Program as per directives of the Code of Corporate Governance Regulations.

## GOVERNANCE PRACTICES EXCEEDING LEGAL REQUIREMENTS:

Feroze1888 has always believed in going the extra mile and staying ahead with legal formalities. In view of this strategy, the Company's commitment to the highest levels of moral and ethical values is demonstrated by voluntary adoption of best business practices from around the world in addition to the mandatory regulatory requirements. Some of the governance practices exceeding legal requirements that have been adopted by the Company include:

- Best corporate reporting practices as recommended jointly by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountant of Pakistan (ICMAP).
- The Code of Corporate Governance requires that at-least seventy five percent of the directors on the Board of a Company must have completed the Directors' Training Program by 30th June 2021. Currently, more than 75% of the Directors are certified.
- The Board of Directors of the Company consists of two female directors and both are independent directors. Whereas, the Listed Companies (Code of Corporate Governance) Regulations, 2019, requires each listed company to have at least one female director.
- Disclosure of various financial analysis including ratios, reviews, risk matrices and graphs etc. in the Annual Report.
- Implementation of aggressive Health, Safety and Environment strategies to ensure safety of employees and equipment in order to continuously improve, achieve and exceed global standards.

## COMPANIES IN WHICH THE EXECUTIVE DIRECTOR IS SERVING AS NON-EXECUTIVE DIRECTOR:

There is no such Company in which the executive director of the organization is serving as non-executive director.

## BOARD MEETINGS HELD OUTSIDE PAKISTAN:

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

## 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.

## BUSINESS CONTINUITY PLANNING:

Significant efforts have been made in ensuring uninterrupted business operations. Business Continuity Plans (BCP) are in place to protect the organization and its resources and ensure minimum disruption in case of any adverse or unforeseen events through availability of the critical business functions.

## DISASTER RECOVERY PLANNING:

To manage the information security risk, we have adopted an effective disaster recovery plan to minimize and contain any disaster, to provide a rapid and smooth transition to a backup mode of operations and expeditiously recover the normal operations in the data center. Such planning ensures that essential/critical functions are supported with minimum disruption following a disaster.

## SHARE HELD BY SPONSORS / DIRECTORS / EXECUTIVES:

As at 30 June 2021, the Sponsors, Directors and Executives of the Company held the following number of shares.

Particulars	Number of Shares
Sponsors and Directors	221,670,334
Associates	87,863,959
Executives	24,454,231

## BOARD COMMITTEES:

Board of Directors have 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:

## (I) AUDIT COMMITTEE:

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

- The integrity of Financial Statements of the Company;
- Effectiveness of:
  - External Audit, with respect to the appointment of, rotation, qualification and independence of External Auditors and the conduct of Audit;
  - The system of Internal Control;
  - The Internal Audit Function;
  - 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:

- 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.
- 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.

## (II) HUMAN RESOURCE & REMUNERATION COMMITTEE:

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

- Recommending human resource management policies to the Board;
- 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, however, at minimum it has to meet at least twice a year. Detail regarding attendance of committee meetings is disclosed in Directors' Report.

## 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 Officer.
- 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 Chairman, 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 approves 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 from outside in 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.

## ATTENDANCE IN THE MEETINGS OF BOARD COMMITTEES:

S. No	Name of Directors	Board of Director Meeting	Board Audit Committee Meeting	Board Human Resources and Remuneration Committee
1.	Mr. Jonathan R. Simon	7/7	N/M	N/M
2.	Mr. Rehan Rahman	7/7	N/M	N/M
3.	Mr. Nasim Hyder	7/7	4/4	5/5
4.	Ms. Huma Pasha	7/7	N/M	N/M
5.	Ms. Aminah Zahid Zaheer	7/7	4/4	5/5
6.	Mr. Khaleequr Rahman	7/7	4/4	N/M
7.	Mr. Shabbir Ahmed	7/7	N/M	N/M
8.	Mr. Perwez Ahmed	7/7	N/M	N/M
9.	Mr. Abdul Rehman Yaqub	7/7	N/M	N/M
10.	Mr. Anas Rahman	7/7	N/M	N/M
11.	Mr. Zain Ashraf Mukaty	7/7	4/4	5/5

N/M: Non-Member

## OVERSIGHT OF FUNCTIONS BY EXTERNAL SPECIALIST:

With the vision to establish a system of sound internal controls, the independent internal audit function of the Company is outsourced to a reputable professional firm, A.F.Ferguson & Co. (AFF), Chartered Accountants who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

The internal audit is conducted as per the internal audit plan duly reviewed and approved by the Audit Committee. The internal audit plan is driven by the organizational objectives and priorities, and the risks that may prevent the Company from meeting those objectives. The Audit Committee reviews the effectiveness of the internal control framework whereas AFF regularly monitors and provides assurance on the effectiveness and adequacy of the internal controls and risk management framework.



## CODE OF CONDUCT – COMPANY POLICIES

### POLICY ON NON-EXECUTIVE AND INDEPENDENT DIRECTORS' REMUNERATION:

In line with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Articles of Association of the Company, the policy for remuneration of non-executive directors (including independent directors) has been approved by the Board of Directors according to which the Company does not pay any remuneration to its non-Executive directors (including independent directors) except as meeting fees for attending the Board and its Committee meetings. The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

### 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 any other Company in compliance with remuneration policy of respective Company, 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.

### DIVERSITY POLICY:

Feroze1888 is committed to promote hiring people of different age groups, educational backgrounds, religion, ethnicity, specially able people and gender so the workplace should be a mix of all diversity components. We provide equal opportunity to all job applicants through clearly defined and consistently applied induction standards and have developed an unbiased and impartial working environment for all; thereby enabling each employee to develop to the fullest.

Our greatest asset is our people & we are committed to provide equal employment opportunities based on merit and in creating a workplace where all are respected, satisfied and appreciated. To maintain this culture of respect we are staunch proponent of no harassment in any form including verbal / emotional, physical or sexual.

### 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 has been approved by the Board. The Company maintains proper record of all transactions pertaining to Related Parties and relevant details have been appropriately disclosed in Note 36 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 30 August 2021.

### INVESTORS' RELATIONS AND COMMUNICATION POLICY:

Feroze1888 Mills Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. In this relation a policy has also been approved by the Board of Directors. 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 is in accordance with the Rule Book of the Pakistan Stock Exchange Limited ("PSX"), as well as the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Company also gives its shareholder the option to express their grievances and any other enquiries electronically via its website. Main principles of the Investors Grievance Policy are as follows:

- All the investors are treated fairly and equally at all times
- Complaints raised by investors are dealt with courtesy, fairness and in a timely manner
- The Management works in good faith and without prejudice towards the interests of any of the investors

### POLICY FOR SAFEGUARDING OF RECORDS & IT GOVERNANCE:

The Company considers information as one of the most valued business asset and place great emphasis on storage and safe custody of its financial and non-financial records. The Company uses the Oracle ERP system for recording its financial information. The access to electronic information is limited and secured through implementation of a comprehensive password protected authorization matrix.

Further, we have aligned ourselves to efficient use of IT resources in achieving the strategic and operational objectives while increasing shareholders' value. To ensure value creation through benefits realization and resource optimization, the Company has IT framework which governs to achieve excellence in IT risk management structure, development of internal controls, automation of business functions, structured decision making and safeguarding of assets.

The Company's physical record are managed, retained and disposed-off in effective and efficient manner. The records are kept at secure places with adequate safety measures in place. All records are retained as long as they are required to meet legal, administrative, operational, and other requirements of the Company.

The Company believes and practices that the information should be accessed on a need to- know basis. For this purpose, the Company has put in place a mechanism to define required access control measures to Company's information, applications and system resources in a controlled environment to protect the privacy, security and confidentiality of all stored data, both physical and electronic.

### WHISTLE BLOWING POLICY:

The Company's purpose and values set the standard for how it does business and actively encourage openness, integrity and accountability. In accordance with the Company's continued commitment to good governance, a 'Whistle Blowing' policy has been adopted. The policy ensures that the 'Whistle Blower' will be subject to no repercussion and the said non-conformance, will be investigated in a fair, transparent, reliable and principled manner.

Speak Up Instances during the Year:  
During the year 2021, there were no instances that qualified as of material nature.

During the year 2021, only one complaint was received and disposed after formal investigation.

### HUMAN RESOURCE MANAGEMENT & SUCCESSION POLICIES:

At Feroze1888 we believe in crafting HR policies that are derived from our vision and philosophy. We intend to make our policies a true reflection of our core values at all levels. This, we believe, will lead to a well - blended team of professionals and experts working collaboratively in a cordial environment. Our focus is on upholding the true spirit of impartiality and a transparent system to attract, hire, develop, engage, retain and motivate all the employees to utilize their skill set to the optimal and continue to strive for excellence at work.

Moreover, in order to ensure the going concern of the operations, we have also devised & implemented a concrete succession planning model to support in developing bench strength for critical leadership positions based on predefined criteria.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY:

Company is committed to provide safe and secure work environment to its employees and ensures that processes do not adversely affect the nearby communities, environment and society as a whole. Employees are directed to follow all applicable health and safety rules and practices and cooperate with officials who are responsible to ensure these rules and practices. Employees need to follow all security measures and guidelines for a safe work environment, which also includes use of personal protective equipment (PPEs) as per the nature of the job.

The Company also contributes to various social and charitable causes including health and education. Moreover, the Company has defined and implemented Code of Conduct for the employees that fits with local customs and regulations. It ensures highest standards of ethical business and the desired corporate values and behaviors.



## STAKEHOLDER ENGAGEMENT

### 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 Audit committee was also present at the AGM held to approve financial statements for the year ended 30 June 2020 to answer any questions on the same and Audit Committee's activities and matters within the scope of the Committee's responsibilities.

### 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 ensure to comply all the regulatory requirements and takes all possible steps to encourage attendance of minority shareholders in general meetings.

### INVESTORS' RELATIONS SECTIONS ON THE WEBSITE:

Feroze1888 Mills Limited is committed to maintain strong and transparent relations with all stakeholders including the investors and shareholders. In an effort to harness the relationship with the investors and shareholders and to provide them 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.

### 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 48th AGM of the Company held on 26 October 2020.

### CORPORATE BRIEFING:

Feroze1888 conducted a corporate briefing based on 30 June 2020 Financial Statements on 24 November 2020 through zoom video link to apprise the stakeholders about the Company's operational and financial performance and to solicit and understand views of shareholders. Chief Financial Officer summarized the Company performance for the year 2020. The briefing was also attended by the Chief Executive, Head of Operations, 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.







# REPORT OF THE AUDIT COMMITTEE

## Composition

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

Mr. Nasim Hyder – Independent Non-Executive Director (Chairman)  
Mr. Khaleeq Ur Rahman - Non-Executive Director  
Mr. Zain Ashraf Mukaty - Non-Executive Director  
Ms. Aminah Zahid Zaheer - Independent Non-Executive Director

The Chairman of the Committee, Mr. Nasim Hyder is the fellow member 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 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 auditors and the integrity of the audit process as a whole, including the engagement of the external auditors 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

The Committee met four times during the year. The attendance of the members at these meetings stated in the Directors' Report. During its meetings, the Committee has reviewed the relevant matters as required under the Committee's terms of reference and make relevant recommendations to the BoD. The Committee's review covered the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing related party transactions of the Company, tax and legal updates and the financial reporting matters (including the annual results for the year ended 30 June 2021, before recommending them to the BoD for approval.

Wherever required, the Chief Financial Officer of the Company attends the meeting by invitation, Head of Internal audit is present in all the Committee meetings whereas External Auditors attend the meetings when matters pertaining to their functions come up for consideration. For this reason they attended one meeting during the year. The heads of departments were also present for the appropriate items of the agenda, as and when required.

## Report and Conclusion reached

The Committee has concluded its annual review of the operations of the Company for the year ended June 30, 2021 and based on reviews and discussions in the meetings, reports that:

- The Committee has reviewed the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the BoD. 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 acknowledged 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 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.
- 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 BoD.
- 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 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. 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 Auditors review the risks and control processes. They carry 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 Auditors 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, 2021 and shall retire on the conclusion of the Annual General Meeting;
- The 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 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 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 2021-22. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

#### SELF - EVALUATION OF THE COMMITTEE PERFORMANCE

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



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Chartered Accountants  
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#### INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Feroze1888 Mills Limited (the Company)**

#### **Review Report on the Statement of Compliance contained in 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** for the year ended **30 June 2021** 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 2021.

**Chartered Accountants**

**Place:** Karachi

**Date:** 30 September 2021



# 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:

- The total number of Directors are eleven including the Chief Executive as a deemed Director as per the following:

As at 30 June 2021		
a.	Male	9
b.	Female	2

- The composition of Board is as follows:

As at 30 June 2021		
Particulars	No.	Names of Directors
Independent Directors	3	Mr. Nasim Hyder Ms. Huma Pasha Ms. Aminah Zahid Zaheer
Non-executive Directors	7	Mr. Jonathan R. Simon Mr. Khaleequr Rahman Mr. Shabbir Ahmed Mr. Abdul Rehman Yaqub Mr. Perwez Ahmed Mr. Anas Rahman Mr. Zain Ashraf Mukaty
Executive Director	1	Mr. Rehan Rahman, CEO
Female Directors	2	Ms. Huma Pasha Ms. Aminah Zahid Zaheer

- 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;
- 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;

- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- The Company stands complied with requirements of Directors' Training Program (DTP) under the CCG.

Name of Directors / Executive who have obtained certificate of DTP:

1.	Mr. Khaleequr Rehman	Non-Executive Director
2.	Mr. Shabbir Ahmed	Non-Executive Director
3.	Mr. Perwez Ahmed	Non-Executive Director
4.	Mr. Anas Rahman	Non-Executive Director
5.	Mr. Zain Ashraf Mukaty	Non-Executive Director
6.	Mr. Nasim Hyder	Independent Director
7.	Ms. Huma Pasha	Independent Director
8.	Ms. Aminah Zahid Zaheer	Independent Director
9.	Mr. Rehan Rehman	Chief Executive
10.	Ms. Javeria Siddiqui	Executive (Chief Financial Officer)

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

a).

Board Audit Committee	30 June 2021
Mr. Nasim Hyder	Chairman
Mr. Khaleequr Rahman	Member
Mr. Zain Ashraf Mukaty	Member
Ms. Aminah Zahid Zaheer	Member

b).

Board HR & Remuneration Committee	30 June 2021
Ms. Aminah Zahid Zaheer	Chairperson
Mr. Nasim Hyder	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 A. F. 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, 7, 8, 27, 32, 33 and 36 of the Listed 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 11 Directors, one third would equate to 3.667 persons. The fraction contained in such one-third is not rounded up as one as the Company has enough experienced and well reputed independent directors on the Board who perform and carry out their responsibilities diligently.

Jonathan R. Simon  
Chairman

Karachi: 30 August 2021

# PANDEMIC RECOVERY PLAN BY THE MANAGEMENT AND POLICY STATEMENT

## Policy statement

### *Resilience – we change by what happens, we refuse to be reduced by it.*

We at Feroze1888 believe that Resilience is about always improving. The standard idea of “returning to normal” after the COVID-19 Pandemic is counterproductive because it re-establishes the same lack of resilience – the emphasis is on “building back better”. Since, there isn’t a clear timeline of ending the Pandemic, it is crucial to be prepared to come out on the other side as efficiently as possible.

Pandemic recovery has and still is occurring in phases - the key is an unwavering focus on safety of our people, while ensuring business continuity and uninterrupted provision of service to our customers.

**People** - Our first priority is our people. So far, we have had the good fortune of not having lost any of our people to the deadly disease caused by the Coronavirus. We managed to have in-house vaccine drive with the collaboration of the local district Government to control the spread both for our people and as a responsible corporate citizen of the Country. The activity continues.

**Processes** – As economies limping back to normalcy, survival is the name of the game. There is an opportunity to work on the process improvements. The areas this year include supply chain optimization, improving working capital efficiency, smart sourcing, improving inventory management and process automation along with reviewing the existing processes to make these leaner and agile.

**Customer Intimacy** – Customer is at the epicenter of what we do. We strive to improve the customer experience and build on the long term business relationships - to withstand the challenges and prove to be a true business partner.  
As the policy statement says:

### *“Resilience – we change by what happens, we refuse to be reduced by it.”*

We live by the Policy statement to hardwire new ways of working - embed behaviors and drive **excellent execution everytime**.



نہیں ہمارا اُمید اقبال اپنی  
کشت ویران سے  
ذرا غم ہو تو ٹیر مٹی بہت

نرخائین سہا

A **SOCIETY** IS DEFINED NOT  
ONLY BY **WHAT IT CREATES**,  
BUT BY WHAT IT **REFUSES TO  
DESTROY**

نہیں ہمارا اُمید اقبال اپنی  
کشت ویران سے  
ذرا غم ہو تو ٹیر مٹی بہت  
نرخائین سہا



# ABOUT THE REPORT

Reporting period	Financial year 2021 (July 01, 2020 to June 30, 2021)
Reporting Cycle	Annual
Report Content	The contents of this report are based on the results of our engagement with stakeholders and requirements of the Global Reporting Initiative (GRI) Sustainability Reporting Standards. No specific limitation exist.
Report Boundary	The report covers the businesses and corporate functions of Feroze1888, including manufacturing sites and corporate office.
Contact us	To share any feedback or comments related to the Sustainability Report, please email at: <a href="mailto:Secretary@feroze1888.com">Secretary@feroze1888.com</a>



**Tear seed paper,  
Plant in soil,  
Water it!**

A Banyan tree plantable paper is attached with this bookmark/tag. It is a 100% sustainable product and ends up germinating into a plant at the end of its life.



Handmade  
Recycled  
Paper

# LEADERSHIP STATEMENT

I am pleased to present Feroze1888 Mills' Annual Sustainability Report shared as part of the Company's Annual Report 2020-21. The Company's voluntary adoption of sustainability reporting to UN Sustainable Development Goals (UNSDGs) is a testament to the Company's commitment to responsible stewardship. We are cognizant of the impact that we as a manufacturing concern and exporter has on the economy, environment and community we operate in. We are driven by our Brand promise of **"Weaving a Better World"** – work towards maximizing the positive contributions, offsetting the negative impacts while ensuring sustainable growth and value for our stakeholders.

2020-21 - A year of challenges and a year of change. The challenges created by the COVID-19 pandemic impacted every part of the World - the need to partner and drive change towards a more sustainable and resilient system has been pronounced more than ever before. The health and safety of our employees – our extended family was the top priority and continues as the in-house vaccination drive continues.

During the year, on climatic impacts – 50% increase in energy generation through Renewable Energy Source, reduction in CO2 emissions by 2,500 tons by installing energy efficient machines, 6.9+M Gallons of water saved through process management and installing water efficient machinery. At Feroze1888, we believe in paying back to the society and community we operate in – arranged blood donation drive, 13,500+ of man hours of trainings to enhance skillset of our human capital and supporting deserving students with their higher education are few amongst the ones undertaken during the course of the year.

We as a responsible corporate citizen of this Country committed to invest in circularity, clean energy, sustainability, skills & education of our employees and community at large – living our brand promise of **"Weaving a Better World"**.

Best Regards

**Rehan Rahman**  
Chief Executive Officer



# SUSTAINABILITY AT A GLANCE

## Skills & Education

Provided complete four years scholarships to **4** financially challenged students to pursue bachelor's education  
Supported education of **120+** students by effectively managing Educational Assistance Program  
In order to bridge the gap between industry and academia, provided internship opportunities to **14** students  
Enhanced skills of **10** Non-Management Employees through initiating Spinning Certification program  
Provided **11,500+** man hours of trainings to enhance skillset of our human capital

## Well being

Supported **10** marriages by organizing combined Marriage Ceremony  
Distributed quilts to **10,000+** non-management staff during winter season  
Collected & donated **125+** blood bags by organizing blood donation drives  
Arranged in-house COVID-19 vaccination facility for all employees  
Fostering health & safety culture by providing trainings and conducting risk assessment of all areas

## Gender Equality

Provided complete four years scholarships to **2** female students to pursue engineering education

## Empowerment

Empowering employees through fostering Kaizen Culture

## Combat against Climate Change

In collaboration with WWF-Pakistan, planted **5,000** mangrove trees to combat against climate change  
Generated **2.6 M+** kWhrs of energy through Renewable Energy Source viz., Solar, thus reducing CO2 emissions by more than **1,800** tons  
Developing infrastructure to utilize natural light at maximum, thus saving **16,000+** kWhrs of energy  
Initiated working with Apparel Impact Institute (aii) to reduce environmental footprint

## Responsible Resource Utilization

Saving **6.9M+** Gallons of water through installing state of the art Exhaust Dyeing Machine  
Saving **46,000+** MMBTU of energy via installing energy efficient Finishing machines  
Certified multiple facilities with GRS and GOTS

# SUSTAINABILITY STRATEGY

Being a socially responsible company, Feroze1888 has embedded sustainability at the core of its operations. Sustainability is integrated in all areas of the Company's operations – for the benefit of customers, shareholders, employees, and the world around it.

Sustainability is a broad discipline where responsible interaction is made to contribute within the environment via condition of balance and resilience. Feroze1888 is committed to fashion innovative value through sustainable practice. The mission is to solve significant global challenges to condense our footprint and heighten our impact for the sole purpose of enhancing the quality of life and community we live in.

The Company's sustainability strategy is simple and compelling. The essence of sustainability at Feroze1888 is translated by three P's; People, Planet, & ensuring Prosperity of all.

## People

We consider employees and the community are equally important stakeholders steps for their development and well-being are the top priority of the organization. Keeping in view the strategic goal, Feroze1888 focuses on human resource development by recruiting the best talent from local community and provides them with learning culture along with healthy and safe working environment.

In order to meet our targets, we create opportunity to all. The built in performance management continuously reviews and close the gaps from personal needs to business development.

## Planet

Every day we make effort to Reduce, Reuse and Recycle waste (3R), minimize natural resource consumption treat any harmful emissions before they are released to curtail environmental footprint. Different resource efficiency initiatives are being undertaken at our multiple locations for the same purpose. Moreover, trainings and awareness are being provided to all individuals regarding stewardship towards our Planet.

## Prosperity

Being the largest manufacturer of Terry Textile products in Pakistan, Feroze1888 realizes the importance of continuous growth in all aspects of Manufacturing Excellence either it be the capacity enhancement, introduction of sustainable cutting edge technology, nurturing our talent pool, creating employment or giving back to the society. Feroze1888 Mills. is highly committed to the ideology of 3Ps and safeguards the interest of people, planet and ensuring prosperity of all. We hold ourselves responsible and accountable for all our endeavors and our responsibilities to the utmost towards social responsibility.



# CERTIFICATIONS

## ENVIRONMENTAL



## SOCIAL



## QUALITY



## SECURITY



# AWARDS - By the grace of Almighty ALLAH

## Employer of the year award 2020

Feroze1888 Mills. won the "Sapphire Prize" in the 08th Employer of the Year Award event, held on 12th March 2021. The awards were given to companies who demonstrated excellence in their best practices related to HR Management, OSH & E, Learning & Development, Decent Work & Sustainable Development, COVID-19 protocols adherence, etc.



## Occupational Safety Health & Environment Award

Feroze1888 is oblige on receiving Occupational Safety Health & Environment Award in Textile sector by Employee Federation of Pakistan (EFP) in its 15th Corporate OSH Best Practices Award.



## Exporters Recognition Award

Feroze1888 Mills. being among Top 100 Exporting Companies in the Year 2020 has received the Employers Federation of Pakistan's Exporters Recognition Award presented by the President of Pakistan Dr. Arif Alvi in a ceremony held on 28th June 2021 at Aiwan-e-Sadar, Islamabad.



## Best Corporate Report Award

Feroze1888 won Merit Certificate for the Annual Report 2019 in Best Corporate Report Awards by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The objective of the report is that it is be easily understandable by all stakeholders and ensure utmost transparency.













## Best Under a Billion

The annual Forbes Asia "Best Under A Billion" list spotlights top performing publicly listed companies in the Asia-Pacific region with sales under USD 1 billion. From a universe of some 18,000 small and mid-sized companies, these 200 companies were selected based on various quantitative and qualitative criteria. Feroze1888 has managed to secure a place in that list. This achievement is certainly not only ours but of our country men a like and we are deeply humbled to make our Country proud with this international recognition.
















# ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

Area	Material Topic	Target 2020-21	Achievement	Achievement %	SDG Goals
Economic	Employment Learning & Development	Provide atleast 1,000 man-hours of Lean trainings to employees.	Provided 1,000+ man-hours of trainings on Lean tools and techniques	100%	 
Economic	Market Presence	To support the economy through creating atleast 1,000 new employment opportunities.	During the period, more than 1,300 employees were employed in different departments.	100%	 
Economic / Environmental / Social	Compliance	Compliance with Environmental Management System, Quality Management system & Occupational Health & Safety.	The Company complies with ISO - 14001:2015 (Environmental Management System), ISO 9001-2015 (Quality Management System) & ISO 45001 - 2018 (Occupational Health & Safety).	100%	
Environmental	Energy	Increase energy generation by 40% through renewable energy sources.	Increased almost 50% of energy generation through renewable energy sources (Baseline Installed capacity 2048kW; Current 3105kW).	100%	
Environmental	Emissions, Effluents & Waste	Reduce our environmental footprint by investing in state of the art technology and better resource management	Reduced CO <sub>2</sub> emissions by 2,500+tons (in absolute numbers) by installing energy efficient machines. Furthermore, we have worked along with "aii" to calculate CO <sub>2</sub> baseline, thus setting target to reduce approx 2% CO <sub>2</sub> .	100%	 
Environmental	Water	Reduce water consumption by atleast 8 million gallons.	Saved 6.9M+ gallons of water through process management and installing water efficient machinery. Furthermore, we have signed up for CBD program & working for the conservation of water	85%	
Environmental	Emissions	R&D of sustainable products and packaging in order to develop atleast 2 Sustainable product and covert it in business numbers	During the period we have worked out on approx 5 sustainable developments. Further, Cotton hemp & Recycled polyester are two products that are converted in business numbers	100%	



Area	Material Topic	Target 2020-21	Achievement	Achievement %	SDG Goals
Environmental	Recycling	Use atleast 20% of recycled content in our product. (GRS Certification)	We are Certified with GRS in this regard.	100%	
Environmental	Plantation / Climate	Plant atleast 2,000 trees to combat against climate change	Plant 5,000 mangrove trees in collaboration with WWF	100%	 
Social	Training & Education	Provide complete 4 years scholarship to 4 financially challenged students to pursue higher education.	Provided 4 years scholarship to 4 financially challenged students of NED University	100%	
Social	Local Communities	Reserved reasonable amount to support marriages of female workforce / daughter of workers through organizing combined marriage ceremony.	Utilized that amount to support 10 marriages this year.	100%	
Social	Local Communities	Budget reserved for the support of workers and community.	Distributed 10,000+ Quilts to Non-Management Staff during winter season	100%	 
Social	Gender Equality / Non Discrimination	Provide full 4 years scholarships to 2 female students to pursue their higher education.	Scholarships were awarded to 2 female students of NED University	100%	 
Social	Employment Learning & Development	Provide atleast 8,000 hours of training to management employees.	Provided 11,500+ man-hours of trainings to management employees	100%	
Social	Occupational Health and Safety	Fostering health & safety culture throughout the Company.	Collected more than 125 blood bags through hosting a blood drive and was awarded with appreciation certificate from Indus Hospital for being a Corporate partner. Further, in collaboration with Sindh and Baluchistan governments, the management has arranged mass vaccination centers at different locations.	80%	



# SUSTAINABILITY & CSR SNAPSHOT

## HIGG Index

Feroze1888 Mills arranged training by SGS Pakistan on 23rd Feb 2021 on HIGG Index, conducted by Mr. Taj Hussain from HIGG INDEX. "The Higg Index is a suite of tools that enables brands, retailers, and facilities of all sizes - at every stage in their sustainability journey - to accurately measure and score a company or product's sustainability performance. The Higg Index delivers a holistic overview that empowers businesses to make meaningful improvements that protect the well-being of factory workers, local communities, and the environment.



## Quality Day Summit

On 12th November 2020, the Quality Assurance Department arranged the "Quality Day Summit" to observe World Quality Day (WQD), which is celebrated on the second Thursday of November each year. To mark the day QA team arranged different activities including Walk on Floors: reinforcing the importance of practicing quality standards, banners display and Quality Day Summit - which was attended by the senior management including our CEO.



The theme of this year's WQD was the importance of Quality, Changing Behaviors of Customers & Creating Customer Value. Participants of the summit deliberated on different dimensions related to the theme & formulated World Quality Resolution to create Customer Value in view of the changing requirements.

A memento of the day was presented to the Leads of Production, Processing and Quality departments acknowledging their efforts to keep running the cycle of continuous improvement, pursuing Excellence.

## ESS-L&D Module

Being a lean organization Feroze1888 is in a constant journey of continuous improvement, resource optimization, and wastage control. Under the umbrella of lean, L&D has achieved another milestone and has developed the ESS-L&D module; that is the digital transformation of the entire Training and development cycle. L&D Module is offering our employees quick and easy access to their learning journey and boosting productivity, improved compliance and time and energy savings.



## Plantation Drive

We are proactive in promoting activities that deal with environment-preservation. Tree plantation drives are at the forefront of our sustainable eco-friendly practices. This year, in collaboration with WWF, Feroze1888 has planted over 5,000 mangrove trees within the surrounding area of Karachi. Plantation is also regularly carried out at different production sites of Feroze1888.



## Water

Responsible consumption of water and its conservation are an integral part of Feroze1888's sustainability efforts and its drive towards utilizing the resources responsibly. The Company has installed the state of the art Dyeing machines to save water and makes every effort towards reducing water wastage through installation of water reclaim & reject RO plant.

## Energy

The Company has taken many initiatives including replacement of conventional lights with LEDs, installation of solar energy generation and building infrastructure that enable us to enhance natural light utilization.

## Global Organic Textile Standard (GOTS)

Feroze1888 Mills has been certified with the Global Organic Textile Standard (GOTS). GOTS is the globally recognized leading textile standard. This standard stipulates requirements throughout the supply chain for both ecological and labor conditions in textile and apparel manufacturing using organically produced raw materials. Certification to GOTS corroborates the compliance with each of the 17 UN Sustainable Development Goals, and reflects our efforts of being environmentally and socially responsible.

## Certificate of Appreciation From The Indus Hospital

The Indus Hospital Blood Center recognized Feroze1888 Mills as a "Corporate Partner" in hosting blood drives in the month of January, 2021. It supports our mission "Motivating the nation towards 100% voluntary blood donation"



## Combined Wedding Ceremony

Combined Wedding Ceremony successfully held on March 2021. Initiated to share the responsibility of a Sunnah, combined wedding event facilitates our female workers and the daughters of our male workers, assisting them to fulfill their responsibility with dignity and respect.

This is the third consecutive year and by the grace of Almighty ALLAH, the trust & confidence in this event has only increased since then. We are humbled to be of service to our extended family members.



**COVID-19 Vaccination Drive**

The health and safety of the extended family members have always been the top priority of Feroze1888. After the onset of COVID-19, the management has consistently ensured to comply with the safety protocols set by the Federal and Provincial governments and also keep reviewing safety guidelines and ensure their implementation at work for employees' safety. In collaboration with Sindh and Baluchistan governments, the management has arranged mass in-house vaccination at different locations to facilitate the employees. The vaccination centers are being operated under the supervision of qualified paramedical staff. The management is committed to vaccinating 100% of its employees.



**Transforming Raw Hands to Skilled Hands**

In collaboration with SMA Rizvi Textile Institute the course intended for our non-management employees with a blend of theory and practical. The contents of this course are designed to provide & develop hands-on technical expertise related to Spinning & assist them with the personality development tools. During the year, 10 employees have completed the Certification successfully.





# STAKEHOLDER ENGAGEMENT

Being a responsible corporate citizen, we understand the importance of stakeholder engagement and treat its implications on priority. The Company interact with its stakeholders to seek their opinions and their expectations. This process allows the Company to define a timely and adequate response to the issues they deem important for our business and for our ability to make an impact that matters.

Key initiatives taken by the Company for stakeholder engagement carried out during the year includes:

Stakeholder Group	Stakeholder Management Initiatives
Shareholders/Investors	The Company has conducted AGMs and EOGMs as per the statutory guidelines to inform and obtain the consent of shareholders. The Board members were also present in these meetings to respond to the queries and concerns of the shareholders and investors. The Company has also been conducting corporate briefing sessions since last two years. We believe that these sessions are the best platform to address its existing and potential shareholders and investors. These sessions were chaired by Chief Executive Officer and other key management personnel were also present during the session.
Employees	Employee engagement and alignment with corporate strategy is very crucial for the Company. For this purpose "Town halls" are conducted by Chief Executive Officer to share timely updates with employees about key business initiatives taken by management and strategic alignment across the Company. In addition to above, the Company has also taken various employee engagement initiatives, like quarterly publication of KIN magazine for employees awareness on various topics, Employee of the quarter award for each department, Annual performance appraisals, 180 degree performance appraisals of middle to senior management employees and value champ scoring - serves as important communication channels and monitoring of the employee's engagement targets.
Customers	Customers are at the core of what we do. To ensure customer satisfaction, the Company has taken multiple initiatives for customer engagement to maintain and build strong customer relationships: including customer visits to manufacturing facilities, Compliance of social, quality and environmental related standards, deploying systems to improve feedback and regular follow-ups with customers.
Banks	The Company places great importance to its bankers. Company ensures full compliance of all money lending requirements from its banks. Apart from that, Company ensures effective engagement of its partner banks through one-on-one meetings, Annual report, monthly and quarterly financial performance along with financial projections and communication to bank about key business achievements.
Local Community	The Company believes that health and education are the major contributors to the success of any nation. The Company actively played its role toward providing better education & health facilities to our communities, giving scholarships to talented students and investing in education and health support programs & initiatives.
Media	The Company has maintained a sound system to share timely and prompt updates regarding any material information for stakeholders on Company's website and stock exchange website. Social media communication policy is also in place. The Company ensures its presence in all major social media platforms.
Civil Society/NGOs	The Company has actively participated and donated in the areas of health, education, community development and environment.
Educational Institutions	The Company regularly organizes mentoring sessions in collaboration with different universities. These events played pivotal role in improving student's vision for professional life and experiences.

## Key Stakeholder Groups

Stakeholder Group	Frequency of Engagement	Communication Mode	Topics Identified by Stakeholders	Company's Responses
Shareholders/Investors	Regular	Annual Report, Company secretary, Corporate briefing sessions, AGMs and disclosure of material information etc.	Future prospects of the business, capacity enhancements and expansions, Country's export market performance etc.	The Company is committed towards transparency of financial and on-financial information, timely communication for sustainable business growth.
Employees	Regular	CEO's "Town hall" meeting, quarterly magazine, annual performance appraisals and internal communication etc.	Career and professional growth; and Training & development.	The Company gives utmost importance to transparency in employee related affairs; and simultaneously emphasize on capacity / skill development training programs.
Customers	Regular	Effective system to manage customer feedback and follow-up; visits of manufacturing sites.	Competitive prices, quality of products, timely deliveries and compliance of social, quality and environment related standards.	Attractive and competitive product offerings; Timely deliveries; Ensuring social, quality and environment related compliance.
Suppliers	Regular	Corporate level communications; visits of supplier's business facilities.	Favorable payment terms and conditions.	The Company has a transparent system that enables suppliers for discussion and negotiation of contract terms and conditions. The Company is committed toward its ethical trade philosophy.
Banks	Regular	Annual Report; Financial projections; On-on-one meetings; emails; phone calls.	Payment of loan's principle and interest on time; Maintaining required levels of different debt covenants.	The Company ensures on-time payment of principal and interest to its money lenders. Debt covenants performance is also closely monitored.
Government and other regulatory bodies	Case/need basis	Submission of data for compliance; meetings with Government officials.	Compliance with applicable statutory regulations and laws.	Company ensures compliance of all statutory and legal requirements in Company's affairs.
Local Community	Regular	Representative of plant's operations and CSR teams.	Negative impact of manufacturing sites; Employment opportunity for neighboring communities; and communal services.	Company ensures compliance of all legal and regulatory requirements and also possess multiple ISO certifications including EMS, QMS & OHS.
Education Institutions	Occasional	Mentoring sessions and Internship programs etc.	Job opportunities; working environment; and career growth prospects.	The Company regularly organizes mentoring sessions in collaboration with different universities. In addition to that Company also runs internship and recruitment programs for university students.

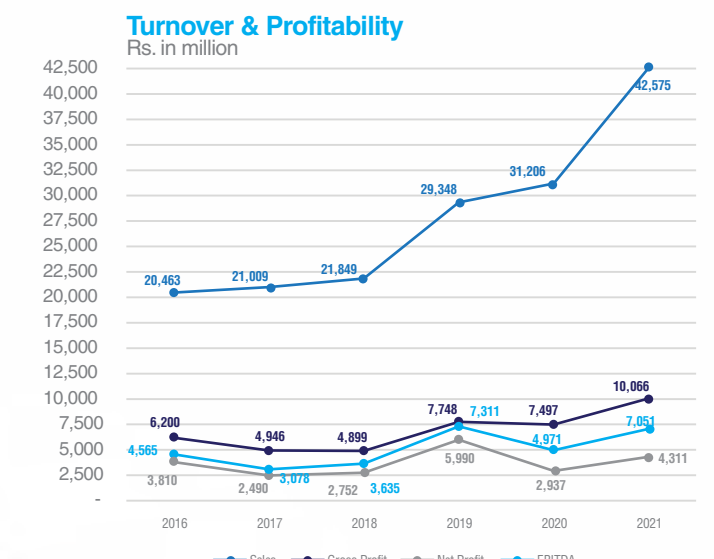
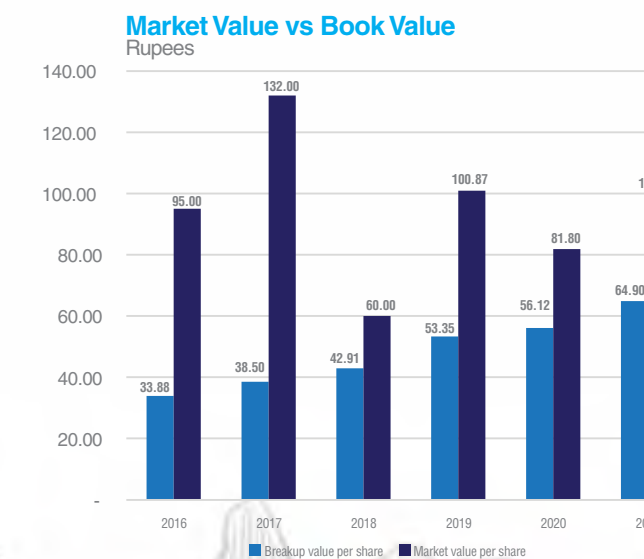
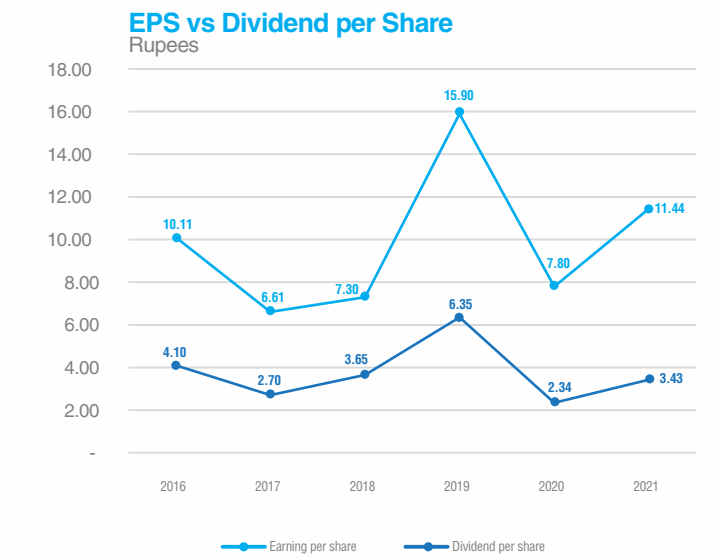
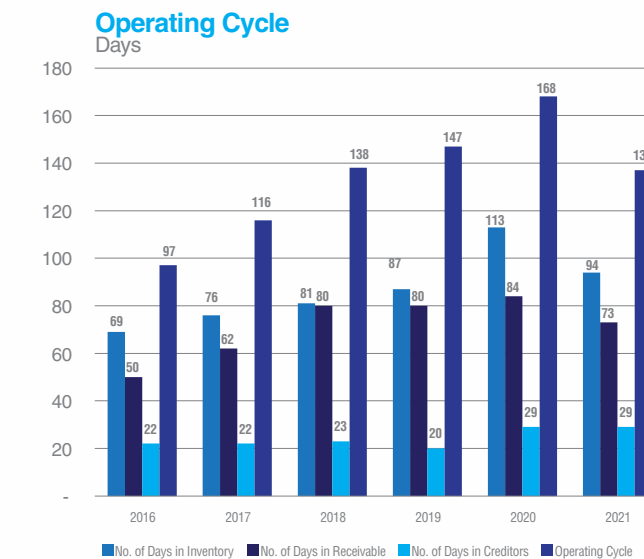
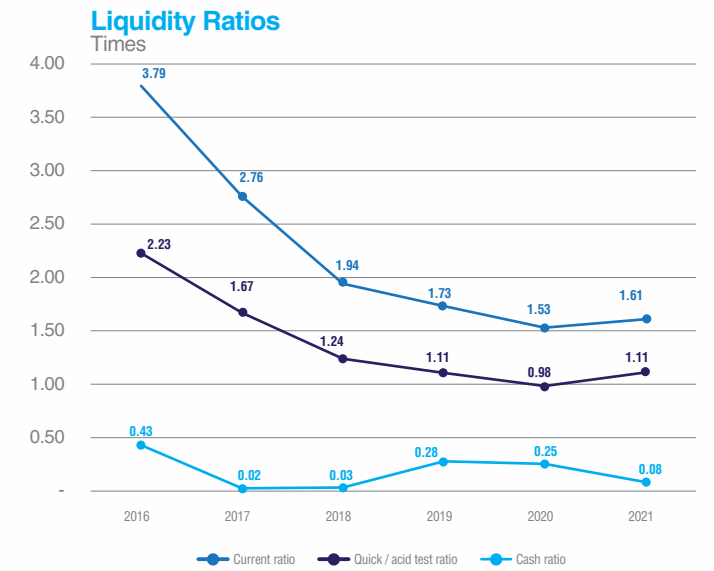
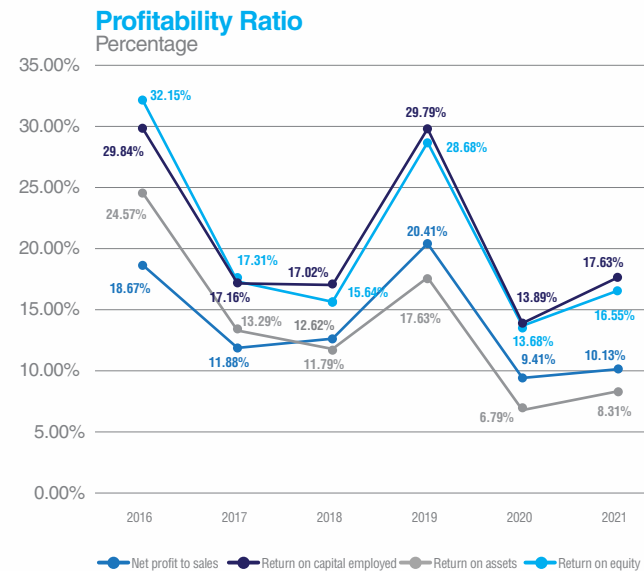
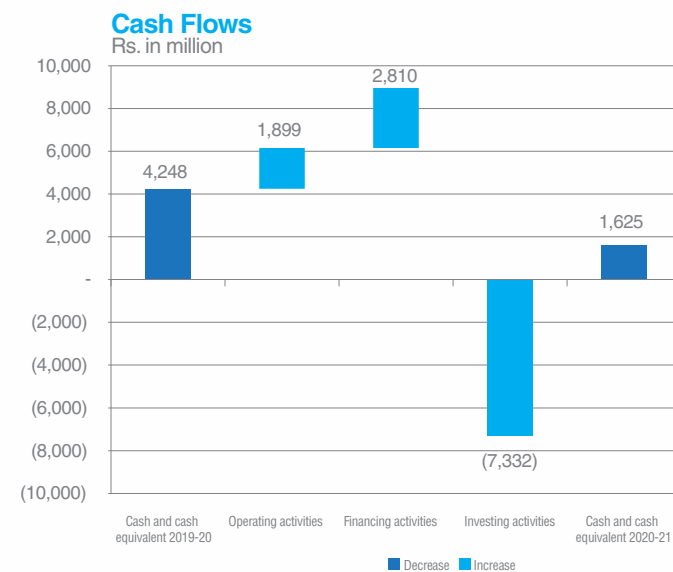
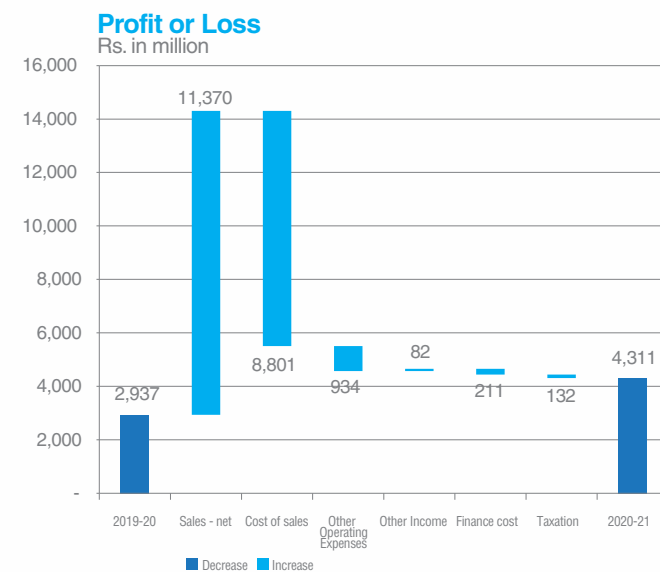
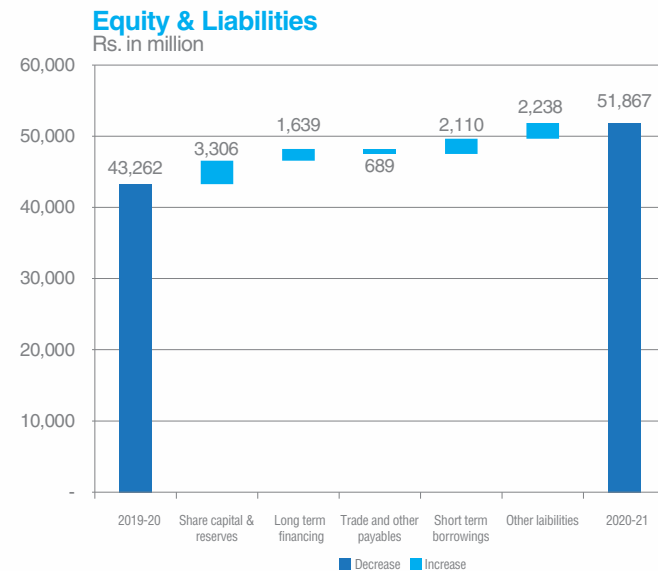
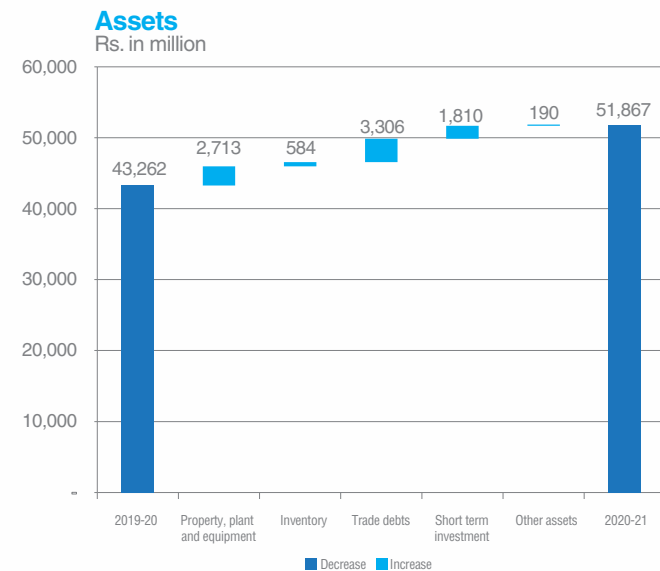


THE DIFFERENCE IN  
**WINNING** AND LOSING  
IS MOST OFTEN  
**NOT QUITTING**

شاہیں بھی پرواز سے تھک کر نہیں گرتا  
پر دم ہے اگر تو تو نہیں خطرہ افتاد



# FINANCIALS AT A GLANCE





## Profitability Ratios

## Liquidity Ratios

### Activity / Turnover Ratio

Investment / Market ratio

## Capital Structure

### Employee Productivity Ratio

### Non Financial Ratio

## Others

Spare inventory as % of Total Asset	%	<b>0.40%</b>	0.44%	0.82%	1.35%	0.70%	1.23%
Maintenance cost as % of operating expenses	%	<b>2.07%</b>	2.14%	2.00%	1.97%	2.13%	2.38%

## Assets

## Assets

### Non current assets

## Current assets

## Store an

## Total assets

## Share capital and reserves

## Liabilities

## Liabilities

## Liabilities

## Current liabilities

## Total equity and liabilities

Annual Report 2021



# VERTICAL ANALYSIS - STATEMENT OF FINANCIAL POSITION

	2021	2020	2019	2018	2017	2016
	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
	%	%	%	%	%	%
<b>Assets</b>						
<b>Non current assets</b>						
Property, plant and equipment	20,308,105	17,595,012	13,458,882	10,846,978	8,262,151	6,749,864
Long-term investments	-	-	186,153	-	608	-
Other non-current assets	86,279	75,930	18,232	10,203	10,078	6,397
	39.15	40.67	39.43	46.12	43.88	43.52
	0.17	0.18	0.55	0.04	0.00	-
	39.32	40.85	40.03	46.17	43.93	43.56
<b>Current assets</b>						
Store and spares	1,303,298	886,495	908,514	632,710	498,033	567,422
Stock-in-trade	8,437,202	8,269,628	6,411,087	3,892,270	3,637,710	3,046,969
Trade debts	10,115,920	6,809,503	7,629,994	5,191,492	4,354,193	2,782,631
Advances, deposits, prepayments and other receivables	4,108,247	3,117,789	1,770,295	2,309,031	1,709,434	1,364,780
Taxation – net	284,732	472,382	482,195	431,649	265,920	-
Short-term investments	5,598,019	3,787,643	-	-	-	-
Cash and bank balances	1,625,126	2,247,990	3,267,698	203,364	92,931	990,908
	3.13	5.20	9.57	0.86	0.49	6.39
	60.68	59.15	59.97	53.83	56.07	56.44
	31,472,544	25,591,430	20,469,783	12,660,516	10,558,221	8,752,710
<b>Total assets</b>	<b>51,866,928</b>	<b>43,262,372</b>	<b>34,133,050</b>	<b>23,517,697</b>	<b>18,831,058</b>	<b>15,508,971</b>
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Share capital &amp; reserves</b>						
Issued, subscribed and paid-up capital	3,768,009	3,768,009	3,768,009	3,768,009	3,768,009	3,768,009
Reserves	20,684,867	17,379,049	16,335,440	12,399,195	10,739,820	8,999,880
	39.88	40.17	47.86	52.72	57.03	58.03
	24,452,876	21,147,058	20,103,449	16,167,204	14,507,829	12,767,889
	47.15	48.88	58.90	68.74	77.04	82.33
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Deferred liabilities	451,864	205,355	143,494	-	-	-
Long-term financing	5,409,360	5,012,562	1,991,546	750,334	437,142	434,150
Provision for GIDC	1,334,357	-	-	-	-	-
Lease liabilities	660,502	171,678	-	-	-	-
	1.27	0.40	-	-	-	-
	7,856,083	5,389,595	2,135,040	750,334	437,142	434,150
	15.15	12.46	6.26	3.19	2.32	2.80
<b>Current liabilities</b>						
Trade and other payables	5,958,050	6,646,839	5,076,402	3,867,635	3,269,858	2,293,479
Short-term borrowings	11,750,000	9,640,000	6,490,000	2,550,000	500,000	-
Current portion of non-current liabilities	1,669,712	346,524	275,388	162,508	110,008	5,850
Other current liabilities	180,207	92,356	52,771	20,016	6,221	7,603
	0.35	0.21	0.15	0.09	0.03	0.05
	37.71	38.66	34.85	28.06	20.64	14.87
	19,557,969	16,725,719	11,894,561	6,600,159	3,886,087	2,306,932
	37.71	38.66	34.85	28.06	20.64	14.87
<b>Total equity and liabilities</b>	<b>51,866,928</b>	<b>43,262,372</b>	<b>34,133,050</b>	<b>23,517,697</b>	<b>18,831,058</b>	<b>15,508,971</b>
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## COMMENTS ON STATEMENT OF FINANCIAL POSITION

### Assets:

#### Non-Current Assets

Non-current assets primarily include property, plant and equipment, which have increased by PKR 13,638 million over the period of last six years at a CAGR of 24.73% on account of expansion, modernization and balancing of manufacturing facilities.

#### Current Assets

Current assets primarily includes stock-in-trade, trade debts, other receivables and short-term investment, which have increased steadily over the period on account of growth in business levels and operations.

### Liabilities:

#### Non-Current Liability

Non current liabilities includes long term financing, deferred liabilities, lease liabilities and non-current portion of GIDC provision. Long term financing has increased over the years due to long term finance obtained for acquisition of plant and machinery on account of expansion and modernization of production facilities. Non-current portion of GIDC provision has been reclassified from current liabilities in accordance with guidance issued by ICAP.

#### Current Liability

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 13.9% over the past six years, primarily due to increase in retained profits of the Company.



# HORIZONTAL ANALYSIS - STATEMENT OF PROFIT OR LOSS

	2021		2020		2019		2018		2017		2016	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Sales	42,575,465	36.43	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
Cost of sales	(32,509,338)	37.12	(23,708,613)	9.76	(21,600,408)	27.43	(16,950,429)	5.52	(16,063,005)	12.62	(14,263,192)	4.79
Gross profit	10,066,127	34.27	7,497,064	(3.24)	7,748,030	58.16	4,898,749	(0.95)	4,945,630	(20.24)	6,200,253	25.61
Administrative costs	(1,258,470)	10.28	(1,141,164)	10.16	(1,035,928)	11.42	(929,747)	17.40	(791,937)	17.13	(676,100)	15.31
Distribution costs	(3,141,547)	38.01	(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)
Other expenses	(619,275)	(7.27)	(667,832)	87.21	(356,736)	68.03	(212,307)	(2.38)	(217,483)	(18.49)	(266,807)	49.40
	(5,019,292)	22.86	(4,085,368)	19.47	(3,419,554)	25.37	(2,727,542)	9.02	(2,501,769)	11.27	(2,248,438)	(4.92)
Other income	300,776	37.41	218,888	(89.31)	2,048,510	185.04	718,671	1,080.51	60,878	(56.31)	139,352	55.34
Operating profit	5,347,611	47.29	3,630,584	(43.07)	6,376,986	120.670	2,889,878	15.38	2,504,739	(38.78)	4,091,168	53.75
Finance costs	(558,327)	60.92	(346,959)	122.56	(155,892)	81.84	(85,729)	55.76	(55,039)	(6.90)	(59,117)	(55.65)
Profit before taxation	4,789,284	45.85	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
Provision for taxation	(477,993)	37.99	(346,404)	49.77	(231,284)	344.33	(52,052)	(230.20)	39,977	(118.01)	(221,968)	9.89
Profit after taxation	4,311,291	46.78	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

# VERTICAL ANALYSIS - STATEMENT OF PROFIT OR LOSS

	2021		2020		2019		2018		2017		2016	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Sales - net	42,575,465	100.00	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
Cost of sales	(32,509,338)	(76.36)	(23,708,613)	(75.98)	(21,600,408)	(73.60)	(16,950,429)	(77.58)	(16,063,005)	(76.46)	(14,263,192)	(69.70)
Gross profit	10,066,127	23.64	7,497,064	24.02	7,748,030	26.40	4,898,749	22.42	4,945,630	23.54	6,200,253	30.30
Administrative costs	(1,258,470)	(2.96)	(1,141,164)	(3.66)	(1,035,928)	(3.53)	(929,747)	(4.26)	(791,937)	(3.77)	(676,100)	(3.30)
Distribution costs	(3,141,547)	(7.38)	(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)
Other expenses	(619,275)	(1.45)	(667,832)	(2.14)	(356,736)	(1.22)	(212,307)	(0.97)	(217,483)	(1.04)	(266,807)	(1.30)
	(5,019,292)	(11.79)	(4,085,368)	(13.09)	(3,419,554)	(11.65)	(2,727,542)	(12.48)	(2,501,769)	(11.91)	(2,248,438)	(10.99)
Other income	300,776	0.71	218,888	0.70	2,048,510	6.98	718,671	3.29	60,878	0.29	139,352	0.68
Operating profit	5,347,611	12.56	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
Finance costs	(558,327)	(1.31)	(346,959)	(1.11)	(155,892)	(0.53)	(85,729)	(0.39)	(55,039)	(0.26)	(59,117)	(0.29)
Profit before taxation	4,789,284	11.25	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
Taxation	(477,993)	(1.12)	(346,404)	(1.11)	(231,284)	(0.79)	(52,052)	(0.24)	39,977	0.19	(221,968)	(1.08)
Profit after taxation	4,311,291	10.13	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



# COMMENTS ON STATEMENT OF PROFIT OR LOSS

## Sales:

Revenues have nearly doubled in the past six years from PKR 20.46 billion in 2016 to PKR 42.57 billion in 2021 at a CAGR of 15.78%. The increase in sales revenue is attributable to management's continuous focus to increase market share and customer base, while the rupee devaluation against foreign currencies also impacted the net turnover positively. The sales prices have been under pressure owing to competition in export market however, the overall product mix has been improved to maintain the average prices. In the current year, the Company has recorded its highest ever sales revenue both value and volumes.

## Cost of Sales:

Cost of sales increased from PKR 14.26 billion in 2016 to PKR 32.51 billion in 2021. The increase in cost of sales is primarily attributable to volumetric growth. However, the ever increasing trend in raw material cost, energy cost and negative impact of exchange rate fluctuation on key cost components creates challenges to keep the cost competitive.

## Operating Profit:

Operating profit increased over the past six years from PKR 4,091 million in 2016 to PKR 5,348 million in 2021 at a CAGR of 5.5%. The steady growth in operating profit of the Company is a result of management's focused efforts to improve efficiencies and economies of scale.

# SUMMARY OF CASH FLOW STATEMENT

	2021	2020	2019	2018	2017	2016
	Rupees in '000					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before taxation	4,789,284	3,283,625	6,221,094	2,804,149	2,449,701	4,032,050
<b>Adjustments for:</b>						
Depreciation and Amortization	1,703,743	1,339,966	933,609	745,374	573,674	473,395
Loss / (gain) on disposal of operating fixed assets	20,821	47,595	15,026	46,530	54,688	(1,942)
Impairment	-	-	-	608	-	-
Operating fixed assets written off	-	13,379	-	-	-	-
Provision for slow moving and obsolete stores and spares	14,677	23,807	-	-	-	-
Provision for doubtful advances	-	104,969	-	-	-	-
Allowance for expected credit loss on trade debts	6,163	16,944	-	-	-	-
Finance costs	558,327	346,959	155,892	85,729	55,039	59,117
Provision for gratuity	217,839	111,680	143,494	-	-	-
Reversal of provision against doubtful advances	(62,901)	-	-	-	-	-
Interest on bank deposit	(49,237)	(59,801)	(55,627)	-	-	-
Dividend income on open ended mutual fund units	(188,638)	(159,087)	-	-	-	-
	2,220,794	1,786,411	1,192,394	878,241	683,401	530,570
<b>Changes in working capital</b>						
Stores and spares	(431,480)	(1,788)	(275,804)	(134,677)	69,389	(122,276)
Stock-in-trade	(167,574)	(1,858,541)	(2,518,817)	(254,560)	(590,742)	(664,406)
Trade debts	(3,312,580)	803,547	(2,438,502)	(837,300)	(1,571,562)	40,415
Advances, deposits, prepayments and other receivables	(933,706)	(1,290,618)	354,769	(526,449)	(252,084)	(385,005)
Trade and other payables	637,500	1,560,598	1,208,769	524,631	883,809	96,320
	(4,207,840)	(786,802)	(3,669,585)	(1,228,355)	(1,461,190)	(1,034,952)
<b>Cash generated from operations</b>	2,802,238	4,283,234	3,743,903	2,454,035	1,671,912	3,527,668
Finance costs paid	(555,013)	(307,408)	(123,636)	(72,229)	(51,579)	(72,008)
Income taxes paid	(290,343)	(336,591)	(281,830)	(217,780)	(230,902)	(217,009)
Long-term deposits	(16,580)	-	(8,047)	(1,230)	(707)	(666)
Gratuity paid	(41,175)	(26,888)	-	-	-	-
	(903,111)	(670,887)	(413,513)	(291,239)	(283,188)	(289,684)
<b>Net cash generated from operating activities</b>	1,899,127	3,612,347	3,330,390	2,162,796	1,388,724	3,237,984
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Fixed capital expenditure	(3,827,021)	(5,253,765)	(3,633,853)	(3,441,082)	(1,762,999)	(1,463,373)
Proceeds from disposal of operating fixed assets	61,611	98,253	73,332	65,455	37,721	22,812
Long term investment made	-	-	-	-	(608)	-
Short-term investments made	(3,810,376)	(1,684,533)	-	-	-	-
Interest received on bank deposit	55,386	54,100	53,439	-	-	-
Dividend income received on open ended mutual fund units	188,638	55,977	-	-	-	-
<b>Net cash used in investing activities</b>	(7,331,762)	(6,729,968)	(3,507,082)	(3,375,627)	(1,725,886)	(1,440,561)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Dividends paid	(909,265)	(1,921,651)	(2,053,066)	(1,092,427)	(1,167,966)	(1,055,160)
Long-term financing obtained – net	1,705,579	2,975,446	1,354,092	365,691	107,150	(39,262)
Short-term borrowings obtained – net	2,110,000	3,150,000	3,940,000	2,050,000	500,000	-
Principal portion of lease liabilities paid	(96,543)	(105,882)	-	-	-	-
<b>Net cash generated / (used) from financing activities</b>	2,809,771	4,097,913	3,241,026	1,323,264	(560,816)	(1,094,422)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(2,622,864)	980,292	3,064,334	110,433	(897,978)	703,001
<b>Cash and cash equivalents at the beginning of the year</b>	4,247,990	3,267,698	203,364	92,931	990,909	287,908
<b>Cash and cash equivalents at the end of the year</b>	1,625,126	4,247,990	3,267,698	203,364	92,931	990,909



# COMMENTS ON STATEMENT OF CASH FLOW

## Operating Activities:

The Company has been able to generate healthy operating cash flows over a period of time. In current year, cash generated from operating activities decreased primarily on account of higher trade debts as at the year end owing to higher sales in last two quarters.

## Investing Activities:

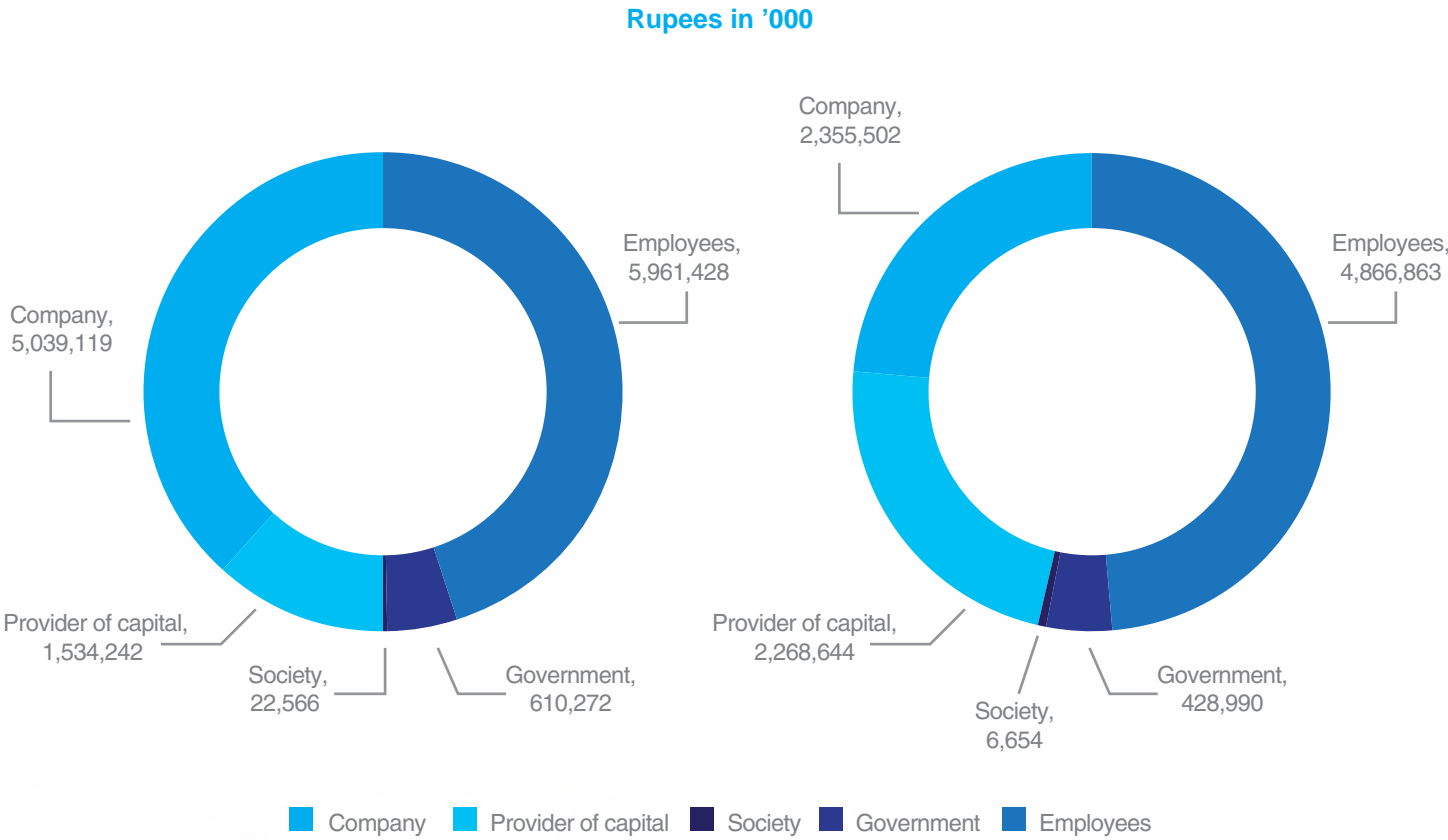
The cash used in investing activities comprises mainly of investment in Capital expenditure and short-term investment. The cash flows used in investing activities were PKR 7,332 Million in 2021 compared to PKR 1,440 Million in 2016. Investment in capital expenditure relates to the expansion, modernizing and replacement of the manufacturing facilities which were the major constituents of cash outflows from investing activities. While, the Company have made short-term investment from it's surplus funds during the year.

## Financing Activities:

Financing activities comprises mainly of cash flows from long-term and short-term loans and dividends paid to shareholders.

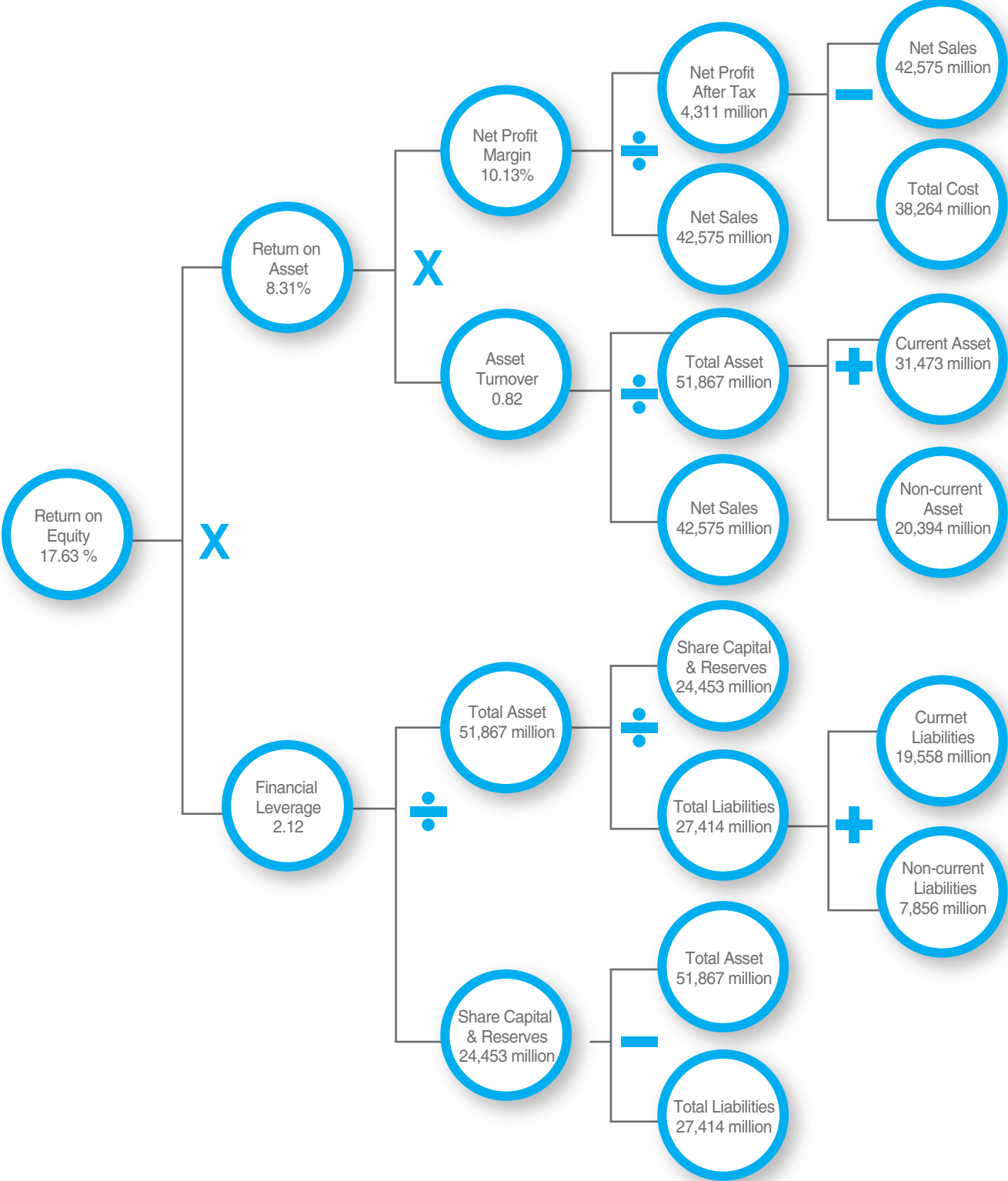
# STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2021		2020	
	Rupees in '000	%	Rupees in '000	%
<b>Wealth generated</b>				
Sales including sales tax	42,674,117		31,263,560	
Other operating income	300,776		218,888	
Brought-in-material & services	(29,807,266)		(21,555,795)	
	<b>13,167,627</b>	<b>100%</b>	<b>9,926,653</b>	<b>100%</b>
<b>Wealth distribution</b>				
<b>To Employees</b>				
Salaries, benefit and other cost	5,961,428	45.27%	4,866,863	49.03%
<b>To Government</b>				
Income tax, sales tax, excise duty and others	610,272	4.63%	428,990	4.32%
<b>To Society</b>				
Donation towards education and health	22,566	0.17%	6,654	0.07%
<b>To Provider of capital</b>				
Cash dividend to shareholder	975,915	7.41%	1,921,685	19.36%
Finance cost	558,327	4.24%	346,959	3.50%
<b>To Company</b>				
Depreciation, amortization & retained profit	5,039,119	38.27%	2,355,502	23.73%
	<b>13,167,627</b>	<b>100%</b>	<b>9,926,653</b>	<b>100%</b>





# DUPONT ANALYSIS



Year	ROE	Profit Margin	Total asset turnover	Financial Leverage
2021	17.63%	10.13%	0.82	2.12
2020	13.89%	9.41%	0.72	2.05
2019	29.79%	20.41%	0.86	1.69
2018	17.02%	12.60%	0.94	1.44
2017	17.16%	11.85%	1.12	1.29
2016	29.84%	18.62%	1.32	1.21

## Comments on DuPont Analysis

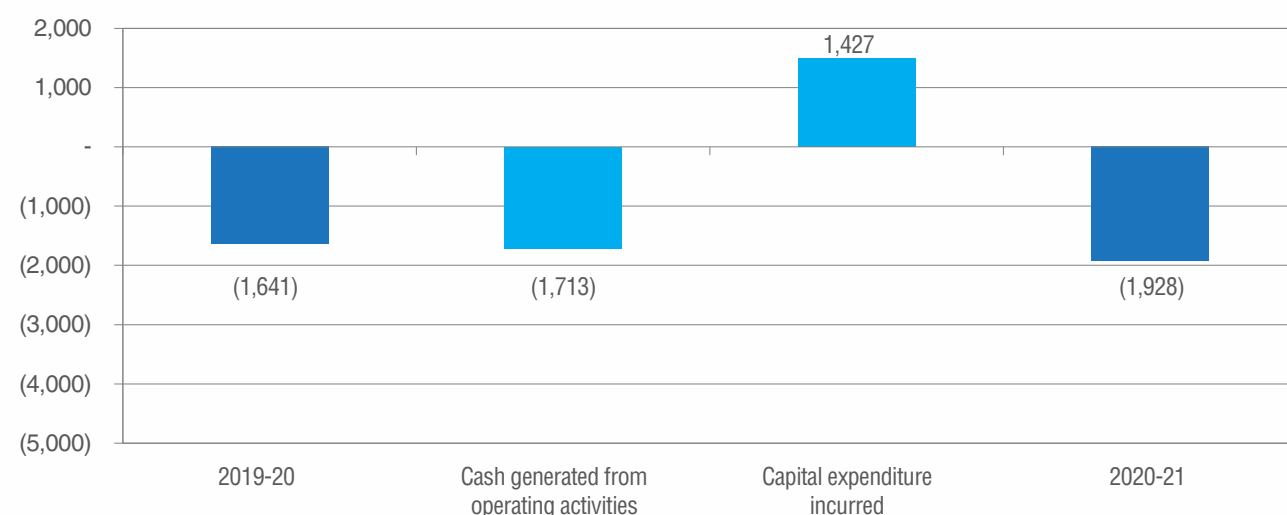
- Profit margin of the Company increased in the current year mainly on account of higher sales and thus leverage of fixed cost. Also, corresponding last year had the impact of COVID-19 affecting Q4FY20.
- The asset base of the Company has improved during the current year mainly on account of expansion, modernization and replacement of manufacturing facilities.
- The Financial Leverage ratio of the Company has increased due to long-term loans obtained to finance the acquisition of plant and machinery.



# FREE CASH FLOW

Cash generated from operating activities  
Less: Capital expenditure incurred

2021	2020
----- Rupees in '000 -----	
1,899,127	3,612,347
(3,827,021)	(5,253,765)
<u>(1,927,894)</u>	<u>(1,641,418)</u>



Free cashflows for the year ended June 30, 2021 is negative due to decrease in cash generated from operating activities as compared to previous year. It was significantly higher due to reduced working capital requirement for business activities as a result of COVID-19 lock-down in Q4FY20 and trade debtors outstanding as at Q3FY20 reporting period end.

# ECONOMIC VALUE ADDED

Net operating profit after tax  
Cost of capital  
**Economic value added**

2021	2020
----- Rupees in '000 -----	
4,869,618	3,284,180
(3,424,067)	(2,239,742)
<u>1,445,551</u>	<u>1,044,438</u>

## Cost of capital

Total assets  
Less: current liabilities  
Invested capital  
WACC  
Cost of capital

51,866,928	43,262,372
(19,557,969)	(16,725,719)
<u>32,308,959</u>	<u>26,536,653</u>
10.60%	8.44%
<u>3,424,067</u>	<u>2,239,742</u>

# STATEMENT OF CASH FLOW DIRECT METHOD

## CASH FLOWS FROM OPERATING ACTIVITIES

Proceeds from customers  
Proceeds from Government refundable

2021	2020
----- Rupees in '000 -----	
38,287,333	30,879,949
645,733	1,187,265
<u>38,933,066</u>	<u>32,067,214</u>

Payments to suppliers / service providers etc.  
Payments to employees  
Finance costs paid  
Income taxes paid  
Long-term deposits  
Gratuity paid

(30,552,484)	(23,264,666)
(5,578,344)	(4,519,314)
(555,013)	(307,408)
(290,343)	(336,591)
(16,580)	-
(41,175)	(26,888)
<u>(37,033,939)</u>	<u>(28,454,867)</u>

**Net cash generated from operating activities**

1,899,127	3,612,347
-----------	-----------

## CASH FLOWS FROM INVESTING ACTIVITIES

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

(3,827,021)	(5,253,765)
61,611	98,253
(3,810,376)	(1,684,533)
55,386	54,100
188,638	55,977
<u>(7,331,762)</u>	<u>(6,729,968)</u>

## CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid  
Long-term financing obtained – net  
Short-term borrowings obtained – net  
Principal portion of lease liabilities paid  
**Net cash generated from financing activities**

(909,265)	(1,921,651)
1,705,579	2,975,446
2,110,000	3,150,000
(96,543)	(105,882)
<u>2,809,771</u>	<u>4,097,913</u>

**Net increase in cash and cash equivalents**

(2,622,864)	980,292
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**Cash and cash equivalents at the beginning of the year**

4,247,990	3,267,698
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**Cash and cash equivalents at the end of the year**

<u>1,625,126</u>	<u>4,247,990</u>
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# QUARTERLY PERFORMANCE ANALYSIS

	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	10,061,524	100.0%	11,034,704	100.0%	10,823,174	100.0%	10,656,063	100.0%	42,575,465	100.0%
Cost of sales	(7,309,693)	-72.6%	(8,407,903)	-76.2%	(8,202,798)	-75.8%	(8,588,944)	-80.6%	(32,509,338)	-76.4%
<b>Gross profit</b>	2,751,831	27.4%	2,626,801	23.8%	2,620,376	24.2%	2,067,119	19.4%	10,066,127	23.6%
Administrative costs	(302,891)	-3.0%	(301,759)	-2.7%	(335,398)	-3.1%	(318,422)	-3.0%	(1,258,470)	-3.0%
Distribution costs	(696,536)	-6.9%	(861,289)	-7.8%	(824,701)	-7.6%	(759,021)	-7.1%	(3,141,547)	-7.4%
Other expenses	(98,618)	-1.0%	(357,293)	-3.2%	(358,540)	-3.3%	195,176	1.8%	(619,275)	-1.5%
	(1,098,045)	-10.9%	(1,520,341)	-13.8%	(1,518,639)	-14.0%	(882,267)	-8.3%	(5,019,292)	-11.8%
	1,653,786	16.4%	1,106,460	10.0%	1,101,737	10.2%	1,184,852	11.1%	5,046,835	11.9%
Other income	172,276	1.7%	71,302	0.6%	41,125	0.4%	16,073	0.2%	300,776	0.7%
<b>Operating Profit</b>	1,826,062	18.1%	1,177,762	10.7%	1,142,862	10.6%	1,200,925	11.3%	5,347,611	12.6%
Finance costs	(107,233)	-1.1%	(127,755)	-1.2%	(114,012)	-1.1%	(209,327)	-2.0%	(558,327)	-1.3%
<b>Profit before taxation</b>	1,718,829	17.1%	1,050,007	9.5%	1,028,850	9.5%	991,598	9.3%	4,789,284	11.2%
Taxation	(103,750)	-1.0%	(146,849)	-1.3%	(110,721)	-1.0%	(116,673)	-1.1%	(477,993)	-1.1%
<b>Profit after taxation</b>	1,615,079	16.1%	903,158	8.2%	918,129	8.5%	874,925	8.2%	4,311,291	10.1%
<b>Earning per share</b>	4.29		2.40		2.44		2.32		11.44	

This is a story of two halves - the business situation was in stark contrast. The above quarterly analysis of statement of profit or loss shows consistency in Company's earning performance, except for the first quarter. The key cost components were almost in line with expectations, however, yarn cost started increasing from second half of the year. Foreign currency exchange rate experienced high volatility during the year posing a challenge in planning. Moreover, owing to booming demand of goods and some economies still struggling, the distribution cost rose in second half of the year aggravating the situation.

## ANALYSIS ON FINANCIAL & NON-FINANCIAL PERFORMANCE

### Financial Performance

#### I. Financial Performance in comparison with Prior year

The Company has successfully managed to achieve highest ever net sales revenue in its history of PKR 42,575 million in current year as compared to PKR 31,206 million in prior year with an increase of 36.43%. The textile export orders in the Country have recorded a historical jump after the COVID-19 lock-down situation in the neighboring countries which is also evident by the significant growth in the Company's net sales revenue. The gross profit margin during the year under review has slightly decreased primarily due to sharp increase in raw material prices. Whereas the net profit after tax during the period is PKR 4,311 million as compared to PKR 2,937 million in prior year, an increase of 46.78% over last year. The increase in net profit margin as compared to last year is double fold. Foremost, there is significant volumetric growth in sale volumes and also the Q4 of last year had an impact of lock-down.

The comprehensive analysis of the Company's financial performance in comparison to the prior year has been reported in the financial and operations overview section of Directors' Report. Further details given in the section six years analysis of financial statement of this Annual Report.

#### II. Financial performance in comparison with Budget

The management strictly follow the practice of preparation & monitoring of budgets to ensure that the financial, operational and capital plans that were developed and approved for implementation as part of the budget processes are being implemented. After execution, budget are rigorously monitored in order to enforce accountability related to spending. In addition, this regular & comprehensive monitoring exercise allows the management to evaluate service level provision, ensure any new initiatives are making expected progress towards goals/expectations and learn more about trends that may impact future operations.

The Company's sales have exceeded the budgeted numbers for the current financial year. The cost however remained higher than the Budget expectation due to changes in market scenario and global supply chain situation.



Key Performance Indicators

Key Performance Indicator is a measurable value that demonstrates how effectively the Company is achieving key business objectives. The Company uses KPIs at multiple levels to evaluate their success in achieving targets. The KPIs evaluated to measure achievement against objectives has been detailed below:



Non-Financial Indicators

Capital Form	Objective	KPI Monitored
Manufactured Capital	Customer Satisfaction	Product quality is maintained at every stage of production cycle to ensure that our products meet the requirements of our customer at all times.
	Process improvement and innovation	Adoption of Kaizen techniques across all functional levels and process improvements were observed.
Human Capital	Employee's engagement	Given the COVID-19 SOPs, the Company managed to organize activities and events for employee engagement.
	Health & Safety	The health and safety measures is at the very top of the Company's core philosophy. Company wide COVID-19 vaccination drive is in progress, in addition to that regular refresher sessions were conducted to ensure health and safety of employees.
Natural Capital	Adopting and promoting environmental good practices	The Company has taken multiple steps to Reduce, Reuse and Recycle waste (3Rs), minimizing natural resource consumption and treat any harmful emissions before they are released to minimize environmental footprints.
Financial Capital	Maximizing market share and expanding customer base	Consistent growth in sales revenue has enabled the Company to increase its market share in Country's terry export market and expanding its customer base.
Social and Relationship Capital	Responsibility & contribution towards society	The Company actively participated and contributed towards various CSR related activities.
Intellectual Capital	Recruitment, retention and development of employee competencies	Being one of the core values of the Company, various trainings sessions were executed to improve competencies and development of employees across all cadres.

Budget

The Company acknowledges the importance of non-financial objectives and accordingly has allocated budget for the development of its manufactured / human / social / relationship capital for the upcoming year. The management continuously monitors the above KPIs and significant deviations from the previous year are investigated for corrective actions.



## Methods and Assumptions used in compiling the Key Performance Indicators

A key performance indicator represents parameters and factors that may cast an impact of decisive nature on a Company's financial and non-financial performance. The Company uses different sets of methods and assumptions while compiling its financial and non-financial indicators. All the indicators are devised in the light of below stated basic assumptions and are periodically reviewed and monitored.

The key assumptions used for compiling non-financial indicators are export market trends, building relationships with customers, stakeholder's expectation, and process improvement through variety of technological advancement.

The key assumptions used for compiling financial indicators are given below:

### Financial Position

- Appropriateness of capital mix in the Company.
- Change in operating cycle.
- Monitoring current ratio.

### Financial performance

- Growth in export sales performance.
- Hedging foreign currency transaction to mitigate adverse impact of currency rate fluctuation.
- Monitoring key components of variable cost.
- Initiating and maintaining techniques for optimal fixed cost absorption.

### Liquidity Position

- Monitoring of funds used in / generated from operating, investing and financial cash flow activities.
- Reviewing funds used in working capital management.

# MAJOR CAPITAL EXPENDITURES

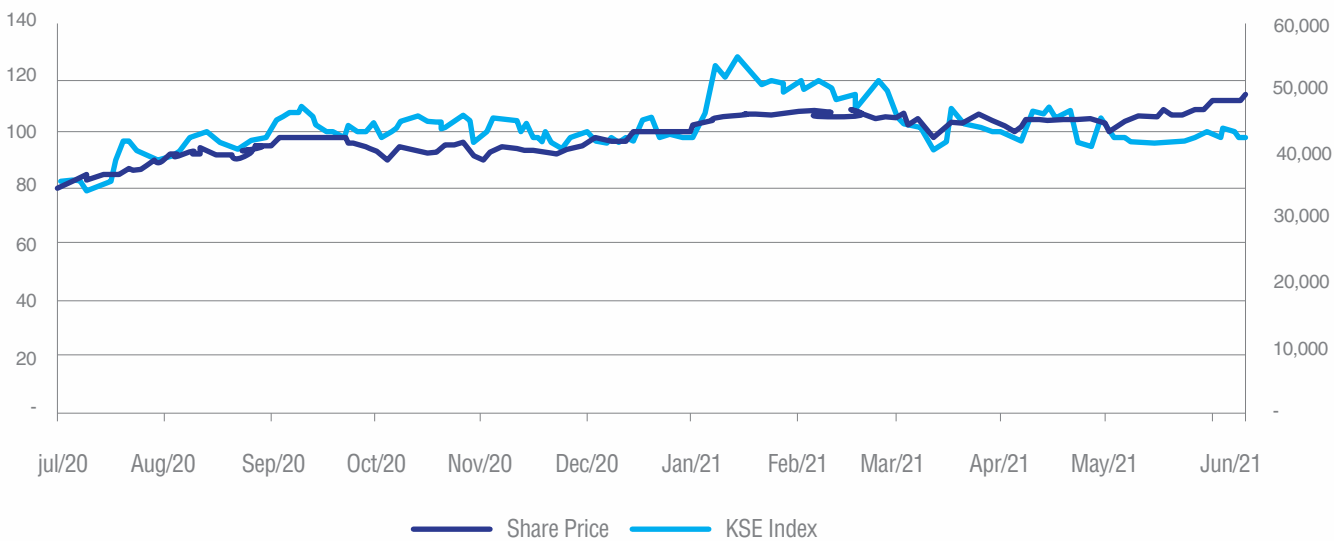
In order to remain competitive and serve growing needs of customers, the Company invests regularly to enhance production capacity and bring efficiency into existing operations. This year, capital expenditure of Rs. 3.8 billion has been made. This mainly includes, apart from routine replacements, investment made in enhancing production capacity of spinning, weaving, dyeing and stitching processes. These capacity enhancement projects will enter into advanced stages during next fiscal year.

# SHARE PRICE INFORMATION AND SENSITIVITY ANALYSIS

## Share price sensitivity analysis

Share prices depend on overall market performance, investor confidence in the economy, this particular sector, the overall fundamentals of the company and policies issued/imposed by Government and regulatory bodies. Positive sentiments, news flows prevailing in the market may result in fluctuation of the share price of the Company.

Being a responsible and law-compliant Company, Feroze1888 circulates price sensitive information to the Stock Exchange in accordance with the requirements of listing regulations in timely manner. FML's share price was PKR 81.8 per share on June 30, 2020 as compared to PKR 100.51 on June 30, 2021. As shown in below graph, the share price of the Company is consistently increasing since last year. During the year market price of the share observed fluctuation from the lowest of PKR 81.01 per share on July 09, 2020 to highest of PKR 127.48 per share on January 14, 2021.







مَنْزِل سے آگے بڑھ کر مَنْزِل تِلَاشِ کر  
مِل جُا جُا تَح کو دِریا تو سَمندر تِلَاشِ کر

**DON'T LIMIT YOURSELF** TO  
THE SKIES WHEN THERE IS A  
WHOLE GALAXY OUT THERE

مَنْزِل سے آگے بڑھ کر  
مِل جُا جُا تَح کو دِریا تو سَمندر تِلَاشِ کر



## ADOPTION AND STATEMENT OF 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, and 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 and resource allocation
- Risks and opportunities Outlook
- Governance
- Performance and position
- Corporate Social Responsibility and Sustainability
- 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.

## BRIEF ABOUT THE REPORT

Feroze1888 Mills has always been committed towards transparency in its practices to create value for its stakeholders. The Report is structured to provide information about the operations and affairs of the Company to assist our investors and other stakeholders in assessing our business. We have adopted the International Integrated Reporting Framework to design this Annual Report to give readers an insight into the strategic thinking that drives Feroze1888 Mills forward, governance, performance and future prospects. This report covers the following sections:

- Company overview and external environment
- Strategy, Resource allocation and Future Outlook
- Risks and opportunities
- Governance
- Stakeholder's relationship and engagement
- Sustainability & Corporate social responsibility
- Excellence in corporate reporting

The report includes both financial and non-financial information on performance, risks and opportunities and outcomes attributable to our activities and key stakeholders of the Company.





Building a better  
working world

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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 2021**, 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 2021 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.

*Signature*



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>1. Capital expenditure and related financing for capacity enhancement</b> <p>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 various modes of financings.</p> <p>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.</p> <p>Accordingly, we have identified the capital expenditure and related financing as a key audit matter.</p>	<p>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.</p> <p>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.</p> <p>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.</p> <p>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. Further, we challenged the useful lives with reference to the Company's historical experience and by reference to the depreciation policies and useful lives applied by Companies having business profile comparable with the Company operating similar assets.</p> <p>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.</p> <p>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.</p> <p>We assessed the adequacy of the disclosures as per the requirements set out in the applicable financial reporting framework.</p>

Key audit matters	How the matter was addressed in our audit
<b>2. Existence and Valuation of stock in trade</b> <p>As disclosed in note 10 to the accompanying financial statements, the stock in trade balance constitutes 16% of total assets of the Company. This comprises of raw material, Work-in-progress and finished goods.</p> <p>As described in note 5.4 to the financial statements, Raw materials and finished goods are valued at lower of average cost and estimated Net Realizable Value (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. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads. There is an element of judgement involved in determining an appropriate costing basis and assessing its valuation.</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 assessed NRV by comparing management's estimation of future selling prices for the products with the selling prices achieved subsequent to the reporting period.</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 as per the guidelines set out in the applicable financial reporting requirements.</p>
<b>3. Revenue recognition</b> <p>The Company's revenue comprises mainly of export sales which is earned from various customer segments with significant volume of revenue transactions. The recognition of revenue depends on the nature of contractual arrangements and shipping terms agreed with the customers.</p> <p>We identified revenue recognition and its reporting in the financial statements as a key audit matter primarily due to significant increase (36%) in revenue from last year, significant volume of transactions, and the amount of audit efforts in relation to this area. (Refer to note 5.20 and 25 for accounting policy and relevant disclosures respectively in respect of revenue).</p>	<p>We performed a range of audit procedures in relation to revenue including review of the terms and conditions of distinct sale transactions with different customer segments and assessed the appropriateness of revenue recognition policies and practices followed by the Company.</p> <p>We tested controls over revenue recognition and reporting process including key IT application controls, IT dependent manual controls and IT general controls for the relevant IT systems used for revenue transaction processing by the Company.</p> <p>We performed substantive analytical procedures and other test of details over various revenue streams including the cut-off procedures to check that revenue has been recognised in the appropriate accounting period.</p> <p>We assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements.</p>



### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

### Report on Other Legal and Regulatory Requirements

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

- 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, 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:

30 September 2021



# STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	6	20,308,105	17,595,012
Intangible assets	7	23,309	29,540
Long term deposits	8	62,970	46,390
		<b>20,394,384</b>	<b>17,670,942</b>
<b>Current assets</b>			
Stores and spares	9	1,303,298	886,495
Stock in trade	10	8,437,202	8,269,628
Trade debts	11	10,115,920	6,809,503
Advances, deposits, prepayments and other receivables	12	4,108,247	3,117,789
Taxation - net		284,732	472,382
Short term investment	13	5,598,019	3,787,643
Cash and bank balances	14	1,625,126	2,247,990
		<b>31,472,544</b>	<b>25,591,430</b>
<b>Total assets</b>		<b>51,866,928</b>	<b>43,262,372</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 400,000,000 (2020: 400,000,000) ordinary shares of Rs 10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up capital	15	3,768,009	3,768,009
Capital reserve	16	758,663	758,663
Revaluation surplus on property, plant and equipment		1,486,262	1,486,262
Revenue reserve - accumulated profit		18,439,942	15,134,124
		<b>24,452,876</b>	<b>21,147,058</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred liabilities	17	451,864	205,355
Long term financing	18	5,409,360	5,012,562
Provision for GIDC	19	1,334,357	-
Lease liabilities	20	660,502	171,678
		<b>7,856,083</b>	<b>5,389,595</b>
<b>Current liabilities</b>			
Trade and other payables	21	5,958,050	6,646,839
Short term borrowings	22	11,750,000	9,640,000
Accrued mark-up	23	111,651	90,449
Current portion of long term financing	18	1,457,377	214,838
Current portion of lease liabilities	20	212,335	131,686
Unclaimed dividend		1,814	1,907
Unpaid dividend		66,742	-
		<b>19,557,969</b>	<b>16,725,719</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>Total equity and liabilities</b>		<b>51,866,928</b>	<b>43,262,372</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**JAVERIA SIDDIQUI**  
Chief Financial Officer

**REHAN RAHMAN**  
Chief Executive Officer

**AMINAH ZAHID ZAHEER**  
Director

# STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
Sales - net	25	42,575,465	31,205,677
Cost of sales	26	(32,509,338)	(23,708,613)
<b>Gross profit</b>		<b>10,066,127</b>	<b>7,497,064</b>
Administrative cost	27	(1,258,470)	(1,141,164)
Distribution cost	28	(3,141,547)	(2,276,372)
Other expenses	29	(619,275)	(667,832)
		<b>(5,019,292)</b>	<b>(4,085,368)</b>
		<b>5,046,835</b>	<b>3,411,696</b>
Other income	30	300,776	218,888
<b>Operating profit</b>		<b>5,347,611</b>	<b>3,630,584</b>
Finance cost	31	(558,327)	(346,959)
<b>Profit before taxation</b>		<b>4,789,284</b>	<b>3,283,625</b>
Taxation	32	(477,993)	(346,404)
<b>Profit after taxation</b>		<b>4,311,291</b>	<b>2,937,221</b>
<b>Earning per share basic &amp; diluted</b>			
	33	11.44	7.80

The annexed notes 1 to 45 form an integral part of these financial statements.

**JAVERIA SIDDIQUI**  
Chief Financial Officer

**REHAN RAHMAN**  
Chief Executive Officer

**AMINAH ZAHID ZAHEER**  
Director



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>Profit after taxation</b>		<b>4,311,291</b>	2,937,221
<b>Other comprehensive (loss) / income</b>			
<b>Items that will not to be subsequently reclassified to statement of profit or loss</b>			
Actuarial (loss) / gain on post-employment benefits	17.1.2	(29,559)	28,073
<b>Total comprehensive income for the period</b>		<b>4,281,732</b>	2,965,294

The annexed notes 1 to 45 form an integral part of these financial statements.

**JAVERIA SIDDIQUI**  
Chief Financial Officer

**REHAN RAHMAN**  
Chief Executive Officer

**AMINAH ZAHID ZAHEER**  
Director

# STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		4,789,284	3,283,625
<b>Adjustment for:</b>			
Depreciation on operating fixed assets	6.5	1,479,055	1,204,398
Depreciation on right-of-use assets	6.9.1	218,457	134,551
Amortization	7	6,231	1,017
Operating fixed assets written off	29	-	13,379
Provision for slow moving and obsolete stores and spares	29	14,677	23,807
Provision for doubtful advances	29	-	104,969
Allowance for expected credit loss on trade debts	29	6,163	16,944
Finance cost	31	558,327	346,959
Provision for gratuity	17.1.3	217,839	111,680
Interest on bank deposit	30	(49,237)	(59,801)
Dividend income on open ended mutual fund units	30	(188,638)	(159,087)
Reversal of provision against doubtful advances	30	(62,901)	-
Loss on disposal of property, plant and equipment - net	29	20,821	47,595
		2,220,794	1,786,411
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(431,480)	(1,788)
Stock in trade		(167,574)	(1,858,541)
Trade debt		(3,312,580)	803,547
Advances, deposits, prepayments and other receivables		(933,706)	(1,290,618)
		(4,845,340)	(2,347,400)
<b>Increase in current liability</b>			
Trade and other payables		637,500	1,560,598
<b>Net cash used in operations</b>		2,802,238	4,283,234
Finance costs paid		(555,013)	(307,408)
Income taxes paid		(290,343)	(336,591)
Gratuity paid	17.1.1	(41,175)	(26,888)
Long term deposits		(16,580)	-
<b>Net cash generated from operating activities</b>		1,899,127	3,612,347
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,827,021)	(5,253,765)
Proceeds from disposal of operating fixed assets	6.7	61,611	98,253
Short term investments made		(3,810,376)	(1,684,533)
Interest received on bank deposit		55,386	54,100
Dividend income received on open ended mutual fund units		188,638	55,977
<b>Net cash used in investing activities</b>		(7,331,762)	(6,729,968)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(909,265)	(1,921,651)
Principal portion of lease liabilities paid		(96,543)	(105,882)
Short term borrowings obtained – net		2,110,000	3,150,000
Long term financing obtained - net		1,705,579	2,975,446
<b>Net cash generated from financing activities</b>		2,809,771	4,097,913
<b>Net (decrease) / increase in cash and cash equivalent</b>		(2,622,864)	980,292
Cash and cash equivalent at beginning of the year		4,247,990	3,267,698
<b>Cash and cash equivalent at end of the year</b>	37	1,625,126	4,247,990

The annexed notes 1 to 45 form an integral part of these financial statements.

**JAVERIA SIDDIQUI**  
Chief Financial Officer

**REHAN RAHMAN**  
Chief Executive Officer

**AMINAH ZAHID ZAHEER**  
Director



# STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2021

	Share capital	Capital		Revaluation surplus on property, plant and equipment	Revenue	Total
		Merger reserve	Share premium		Accumulated profit	
----- (Rupees '000) -----						
Balance as at June 30, 2019	3,768,009	543,413	215,250	1,499,008	14,077,769	20,103,449
Net profit for the year	-	-	-	-	2,937,221	2,937,221
Other comprehensive income for the year	-	-	-	-	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)
Revaluation surplus reversed on disposal of asset				(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
Net profit for the year	-	-	-	-	4,311,291	4,311,291
Other comprehensive loss for the year	-	-	-	-	(29,559)	(29,559)
Total comprehensive income for the year	-	-	-	-	4,281,732	4,281,732
Final cash dividend for the year ended June 30, 2020 @ Re. 0.59 per share	-	-	-	-	(222,312)	(222,312)
Interim cash dividend for the year ended June 30, 2021 @ Rs. 2.00 per share	-	-	-	-	(753,602)	(753,602)
Balance as at June 30, 2021	3,768,009	543,413	215,250	1,486,262	18,439,942	24,452,876

The annexed notes 1 to 45 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 1 THE COMPANY AND ITS OPERATIONS

Feroze1888 Mills Limited (the Company) was incorporated in Pakistan as a Public Limited Company in October 1972 . The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the production and export of towels. The registered office of the company is situated at H-23/4-A Scheme # 3, Landhi Industrial Area, Karachi.

### 1.1 Geographical location and address of business units

Registered Office	H-23/4A, Scheme # 3, Landhi Industrial Area, Karachi
Office building	Plot # 160, Bangalore Town, Shahrah-e-Faisal Road, Darwaish Colony, Karachi
Mill and Production Plant	H- 23/4-A & H- 23/4-B and H- 23/3-II, Scheme no. 3, Landhi Industrial Area, Karachi. Plot # 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 # L-26, F.B. Industrial Area, Karachi Plot # PL-15, North Karachi Industrial Area, Karachi. Plot # ST-03, North Karachi Industrial Area, Karachi. Plot # 342/A, Haroonabad, SITE, Karachi 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 Plot # D-12 to D-17, K-1 to K-3, M-34, HITE, Hub, Lasbela, Balochistan

### 1.2 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.3,827 million. This includes Rs. 1,104 million for building and Rs. 2,614 million for plant and machinery. These acquisitions have increased the production capacity of the Company.

Significant borrowings were made under the State Bank of Pakistan Long Term Finance Facility and Temporary Economic Refinance 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.

JAVERIA SIDDIQUI  
Chief Financial Officer

REHAN RAHMAN  
Chief Executive Officer

AMINAH ZAHID ZAHEER  
Director



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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, IMPROVEMENTS TO APPROVED ACCOUNTING STANDARDS AND THE FRAMEWORK FOR FINANCIAL REPORTING

### 4.1 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

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

#### Amendment of Framework

IFRS 3	Business Combinations - Definition of a Business (Amendments)
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)
IAS 1 / IAS 8	"Definition of Material (Amendments) "
Conceptual Framework for Financial Reporting	

The adoption of above amendments to the approved accounting standards and the framework for financial reporting did not have any material impact on the Company's unconsolidated financial statements.

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

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendment or Improvement		Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendment)	01 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)	01 April 2021
IFRS 3	Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS 10/IAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023
IAS 1	Disclosure of Accounting Policies (Amendments)	01 January 2023
IAS 16	Proceeds before Intended Use (Amendments)	01 January 2022
IAS 8	Definition of Accounting Estimates (Amendments)	01 January 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	01 January 2023
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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
IFRS 16	Leases: Lease incentives	01 January 2022

The above standards and amendments and improvements are not expected to have any material impact on the Company's financial statements in the period of initial application.

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 and are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application.

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

### 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 and recommendation of in house technical department of the Company. The Company reviews appropriateness of the rate of depreciation, useful life and residual value 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 operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 4.3.2 Stock-in-trade and stores and spares

The Company reviews the carrying amount of inventories on an ongoing basis and as appropriate, inventory 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.

## 4.3.3 Staff gratuity

Certain actuarial assumptions have been adopted as disclosed in note 17.1 to the financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. 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 ECLs for trade debts and other receivables. The provision rates are based on days past due for Company's various customer 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. At every reporting date, 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 40.2.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

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

#### 5.1.1 Operating assets

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 and major overhauling cost of turbines and generators 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 overhauling 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 other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in statement of other 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 property, plant and equipment are reviewed at each statement of financial position date for impairment when events or changes in circumstances indicate that carrying values may not be recoverable. If such indication exists where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

#### 5.1.2 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

### 5.1.3 Right of use asset

The Company recognises a right-of-use assets 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

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

Provision, if required is made in the financial statements for slow moving, obsolete and unusable items. Stores and spares are assessed and 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, 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 date of statement of financial statement

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

### 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, financial assets are classified 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

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 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 the 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 (ECLs) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

ECLs are 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 trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. 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 fair value through profit or loss, loans and borrowings, 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 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 amortised 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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 the 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 in respect of sales, whereas, temporary differences in respect of other income are expected to be negligible.

## 5.8 Cash and cash equivalents

These are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances, short term running finance and trade deposit receipts.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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.

## Short-term leases

The Company applies the short-term lease recognition exemption to its short term leases (i.e., those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short term leases are recognised as expense on a straight line basis over the lease term.

## 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 approved gratuity fund for all permanent employees who have completed the minimum qualifying year of service for entitlement of gratuity. The contributions to the fund 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, 2021 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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 are 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

The Company recognises unclaimed dividend which was declared and remained unclaimed from the date it was due and payable.

## 5.16 Unpaid dividend

Dividend declared and remain unpaid from the date it is due and payable is recognised as unpaid dividend.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 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 shipment.

## 5.21 Other income

Return on short-term 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 5.24 Earnings per share

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

## 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 towels and other textile products. 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.

## 5.27 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period."

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

6	PROPERTY, PLANT AND EQUIPMENT	Note	2021	2020
			----- Rupees in '000 -----	-----
	Operating fixed assets	6.1	17,440,686	14,072,097
	Capital work-in-progress	6.8	2,145,165	3,248,220
	Right of use asset	6.9	722,254	274,695
			<u>20,308,105</u>	<u>17,595,012</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 6.1 Operating fixed assets

	Free hold land	Building on freehold land	Lease hold land	Building on freehold land	Lease-hold improve-ments	Plant and machin-ery	Electric fittings / equip-ments	Office equip-ment	Computers	Furniture and fixtures	Vehicles	Arms and ammuni-tions	Total
<b>As at July 01, 2019</b>													
Cost / revalued amount	441,808	148,250	1,551,678	2,932,299	229,671	10,603,401	409,099	108,496	150,210	60,948	237,521	32	16,873,413
Accumulated depreciation	-	(104,940)	-	(777,685)	(181,756)	(3,990,007)	(147,367)	(47,509)	(102,426)	(27,779)	(105,761)	(32)	(5,485,262)
Net book value	<u>441,808</u>	<u>43,310</u>	<u>1,551,678</u>	<u>2,154,614</u>	<u>47,915</u>	<u>6,613,394</u>	<u>261,732</u>	<u>60,987</u>	<u>47,784</u>	<u>33,169</u>	<u>131,760</u>	-	<u>11,388,151</u>
<b>Year ended June 30, 2020</b>													
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	33,169	131,760	-	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
<b>Disposals / transfers</b>													
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)
<b>Reclassification</b>													
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	<u>441,808</u>	<u>38,979</u>	<u>1,526,268</u>	<u>2,965,684</u>	<u>6,305</u>	<u>8,597,051</u>	<u>241,310</u>	<u>72,683</u>	<u>45,950</u>	<u>32,180</u>	<u>103,879</u>	-	<u>14,072,097</u>
<b>As at June 30, 2020</b>													
Cost / revalued amount	441,808	148,250	1,526,268	4,028,641	229,671	13,086,082	399,507	142,240	147,100	61,239	207,499	32	20,418,337
Accumulated depreciation	-	(109,271)	-	(1,062,957)	(223,366)	(4,489,031)	(158,197)	(69,557)	(101,150)	(29,059)	(103,620)	(32)	(6,346,240)
Net book value	<u>441,808</u>	<u>38,979</u>	<u>1,526,268</u>	<u>2,965,684</u>	<u>6,305</u>	<u>8,597,051</u>	<u>241,310</u>	<u>72,683</u>	<u>45,950</u>	<u>32,180</u>	<u>103,879</u>	-	<u>14,072,097</u>
<b>Year ended June 30, 2021</b>													
Opening net book value	441,808	38,979	1,526,268	2,965,684	6,305	8,597,051	241,310	72,683	45,950	32,180	103,879	-	14,072,097
Additions / transfers during the year	-	-	817,007	587,659	3,586	3,217,294	161,895	71,837	8,181	33,300	29,317	-	4,930,076
<b>Disposals</b>													
Cost	-	-	-	-	-	(228,320)	-	(1,595)	-	-	(51,562)	-	(281,477)
Accumulated depreciation	-	-	-	-	-	164,351	-	1,207	-	-	33,487	-	199,045
Net book value	-	-	-	-	-	(63,969)	-	(388)	-	-	(18,075)	-	(82,432)
<b>Reclassification</b>													
Cost	-	-	-	-	-	(3,765)	743	3,537	(557)	42	-	-	-
Accumulated depreciation	-	-	-	-	-	1,020	(630)	(917)	557	(30)	-	-	-
Net book value	-	-	-	-	-	(2,745)	113	2,620	-	12	-	-	-
Depreciation for the year	-	(3,898)	-	(325,494)	(6,663)	(1,050,802)	(35,135)	(16,421)	(14,783)	(4,945)	(20,914)	-	(1,479,055)
Closing net book value	<u>441,808</u>	<u>35,081</u>	<u>2,343,275</u>	<u>3,227,849</u>	<u>3,228</u>	<u>10,696,829</u>	<u>368,183</u>	<u>130,331</u>	<u>39,348</u>	<u>60,547</u>	<u>94,207</u>	-	<u>17,440,686</u>
<b>As at June 30, 2021</b>													
Cost / revalued amount	441,808	148,250	2,343,275	4,616,300	233,257	16,071,291	562,145	216,019	154,724	94,581	185,254	32	25,066,936
Accumulated depreciation	-	(113,169)	-	(1,388,451)	(230,029)	(5,374,462)	(193,962)	(85,688)	(115,376)	(34,034)	(91,047)	(32)	(7,626,250)
Net book value	<u>441,808</u>	<u>35,081</u>	<u>2,343,275</u>	<u>3,227,849</u>	<u>3,228</u>	<u>10,696,829</u>	<u>368,183</u>	<u>130,331</u>	<u>39,348</u>	<u>60,547</u>	<u>94,207</u>	-	<u>17,440,686</u>
<b>Annual rates of depreciation</b>													
	-	10%	-	10%	40% - 65%	Note 6.1.1	10%	15%	30%	10%	20%	15%	

Depreciation is charged at the rate of 10% on reducing balance method except for major overhauling cost of turbines and generators which is depreciated at the rate of 33% on straight line basis.

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 (2020: Rs.145.68 million) and Rs. 183.83 million (2020: Rs.183.83 million), respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

**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 & H- 23/4-B and H- 23/3-II, Scheme no. 3, Landhi Industrial Area, Karachi.	34.47
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 has been allocated as under:**

Note	2021	2020
	Rupees in '000	
Cost of sales	1,404,224	1,126,388
Administrative cost	74,831	78,010
	<b>1,479,055</b>	<b>1,204,398</b>

**6.6** Leasehold improvements include assets at an aggregate cost of Rs. 229.67 million (2020: Rs. 167.04 million) which have been fully depreciated and are still in use of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

**6.7** The detail of disposals of property, plant & equipment having book value of more than Rs. 500,000 during the year are as follows:

Particular	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain / (Loss)	Mode of Disposal	Particulars of Purchasers
	----- Rupees in '000 -----						
<b>Plant and machinery</b>							
Pressure Dryer	14,096	13,430	666	100	(566)	Negotiation	Shah Deen
Ring Frames	16,790	14,140	2,650	2,000	(650)	Negotiation	Hasan & Co.
Loop Dryer	16,470	10,439	6,031	700	(5,331)	Negotiation	Mubarik Processing Mills (Pvt.) Ltd.
Roving Frame	7,015	5,610	1,405	600	(805)	Negotiation	Hasan & Co.
Fine Opener	1,742	921	821	100	(721)	Negotiation	Salman Machinery Trading Co.
Ring Frames	27,546	17,845	9,701	7,500	(2,201)	Negotiation	Ideal Trading Co.
Ring Frames	8,356	5,413	2,943	2,700	(243)	Negotiation	Ideal Trading Co.
Ring Frames	22,474	16,766	5,708	9,800	4,092	Negotiation	Ideal Trading Co.
Long Hemming Machine	7,125	4,559	2,566	100	(2,466)	Negotiation	Shah Deen
Air Conditioning Plant	7,928	-	7,928	1,000	(6,928)	Negotiation	Salman Machinery Trading Co.
Dyeing Machine	5,542	4,903	639	325	(314)	Negotiation	Mazhar Abbas
Humidification Plant	4,369	3,678	691	780	89	Negotiation	Noor Hakeem
Winding Machine	54,914	38,979	15,935	8,100	(7,835)	Negotiation	H.R Cotton Exports
	<b>194,367</b>	<b>136,683</b>	<b>57,684</b>	<b>33,805</b>	<b>(23,879)</b>		
<b>Vehicles</b>							
Honda Civic - (BDT-951)	2,156	1,450	706	706	-	As per Company's Policy	Mr. Adeel Yahya
Honda City - (BJT-510)	1,547	781	766	1,028	262	As per Company's Policy	Mr. Salman Hassan
Toyota Corolla - (BHE-062)	1,863	1,033	830	1,152	322	As per Company's Policy	Mr. Muhammad Faheem
Honda City - (BEF-969)	1,522	1,019	503	521	18	As per Company's Policy	Mr. Muhammad Imran
Honda City - (BEJ-713)	1,522	1,019	503	458	(45)	As per Company's Policy	Mr. Javaid Afsar
Honda Civic - (BED-993)	2,226	1,502	724	729	5	As per Company's Policy	Mr. Saleem Ahmed Khanzada
Toyota Corolla - (BHF-763)	1,863	1,061	802	1,013	211	As per Company's Policy	Mr. Muhammad Kamran
Honda City (BFL-230)	1,537	1,008	529	554	25	As per Company's Policy	Mr. Majid Ali
Toyota Corolla - (BHE-064)	1,863	1,104	759	948	189	As per Company's Policy	Mr. Qasim Zeeshan
Toyota Corolla - (BEX-314)	1,828	1,221	607	599	(8)	As per Company's Policy	Mr. Umair Ahmed Siddiqui
Toyota Hiace - (JF-6881)	2,325	1,775	550	1,435	885	Negotiation	Mr. Muhammad Yousuf
Toyota Corolla - (BGE-102)	1,863	1,239	624	641	17	As per Company's Policy	Mr. Muhammad Shahid
	<b>22,115</b>	<b>14,212</b>	<b>7,903</b>	<b>9,784</b>	<b>1,881</b>		
<b>Items having book value of less than Rs. 500,000</b>	<b>64,995</b>	<b>48,150</b>	<b>16,845</b>	<b>18,022</b>	<b>1,177</b>		
<b>Total for the year ended June 30, 2021</b>	<b>281,477</b>	<b>199,045</b>	<b>82,432</b>	<b>61,611</b>	<b>(20,821)</b>		
<b>Total for the year ended June 30, 2020</b>	<b>502,647</b>	<b>343,420</b>	<b>159,227</b>	<b>98,253</b>	<b>(60,974)</b>		

**6.8 Capital work-in-progress**

Note	2021	2020
	Rupees in '000	
Building on leasehold land	1,153,482	636,671
Plant and machinery	677,236	1,278,126
Furniture and fixtures	542	1,651
Equipment	118,277	60,653
Leasehold improvement	640	22,011
	<b>1,950,177</b>	<b>1,999,112</b>
Advance against fixed assets	175,998	871,779
Stand-by equipments	18,990	377,329
	<b>2,145,165</b>	<b>3,248,220</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

### 6.8.1 The movement is as follows:

Note	2021	2020
	Rupees in '000	
Balance at the beginning of the year	1,999,112	1,776,058
<b>Capital expenditure during the year</b>		
Building on leasehold land	1,118,491	806,042
Plant and machinery	2,410,609	3,254,100
Leasehold improvement	99	-
Furniture and fixtures	2,895	3,038
Equipment	279,368	11,922
	3,811,462	4,075,102
<b>Transferred to operating fixed assets</b>		
Building on leasehold land	(585,252)	(1,078,185)
Plant and machinery	(2,995,904)	(2,749,053)
Leasehold improvement	(3,586)	-
Furniture and fixtures	(4,002)	(1,550)
Equipment	(221,745)	(2,416)
	(3,810,489)	(3,831,204)
<b>Transferred to expenses / adjustment</b>		
	(49,908)	(20,844)
	1,950,177	1,999,112

### 6.9 Right-of-use assets

#### As at July 01

Cost	409,246	-
Impact of initial application of IFRS 16	-	406,240
Accumulated depreciation	(134,551)	-
Closing balance	274,695	406,240

#### Year ended June 30

Opening net book value	274,695	-
Impact of initial application of IFRS 16	-	406,240
Additions during the year	91,842	3,006
Lease modifications during the year	574,174	-
Less: Depreciation charge for the year	(218,457)	(134,551)
Closing net book value	722,254	274,695

#### As at June 30

Cost	1,075,262	409,246
Accumulated depreciation	(353,008)	(134,551)
Net book value	722,254	274,695

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

Cost of sales	26.1	178,619	100,374
Administrative cost	27	39,838	34,177
		218,457	134,551

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

### 6.9.2 Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over premises utilized as office building, mill and production plants. The right-of-use assets are depreciated on straight line basis over the remaining lease term.

7	INTANGIBLE ASSETS – Software	Note	2021	2020
			Rupees in '000	
	<b>Cost</b>			
	As at July 01		64,416	35,711
	Additions during the year		-	28,705
	As at June 30	7.1	64,416	64,416
	<b>Accumulated amortization</b>			
	As at July 01		(34,876)	(33,859)
	Charge for the year	7.2	(6,231)	(1,017)
	As at June 30		(41,107)	(34,876)
	<b>Net book value as at year end</b>		23,309	29,540
	<b>Annual rates of amortization</b>		20%	20%

7.1 Includes intangible asset at a cost of Rs. 28.72 million (2020: Rs. 28.72 million) in respect of implementation and development of Enterprise Resource Planning (ERP). The Company's ERP was fully amortized, however, it is still in active use.

7.2 This represents the amortization charged to cost of sales.

### 8 LONG TERM DEPOSITS

Note Rupees in '000

#### Includes the amount due from the following related parties:

UTI Industries (Private) Limited	17,525	945
Nigehban (Private) Limited	9,295	9,295
M&N Impex (Private) Limited	13,005	13,005
Frieden Management (Private) Limited	6,765	6,765
	46,590	30,010

### 9 STORES AND SPARES

General stores	333,234	236,363
Chemicals	479,324	415,180
Packing stores	380,439	241,075
	1,192,997	892,618

Stores and spares in transit	148,785	17,684
Less: Provision for slow moving	(38,484)	(23,807)
	1,303,298	886,495

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>9.1</b>	Movement of provision for slow moving and obsolete stores and spares is as follows:		
		<b>23,807</b>	32,284
		<b>14,677</b>	23,807
		<b>-</b>	(32,284)
		<b>38,484</b>	23,807

### 10 STOCK-IN-TRADE

Raw material			
- hand	10.1	<b>2,126,332</b>	3,743,625
- transit		<b>631,090</b>	339,993
		<b>2,757,422</b>	4,083,618
Work-in-progress	10.2 & 10.3	<b>3,136,835</b>	2,597,780
Finished goods	10.4 & 10.5	<b>2,542,945</b>	1,588,230
		<b>8,437,202</b>	8,269,628

**10.1** Includes items costing Rs. 13.38 million (2020: Rs. 30.56 million) which have been valued at their net realizable value of Rs. 3.82 million (2020: Rs. 15.28 million).

**10.2** Includes inventory of Rs. 523.11 million (2020: Rs. 297.32 million) held with the various parties for processing.

**10.3** Includes items costing Rs. 43.7 million (2020: Rs. 8.52 million) which have been valued at their net realizable value of Rs. 20.77 million (2020: Rs. 4.26 million).

**10.4** Includes items costing Rs. 767.82 million (2020: Rs. 469.02 million) which have been valued at their net realizable value of Rs. 568.27 million (2020: Rs. 240.90 million).

**10.5** Includes stock in transit of Rs. 661.16 million (2020: Rs. 393.94 million).

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>11</b>	<b>TRADE DEBTS</b>		
<b>Export</b>			
Considered good	11.1	<b>10,103,623</b>	6,797,429
Considered doubtful		<b>23,107</b>	16,944
		<b>10,126,730</b>	6,814,373
Less: allowance for expected credit loss	11.2	<b>(23,107)</b>	(16,944)
		<b>10,103,623</b>	6,797,429
<b>Local</b>			
Considered good		<b>12,297</b>	12,074
		<b>10,115,920</b>	6,809,503

**11.1** Includes an amount of Rs. 349.57 million (2020: Rs. nil) due from 1888 Mills LLC. The maximum amount due from related parties, at the end of any month during the year was Rs. 349.57 million (2020: Rs. 495.51 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>11.2</b>	Movement of allowance for expected credit loss is as follows:		
		<b>16,944</b>	-
		<b>6,163</b>	16,944
		<b>23,107</b>	16,944

### 12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

#### Advances

##### Suppliers

Considered good	12.1	<b>737,090</b>	203,675
Considered doubtful		<b>42,068</b>	104,969
		<b>779,158</b>	308,644
Provision for doubtful advances	12.2	<b>(42,068)</b>	(104,969)
		<b>737,090</b>	203,675

##### Employees

Considered good		<b>401</b>	2,311
		<b>737,491</b>	205,986

##### Deposits

Prepayments	12.3	<b>10,975</b>	404,640
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##### Other receivables

Sales tax refundable		<b>1,378,338</b>	1,757,654
Export rebate / duty drawback		<b>167,674</b>	204,142
Due from Government	12.4	<b>1,662,318</b>	483,972
Others		<b>90,080</b>	58,839
		<b>3,298,410</b>	2,504,607
		<b>4,108,247</b>	3,117,789

**12.1** Includes interest free advances to major foreign suppliers having maturity latest by September 2021.

Jurisdiction	Name
Asia	Beijing PFM Screen Trading Co. Ltd. Dezhou Sunrise Textile Co. Ltd. Global Commodities Limited Hubei Chuyuan Import And Export Co. Ltd. Huntsman (Singapore) PTE Ltd. Kyung-In Synthetic Corporation Mainetti R2 (Shanghai) Limited Qatar Chemical And Petrochemical Marketing And Distribution Company Samuda Chemical Complex Ltd. Winwin Machinery Co. Ltd.
Europe	Allenberg Cotton Co. Faircot S.A. Paul Reinhart AG Promar Endustriyel Kimyasallar Sanayi Ltd.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	2021	2020
	Rupees in '000	
<b>12.2</b> Movement of provision for doubtful advances is as follows:		
Balance at the beginning of the year	104,969	-
Charge for the year	-	104,969
Reversal during the year	(62,901)	-
Balance at the end of the year	42,068	104,969

**12.3** Includes balance of Rs. Nil (2020: Rs. 393.41 million) outstanding with 1888 Mills LLC.

	2021	2020
	Rupees in '000	
<b>12.4 Due from government</b>		
Drawback of Local Taxes and Levies (DLTL) receivable	1,442,853	315,217
Technology Upgradation Fund Scheme	89,278	89,278
Mark-up receivable	130,187	79,477
	1,662,318	483,972

### 13 SHORT TERM INVESTMENT

		2021	2020
<b>At amortised cost</b>			
Term Deposit Receipt		-	2,000,000
<b>Fair value through profit or loss</b>			
Open Ended Shariah Compliant Money Market Scheme	13.1	5,598,019	1,787,643
		5,598,019	3,787,643

**13.1** Represents investment in 74.92 million and 185.30 million units (2020: 25.70 million and 50.24 million units) of Open Ended Shariah Compliant mutual funds units.

	2021	2020
	Rupees in '000	
<b>14 CASH AND BANK BALANCES</b>		
<b>With banks:</b>		
<b>On current account</b>		
- Local currency	354,905	1,672,826
- Foreign currency	1,085,143	116,680
	1,440,048	1,789,506
<b>On savings account</b>		
- Local currency	182,015	455,356
	1,622,063	2,244,862
Cash in hand	3,063	3,128
	1,625,126	2,247,990

**14.1** This carries interest rate ranging from 5.50% to 6.22% (2020: 5.50% to 12.40%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

### 15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2021	2020		2021	2020
	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	

**15.1** As at June 30, 2021, institutions and others held 124,778,017 and 252,022,951 shares, respectively (June 30, 2020: 117,663,555 and 259,137,413). Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

**15.2** Associated Company and undertakings held an aggregate of 87,863,959 (2020: 83,347,959) ordinary shares in the Company as at year end.

		2021	2020
		Rupees in '000	
<b>16 CAPITAL RESERVE</b>			
Merger reserve	16.1	543,413	543,413
Share premium	16.2	215,250	215,250
		758,663	758,663

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

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

		2021	2020
		Rupees in '000	
<b>17 DEFERRED LIABILITIES</b>			
Defined benefit obligation - approved gratuity fund	17.1	406,436	200,213
Government grant	17.2	45,428	5,142
		451,864	205,355

**17.1** In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2021, 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 fund is as follows:

		2021	2020
		Rupees in '000	
Amounts recognized in the statement of financial position as follows:			
Present value of defined benefit obligation	17.1.1	406,436	200,213
Fair value of plan assets		-	-
		406,436	200,213

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
		Rupees in '000	
<b>17.1.1</b> Movement in the present value of defined benefit obligation	<b>Note</b>		
Opening balance		200,213	143,494
Current service cost		101,789	85,828
Past service cost		93,725	-
Interest cost		22,325	25,852
Actuarial loss / (gain) on remeasurement	17.1.2	29,559	(28,073)
Payment made during the year		(41,175)	(26,888)
Closing balance		406,436	200,213

**17.1.2** Represents actuarial loss / (gain) arising on remeasurement due to:

Change in financial assumption	1,725	(4,754)
Change in demographic assumption	(659)	-
Change in experience adjustment	28,493	(23,319)
	29,559	(28,073)

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

Current service cost	101,789	85,828
Past service cost	93,725	-
Interest cost	22,325	25,852
	217,839	111,680

**17.1.4** Significant actuarial assumptions

Valuation discount rate per annum	10.00 %	9.25%
Salary increase rate per annum	10.00 %	9.25%
Normal retirement age of employees	60 years	60 years

**17.1.5** Sensitivity analysis for actuarial assumptions

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

	Impact on defined benefit obligation	
	0.5% increase	0.5% decrease
	Rupees in '000	
<b>Assumptions</b>		
Effect of change in discount rate	486,153	525,910
Effect of change in future salary increase	527,007	484,963

**17.1.6** As of June 30, 2021, a total of 8,966 employees (2020: 4,902) have been covered under the above fund. During the year, Company has transferred 2,102 employees from provident fund to gratuity fund.

**17.1.7** As per the recommendation of the actuary, the charge for the year ending June 30, 2022 amounts to Rs. 242.56 million.

**17.1.8** Weighted average duration of the obligation is 7.85 years (2020: 12.36 years).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

**17.1.9** Risks on account of defined benefit plan

## Final salary risk

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases proportionately with the increase in salary.

## Discount rate fluctuation

The plan liabilities are calculated using a discount rate determined by reference to market yields (at the statement of financial position date) on government bond. A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

## Withdrawal risk

The risk that the actual withdrawal experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and entitled benefits of the beneficiary.

## Inflation fluctuation

The salary inflation is the major risk that the funds carry. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted benefit obligations. But viewed with the fact that the plan have no asset, the impact of salary inflation might be significant.

## Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

		2021	2020
		Rupees in '000	
<b>17.2</b> Government grant	<b>Note</b>		
Balance at beginning of the year		14,980	-
Received during the year		66,242	14,980
Released to the statement of profit or loss		(17,888)	-
Balance at end of the year	17.2.1	63,334	14,980
Current portion of government grant		17,906	9,838
Non-current portion of government grant		45,428	5,142
		63,334	14,980

**17.2.1** Government grants have been recorded against reduced rate loan obtained from commercial banks pursuant to a refinance scheme introduced by State Bank of Pakistan to provide working capital and long term loan at concessional mark-up rates for businesses to finance salary expense during the COVID-19 outbreak and to import plant and machinery respectively.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
	Note	Rupees in '000	
<b>18 LONG TERM FINANCING - secured</b>			
Long Term Finance Facility (LTFF)	18.1	5,134,400	4,684,919
Temporary Economic Refinance Facility (TERF)	18.2	1,179,185	-
Refinance Scheme for Payment of Wages and Salaries	18.3	553,152	542,481
Current portion		(1,457,377)	(214,838)
		<b>5,409,360</b>	<b>5,012,562</b>

**18.1** Represent financing facilities obtained from various commercial banks for import of machinery under LTFF Scheme by State Bank of Pakistan (SBP) repayable in four and five years through semi-annually and quarterly installments latest by November 2026. These carry mark-up at the SBP rate plus spread ranging from 0.45% to 1% (2020: 0.45% to 1%) per annum. These facilities are secured against specific charge on plant and machinery of the Company. As of June 30, 2021, unutilized portion of the facility is nil (2020: Rs. 1,330 million).

**18.2** Represent financing facilities obtained from various commercial banks for import of machinery under TERF Scheme by SBP repayable in five, six and eight years through semi-annually and quarterly installments latest by June 2031 and has been recognised at present value discounted at the effective rate of interest. These carry mark-up at the SBP rate plus spread ranging from 0.75% to 1% (2020: nil) per annum. The differential mark-up has been recognised as government grant which will be amortised over the period of facility. These facilities are secured against specific charge on plant and machinery of the Company. As of June 30, 2021, unutilized portion of the facility is Rs. 5,015 million (2020: Nil).

**18.3** Represent financing facilities obtained from a commercial bank for payment of wages and salaries under the Refinance Scheme by SBP repayable in 8 equal quarterly installments latest by December 2022 and has been recognised at present value discounted at the effective rate of interest. These carrying mark-up at the rate of SBP rate plus spread 0.50% per annum (2020: 0.50%). The differential mark-up has been recognised as government grant (as mentioned in note 17.2) which will be amortised over the period of facility. The facility is secured against first pari-passu hypothecation charge over current assets. As of June 30, 2021, unutilized portion of the facility is nil (2020: Rs. 189 million).

### 19 PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS (GIDC)

Represents non current portion of provision for GIDC. During the period, the Honorable Supreme Court of Pakistan (SCP) has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intra vires allowing settlement of GIDC over a period of forty eight monthly installments. However, the Company has filed an appeal before the Honorable High Court of Sindh (The Court) on the grounds that no burden of GIDC had been passed to its customers and thus, the Company is not liable to pay GIDC under GIDC Act 2015. The Court vide its order dated September 18, 2020 has granted stay to the Company.

The Company without prejudice to the suit filed, has provided provision amounting to Rs. 1,524 million under the relevant accounting standards.

		2021	2020
	Note	Rupees in '000	
<b>20 LEASE LIABILITIES</b>			
Lease liabilities		872,837	303,364
Current portion of lease liabilities		(212,335)	(131,686)
	20.1	<b>660,502</b>	<b>171,678</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
	Note	Rupees in '000	
<b>20.1 Reconciliation of the carrying amount is as follows:</b>			
Balance at beginning of the year		303,364	-
Initial application of IFRS 16 on July 1, 2019		-	406,240
Additions during the year		91,842	3,006
Lease modifications during the year		574,174	
Accretion of interest		69,733	48,270
Lease rental payments made during the year		(166,275)	(154,152)
Lease Liability as at June 30		<b>872,838</b>	<b>303,364</b>
Current portion of lease liabilities		(212,335)	(131,686)
Long-term lease liabilities as at June 30		<b>660,503</b>	<b>171,678</b>

**20.2** The amount of future payment under the lease arrangement and the period in which these payments will become due are as follows:

### Maturity analysis

Gross lease liabilities - minimum lease payments:

	2021	2020
	Rupees in '000	
Not later than one year	320,342	166,794
Later than one year but not later than five years	675,098	177,713
	<b>995,440</b>	<b>344,507</b>
Future finance charge	(122,603)	(41,143)
Present value of finance lease liabilities	<b>872,837</b>	<b>303,364</b>

### 21 TRADE AND OTHER PAYABLES

		2021	2020
Creditors	21.1	2,958,739	2,251,093
Accrued liabilities	21.2	2,338,025	3,728,499
Derivative financial instruments		105,613	381,164
Workers' profits participation fund	21.3	217,383	148,096
Workers' welfare fund		33,627	24,703
Contract liabilities		37,067	26,028
Current portion of government grant		17,906	9,838
Current portion of provision for GIDC		190,622	-
Payable to provident fund		25,343	23,488
Others		33,725	53,930
		<b>5,958,050</b>	<b>6,646,839</b>

**21.1** Includes an amount of nil (2020: Rs. 397.54 million) due to 1888 Mills LLC.

**21.2** Includes an amount of Rs. 516.11 million (2020: Rs. 516.11 million) in respect of Gas tariff provision and Rs. 273.87 million (2020: Rs. 238.27 million) in respect of RLNG provision.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>21.3 Workers' profits participation fund</b>			
Opening balance		148,096	300,626
Interest on WPPF		137	24
Charge for the year		217,246	148,096
		<u>365,479</u>	<u>448,746</u>
Less: Payment during the year		(148,096)	(300,650)
Closing balance		<u>217,383</u>	<u>148,096</u>

## 22 SHORT-TERM BORROWINGS - secured

Export re-finance	22.1	<u>11,750,000</u>	<u>9,640,000</u>
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**22.1** Represents utilized portion of export re-finance facilities from various commercial banks of Rs. 13,250 million (2020: Rs. 10,850 million) carrying mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 1% (2020: 0.25% to 1%) per annum. These are secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.

**22.2** The Company also has unutilized running finance facilities of Rs. 180 million (2020: Rs. 180 million). These carry mark-up at the rates ranging from 1 month KIBOR plus 0.5% to 3 month KIBOR plus 0.50% (2020: 1 month KIBOR plus 0.5% to 3 month KIBOR plus 0.50%) per annum. This is secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>23 ACCRUED MARK-UP</b>			
Long term loans		37,079	28,303
Short term borrowings		74,572	62,146
		<u>111,651</u>	<u>90,449</u>

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

No contingencies exist as at the reporting date.

### 24.2 Commitments

Outstanding letter of credit		<u>2,970,714</u>	<u>650,050</u>
Outstanding letter of guarantee		<u>1,433,589</u>	<u>1,221,427</u>
Capital expenditure		<u>5,044,343</u>	<u>849,016</u>
Post dated cheques	24.2.1	<u>4,328,717</u>	<u>3,148,213</u>

**24.2.1** This represents the post dated cheques issued to Custom Authorities in respect of duties on imported items.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>25 SALES - net</b>			
Local		629,434	346,126
Export	25.1	<u>41,502,746</u>	<u>30,590,200</u>
		<u>42,132,180</u>	<u>30,936,326</u>
Export rebate		547,363	336,618
		<u>42,679,543</u>	<u>31,272,944</u>
Less:			
Sales tax		98,652	57,883
Trade discounts		5,426	9,384
		<u>104,078</u>	<u>67,267</u>
		<u>42,575,465</u>	<u>31,205,677</u>

**25.1** Represents sales made to the following geographical regions:

America	<u>35,429,781</u>	24,894,710
Europe	<u>5,571,973</u>	5,112,931
Asia	<u>271,889</u>	253,949
Australia	<u>146,212</u>	221,686
Africa	<u>82,891</u>	106,923
	<u>41,502,746</u>	<u>30,590,200</u>

## 26 COST OF SALES

Opening stock of finished goods		1,588,230	1,098,393
Finished Towel Purchase		-	17,593
Add: Cost of goods manufactured	26.1	<u>33,464,053</u>	<u>24,180,857</u>
		<u>35,052,283</u>	<u>25,296,843</u>
Less: Closing stock of finished goods	10	<u>(2,542,945)</u>	<u>(1,588,230)</u>
		<u>32,509,338</u>	<u>23,708,613</u>

### 26.1 Cost of goods manufactured

Raw material consumed	26.1.1	<u>20,303,171</u>	13,423,623
Stores and spares consumed		<u>4,220,109</u>	3,486,922
Salaries, wages and other benefits	26.1.2	<u>4,616,096</u>	3,741,467
Fuel, power and water		<u>2,765,273</u>	2,219,454
Insurance expense		<u>66,009</u>	57,502
Repair and maintenance		<u>217,795</u>	141,414
Vehicle running expenses		<u>15,374</u>	15,089
Communication and transportation		<u>100,620</u>	72,065
Rent	26.1.3	<u>13,626</u>	127
Depreciation on operating fixed assets	6.5	<u>1,404,224</u>	1,126,388
Depreciation on right-of-use assets	6.9.1	<u>178,619</u>	100,374
Amortization	7.2	<u>6,231</u>	1,017
Quality control and inspection		<u>75,478</u>	47,810
Others		<u>20,483</u>	15,240
		<u>34,003,108</u>	<u>24,448,492</u>
Opening work-in-process		<u>2,597,780</u>	2,330,145
Closing work-in-process	10	<u>(3,136,835)</u>	<u>(2,597,780)</u>
		<u>33,464,053</u>	<u>24,180,857</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

		2021	2020
	Note	Rupees in '000	
<b>26.1.1 Raw material consumed</b>			
Opening stock		4,083,618	2,982,549
Purchases during the period		18,976,975	14,524,692
		<u>23,060,593</u>	<u>17,507,241</u>
Less: closing stock	10	(2,757,422)	(4,083,618)
		<u>20,303,171</u>	<u>13,423,623</u>

**26.1.2** Includes an amount of Rs. 89.89 million (2020: Rs. 79.86 million) in respect of staff provident fund and Rs. 217.84 million (2020: Rs. 111.68 million) in respect of staff gratuity expense.

**26.1.3** The Company has recognised charge of Rs. 6.35 million (2020: Nil) in respect of short term leases not included in the measurement of lease liabilities

		2021	2020
	Note	Rupees in '000	
<b>27 ADMINISTRATIVE COST</b>			
Director fee		12,720	11,220
Salaries and benefits	27.1	902,861	796,141
Utilities		25,663	22,176
Repairs and maintenance		26,074	23,899
Vehicle running expenses		29,832	31,384
Communication		7,658	7,312
Rent, rates, taxes and license fee		14,249	14,244
Conveyance and traveling		2,345	11,068
Printing and stationery		955	1,140
Legal and professional		15,517	10,098
Fees and subscriptions		15,236	13,837
Depreciation on operating fixed assets	6.5	74,831	78,010
Depreciation on right-of-use assets	6.9.1	39,838	34,177
Security and Janitorial services		76,657	65,714
Training and development expense		4,477	8,550
Others		9,557	12,194
		<u>1,258,470</u>	<u>1,141,164</u>

**27.1** Includes amount of Rs. 39.94 million (2020: Rs. 37.64 million) in respect of staff provident fund.

		2021	2020
	Note	Rupees in '000	
<b>28 DISTRIBUTION COST</b>			
Salaries and benefits	28.1	212,505	169,939
Freight and insurance		644,636	370,903
Inspection and forwarding charges		299,825	192,455
Marketing and other related expenses		1,888,036	1,458,895
Export development surcharge		92,022	81,086
Others		4,523	3,094
		<u>3,141,547</u>	<u>2,276,372</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

**28.1** Includes amount of Rs. 10.16 million (2020: Rs. 8.54 million) in respect of staff provident fund.

		2021	2020
	Note	Rupees in '000	
<b>29 OTHER EXPENSES</b>			
Loss on disposal of operating fixed asset - net	6.7	20,821	47,595
Workers' profit participation fund		217,246	148,096
Workers' welfare fund		33,627	24,703
Operating fixed assets written off - net		-	13,379
Allowance for expected credit loss		6,163	16,944
Provision for slow moving and obsolete stores and spares - net		14,677	23,807
Provision for doubtful advances		-	104,969
Exchange differences on export receivables, trade payables and derivative financial instruments		300,304	275,095
Donations	29.1 / 29.2	22,566	6,654
Auditors' remuneration	29.3	3,871	6,590
		<u>619,275</u>	<u>667,832</u>

**29.1** Includes donation to following organizations exceeding Rs 1,000,000 or 10% of total donation whichever is higher.

		2021	2020
Name of Donee	Note	Rupees in '000	
The Indus Hospital		4,000	2,612
Karachi Down Syndrome Program		1,000	1,000
Patron of Expo 2020 Pakistan		10,000	-

**29.2** Includes 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

		2021	2020
	Note	Rupees in '000	
<b>29.3 Auditors' remuneration</b>			
Audit fee		1,625	1,380
Half yearly review		675	575
Out of pocket expenses		426	465
Other certification / assignments		1,145	4,170
		<u>3,871</u>	<u>6,590</u>

		2021	2020
<b>30 OTHER INCOME</b>			
Interest on bank deposit		49,237	59,801
Dividend income on open ended mutual fund units		188,638	159,087
Reversal of provision against doubtful advances		62,901	-
		<u>300,776</u>	<u>218,888</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

31 FINANCE COST	Note	2021	2020
		----- Rupees in '000 -----	----- Rupees in '000 -----
Mark-up / interest on			
- Long term financing		148,186	95,998
- Short term borrowings		233,884	127,483
- Lease liability		69,732	48,270
- Workers' profits participation fund		137	24
		<u>451,939</u>	<u>271,775</u>
Bank charges		106,388	75,184
		<u>558,327</u>	<u>346,959</u>

### 32 TAXATION

Current	460,054	348,060
Prior	17,939	(1,656)
	<u>477,993</u>	<u>346,404</u>

**32.1** The Company has filed its return of income up to tax year 2020. 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.

33 EARNINGS PER SHARE – basic and diluted	Note	2021	2020
		----- Rupees in '000 -----	----- Rupees in '000 -----
Net profit for the year		4,311,291	2,937,221
Weighted average number of ordinary shares in issue		376,800,968	376,800,968
		----- Rupees -----	----- Rupees -----
Earnings per share - basic and diluted		11.44	7.80

### 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particular	2021			2020		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	----- Rupees in '000 -----					
Managerial remuneration	36,000	965,999	1,001,999	29,550	803,554	833,104
Bonus	3,000	77,074	80,074	3,600	64,280	67,880
Retirement benefits	2,387	58,746	61,133	1,959	50,163	52,122
Leave encashment	-	17,997	17,997	-	149	149
Other benefits	1,500	63,879	65,379	1,250	36,992	38,242
	<u>42,887</u>	<u>1,183,695</u>	<u>1,226,582</u>	<u>36,359</u>	<u>955,138</u>	<u>991,497</u>
Numbers	1	318	319	1	269	270

**34.1** The Chief Executive and certain executives are provided with Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.

**34.2** Meeting fee of Rs. 12.72 million (2020: Rs. 11.22 million) has been paid to ten (2020: eight) directors.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

35 PROVIDENT FUND DISCLOSURES	2021	2020
	Un-audited ----- Rupees in '000 -----	Audited ----- Rupees in '000 -----
Size of the trust	1,033,915	898,891
Cost of investment	990,761	886,878
Fair value of investment	1,007,713	877,397
	2021	2020
	----- Percentage -----	----- Percentage -----
Percentage of investment made	96%	99%

Major categories of investment of provident fund are as follows:

	2021		2020	
	Unaudited Rs. in '000	%	Audited Rs. in '000	%
Shares in listed Companies	8,682	0.86	10,580	1.21
Mutual fund	514,673	51.07	100,066	11.40
Investment in fixed deposit	301,845	29.95	592,267	67.50
Sukuk and ijarah certificates	136,210	13.52	135,155	15.40
Others	46,303	4.59	39,329	4.48
	<u>1,007,713</u>	<u>100.00</u>	<u>877,397</u>	<u>100.00</u>

**35.1** 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.

### 36 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of companies with common directorship, 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:

36.1 Nature of transaction	Note	2021	2020
		----- Rupees in '000 -----	----- Rupees in '000 -----
<b>Transaction with associates</b>			
Sale of goods		2,438,577	1,142,170
Sale of fixed asset		-	37,089
Purchases & services		358,779	10,356
Marketing Fee		1,722,630	1,170,675
Lease rental		118,994	119,865
Rent expense		6,350	-
Donation		4,000	2,762
<b>Transaction with directors</b>			
Meeting fee		12,720	11,220
<b>Transaction with key management personnel</b>			
Remuneration paid		54,084	53,901
Post-employment benefits		3,083	3,121
<b>Transaction with other related party</b>			
Contribution to staff provident fund		140,492	126,046



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

**36.1.1** 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	-
Friedden Management (Private) Limited	Common Directorship	-
Nigheban (Private) Limited	Common Directorship	-
UTI Industries (Private) Limited	Common Directorship	-
Liberty Mills Limited	Common Directorship	12.6449%
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	19.7378%
Mr. Perwez Ahmed	Director	5.7837%
Mr. Anas Rahman	Director	1.7424%
Mr. Abdul Rehman Yaqub	Director	-
Mr. Zain Ashraf Mukaty	Director	-
Mr. Nasim Hyder	Director	0.0001%
Ms. Huma Pasha	Director	0.0001%
Ms. Aminah Zahid Zaheer	Director	0.0001%
Ms. Javeria Siddiqui	Key Management Personnel	-
Mr. Mudassir Moten	Key Management Personnel	-

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

## 36.2 Associated Companies Incorporated Outside Pakistan

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

## 37 CASH AND CASH EQUIVALENTS

Note	2021	2020
	----- Rupees in '000 -----	
Term Deposit Receipt	-	2,000,000
Cash and bank balances	1,625,126	2,247,990
	<u>1,625,126</u>	<u>4,247,990</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 38 PRODUCTION CAPACITY

### Spinning

Total number of spindles installed	48,072	45,828
Average number of spindles worked	46,950	42,258
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 lbs	74,388,971	62,445,309
Actual production after conversion into 12/s lbs	67,382,160	56,852,875

### Weaving

Total number of looms installed	371	378
Average number of looms worked	366	363
Installed capacity meters	154,149,648	135,607,345
Actual production meters	150,612,635	128,300,408

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.

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

## 39 FINANCIAL INSTRUMENTS BY CATEGORY

### 39.1 Financial assets as per statement of financial position

Note

2021 2020  
----- Rupees in '000 -----

#### Financial assets measured at amortized cost

- Long term deposits		62,970	46,390
- Trade debts	11	10,115,920	6,809,503
- Deposits and other receivable	12	3,359,781	2,507,163
- Term Deposit Receipt (TDR)	13	-	2,000,000
- Cash and bank balances	14	1,625,126	2,247,990
		<u>15,163,797</u>	<u>13,611,046</u>

#### Financial assets measured at fair value through profit or loss

- Short term investment	13	5,598,019	1,787,643
		<u>20,761,816</u>	<u>15,398,689</u>

### 39.2 Financial liabilities as per statement of financial position

#### Financial liabilities measured at amortized cost

- Long term financing	18	5,409,360	5,012,562
- Provision for GIDC	19	1,334,357	-
- Lease liability	20	660,502	171,678
- Trade and other payables	21	5,852,437	5,927,161
- Short term borrowings	22	11,750,000	9,640,000
- Accrued mark-up	23	111,651	90,449
- Current portion of long term financing	18	1,457,377	214,838
- Current portion of lease liabilities	20	212,335	131,686
- Unclaimed dividend		1,814	1,907
- Unpaid dividend		66,742	-
		<u>26,856,575</u>	<u>21,190,281</u>

#### Financial liabilities measured at fair value through profit or loss

- Derivative financial instrument	21	105,613	381,164
		<u>26,962,188</u>	<u>21,571,445</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## 40 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. 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:

### 40.1 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.

#### 40.1.1 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 term deposit receipts, long-term financing and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained and investments made in the functional currency.

		2021	2020
At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:	Note	----- Rupees in '000 -----	
<b>Financial asset</b>			
Term Deposit Receipt	13	-	2,000,000
Local currency - savings account	14	182,015	455,356
		<u>182,015</u>	<u>2,455,356</u>
<b>Financial liabilities</b>			
Long-term financing	18	6,866,737	5,227,400
Short-term borrowings	22	11,750,000	9,640,000
		<u>18,616,737</u>	<u>14,867,400</u>

#### 40.1.2 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

## Exposure to currency risk

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

	2021	2020
	----- AED in '000 -----	
Trade and other payables	(150)	(3)
Closing exchange rate	<u>43.40</u>	<u>45.95</u>
	2021	2020
	----- EUR in '000 -----	
Trade debts	78	265
Trade and other payables	(6)	(17)
	<u>72</u>	<u>248</u>
Closing exchange rate	<u>188.12</u>	<u>189.11</u>
	2021	2020
	----- USD in '000 -----	
Trade debts	68,805	42,204
Foreign currency bank balances	6,877	690
Trade and other payables	(4,959)	(3,402)
	<u>70,723</u>	<u>39,492</u>
Closing exchange rate	<u>157.80</u>	<u>168.25</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:

		2021	2020
Change in exchange rate	+ / -	10%	10%
Effect on profit before tax (Rupees in '000)	+ / -	1,116,709	669,129

#### 40.1.3 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.

## 40.2 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

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:

		2021	2020
	Note	----- Rupees in '000 -----	
Long term deposits		62,970	16,380
Trade debts	11	10,115,920	6,809,503
Deposits and other receivable	12	3,359,781	2,371,458
Short term investment	13	5,598,019	3,787,643
Bank balances	14	1,622,063	2,244,862
		<u>20,758,753</u>	<u>15,229,846</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:

	2021	2020
	----- Rupees in '000 -----	
<b>Bank balances</b>		
A-1+	1,622,063	2,244,862
<b>Short term investments</b>		
AA(f)	5,598,019	1,787,643

	2021	2020
	----- Rupees in '000 -----	

### Trade debt

The aging of trade debts at the statement of financial position date was:

	2021	2020
	----- Rupees in '000 -----	
Not past due	8,730,184	6,388,260
Past due 1-60 days	1,325,589	339,010
Past due 61 days - 90 days	3,170	39,473
More than 90 days	80,084	59,704
	<u>10,139,027</u>	<u>6,826,447</u>

### 40.3 Liquidity risk

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

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

	2021	Upto 1 year	1 – 5 years	More than five years	Total
		----- Rupees in '000 -----			
Long-term financing		1,597,620	5,370,915	395,000	7,363,535
Lease liabilities		320,342	675,098	-	995,440
Trade and other payables		5,355,832	-	-	5,355,832
Short-term borrowings		11,750,000	-	-	11,750,000
Accrued mark-up		111,651	-	-	111,651
Unclaimed dividend		-	1,814	-	1,814
Unpaid dividend		66,742	-	-	66,742
		<u>19,202,187</u>	<u>6,047,827</u>	<u>395,000</u>	<u>25,645,014</u>

	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		6,057,010	-	-	6,057,010
Short-term borrowings		9,640,000	-	-	9,640,000
Accrued mark-up		90,449	-	-	90,449
Unclaimed dividend		-	1,907	-	1,907
		<u>16,133,983</u>	<u>4,445,567</u>	<u>740,580</u>	<u>21,320,130</u>

### 40.3.1 Changes in liabilities from financing activities

	July 01, 2020	Cash flows	June 30, 2021
	----- Rupees in '000 -----		
Long term financing	5,227,400	1,705,579	6,932,979
Short term borrowings	9,640,000	2,110,000	11,750,000

### 40.4 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 loans and borrowings including any finance cost thereon, less cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
The gearing ratios as at June 30, 2021 and 2020 are as follows:			
Deferred liabilities	17	451,864	205,355
Long-term financing	18	5,409,360	5,012,562
Provision for GIDC	19	1,334,357	-
Lease liabilities	20	660,502	171,678
Trade and other payables	21	5,958,050	6,481,124
Short-term borrowings	22	11,750,000	9,640,000
Accrued mark-up	23	111,651	90,449
Current portion of long-term financing	18	1,457,377	214,838
Current portion of lease liabilities	20	212,335	131,686
Unclaimed dividend		1,814	1,907
Unpaid dividend		66,742	
Total debt		27,414,052	21,949,599
Cash and bank balances		(1,625,126)	(2,247,990)
Net debt		25,788,926	19,701,609
Share capital		3,768,009	3,768,009
Reserves		20,684,867	17,379,049
Total capital		24,452,876	21,147,058
Capital and net debt		50,241,802	40,848,667
Gearing ratio		51.33%	48.23%

### 40.5 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 these financial statements approximate fair values.

The following table shows assets recognized at fair value, analyzed 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).

	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>Assets measured at fair value:</b>		
Free hold and lease hold land	- 2,785,083	- 2,785,083
Short term investment	- 5,598,019	- 5,598,019
<b>Liability measured at fair value:</b>		
Derivative financial instruments	- 105,613	- 105,613

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021

	Level 1 ----- Rupees in '000 -----	Level 2 ----- Rupees in '000 -----	Level 3 ----- Rupees in '000 -----	Total ----- Rupees in '000 -----
--	---------------------------------------	---------------------------------------	---------------------------------------	-------------------------------------

### Assets measured at fair value:

Free hold and lease hold land	-	1,968,076	-	1,968,076
Short term investment	-	1,787,643	-	1,787,643

### Liability measured at fair value:

Derivative financial instruments	-	381,164	-	381,164
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### 41 OPERATING SEGMENTS

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

Revenue from export sales represents 98.51% (2020: 98.88%) of the total gross revenue of the Company.

All non-current assets of the Company at June 30, 2021 are located in Pakistan.

Sales made by the Company to two customers which constitutes 33% (2020: 39%) and 23% (2020: 19%) , respectively.

### 42 DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2021, the Board of Directors in its meeting held on August 30, 2021 has proposed final cash dividend @ Rs. 1.43/- per share amounting to Rs. 538.83 million (2020: Re. 0.59/- per share amounting to Rs. 222.31 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. 2.00/- per share amounting to Rs. 753.60 million (2020: Rs. 1.75/- per share amounting to Rs. 659.40 million) approved by the Board of Directors for the year ended June 30, 2021.

### 43 NUMBER OF PERSONS EMPLOYED

Number of persons employed as at June 30, 2021 were 13,354 (2020: 11,971) and average number of persons employed during the year were 12,663 (2020: 11,613). Number of persons employed at factory as at June 30, 2021 were 11,381 (2020: 10,167) and average number of persons employed at factory during the year were 10,774 (2020: 9,836).

### 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 30, 2021 by the Board of Directors of the Company.

### 45 GENERAL

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

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

JAVERIA SIDDIQUI  
Chief Financial Officer

REHAN RAHMAN  
Chief Executive Officer

AMINAH ZAHID ZAHEER  
Director



**STRUGGLE** CULTIVATES **STRENGTH**  
THAT CANNOT BE DEVELOPED ANY  
OTHER WAY

تُنَادِي بِدَلِّ خَالَفَ سَهْ كِهْ بَرِ اَلْعَقَابِ  
يَرْكُو چَلِي هِي تَجْهُ اُونِ چَالِ اِنِ كِلِي

# CALENDAR OF NOTABLE EVENTS

## Calendar of Corporate events July-2020 to June-2021

July 2020	Extraordinary General Meeting	Monday, July 20, 2020
August 2020	BOD Meeting held to appoint Chairman of the Board	Monday, August 3, 2020
September 2020	BOD Meeting for Annual Accounts BOD Budget Meeting for FY21	Friday, September 11, 2020 Wednesday, September 16, 2020
October 2020	48th Annual General Meeting BOD Meeting for first quarter ended September 30, 2020	Monday, October 26, 2020 Thursday, October 29, 2020
November 2020	Corporate Briefing Session 2020	Tuesday, November 24, 2020
February 2021	BOD Meeting for half year ended December 31, 2020	Friday, February 26, 2021
April 2021	Extraordinary General Meeting BOD Meeting for third quarter ended March 31, 2021	Thursday, April 15, 2021 Thursday, April 29, 2021

## Calendar of other events July-2020 to June-2021

August-2020	Independence Day Celebration (*)	Friday, August 14, 2020
September-2020	The KIN – Company's 1st Quarter Magazine	Wednesday, September 30, 2020
October-2020	World Mental Health Day (*)	Saturday, October 10, 2020
November-2020	World Diabetes Day (*)	Saturday, November 14, 2020
December-2020	The KIN – Company's 2nd Quarter Magazine Human Rights Day (*)	Thursday, December 31, 2020 Thursday, December 10, 2020
February-2021	World Cancer Day (*)	Thursday, February 04, 2021
March-2021	The KIN – Company's 3rd Quarter Magazine World Water Day (*) Pakistan Day (*)	Wednesday, March 31, 2021 Monday, March 22, 2021 Tuesday, March 23, 2021
April-2021	World Health Day (**) Earth Day (*) Health & Safety Day (*)	Wednesday, April 07, 2021 Thursday, April 22, 2021 Wednesday, April 28, 2021
May-2021	World Firefighters Day (**) World Hypertension Day (**) World No Tobacco Day (**)	Tuesday, May 04, 2021 Monday, May 17, 2021 Monday, May 31, 2021
June-2021	The KIN – Company's 4th Quarter Magazine World Environment Day (**) World Blood Donor Day (**)	Wednesday, June 30, 2021 Saturday, June 05, 2021 Monday, June 14, 2021

(\*) Flyer

(\*\*) Activity / Flyer

# FORM 34 PATTERN OF HOLDINGS OF THE SHARES HELD BY THE SHAREHOLDERS

As at 30 June 2021

No of Shareholders		Shareholdings			Total shares held
467	From	1	to	100	12702
263	From	101	to	500	86,338
108	From	501	to	1000	98,465
154	From	1001	to	5000	392,048
42	From	5001	to	10000	313,801
18	From	10001	to	15000	237,313
7	From	15001	to	20000	130,500
5	From	20001	to	25000	116,500
5	From	25001	to	30000	147,000
2	From	30001	to	35000	66,000
3	From	35001	to	40000	114,000
3	From	40001	to	45000	127,300
2	From	45001	to	50000	100,000
1	From	55001	to	60000	60,000
1	From	65001	to	70000	67,800
1	From	95001	to	100000	98,572
1	From	145001	to	150000	150,000
2	From	195001	to	200000	399,700
1	From	205001	to	210000	210,000
1	From	220001	to	225000	222,704
1	From	235001	to	240000	239,000
1	From	250001	to	255000	251,700
1	From	295001	to	300000	300,000
1	From	300001	to	305000	304,500
1	From	400001	to	405000	403,000
1	From	420001	to	425000	421,000
1	From	500001	to	505000	501,105
1	From	670001	to	675000	671,000
1	From	995001	to	1000000	999,434
1	From	1380001	to	1385000	1,382,600
1	From	2995001	to	3000000	3,000,000
1	From	3990001	to	3995000	3,991,000
1	From	5020001	to	5025000	5,023,114
1	From	5650001	to	5655000	5,652,015
2	From	6500000	to	6505000	13,000,747
1	From	6525001	to	6530000	6,526,132
1	From	6550001	to	6555000	6,550,231
5	From	6955001	to	6960000	34,782,194
1	From	7055001	to	7060000	7,059,465
1	From	7345001	to	7350000	7,347,618
1	From	8455001	to	8460000	8,456,412
1	From	10685001	to	10690000	10,687,542
1	From	13245001	to	13250000	13,249,907
1	From	17495001	to	17500000	17,497,685
1	From	19085001	to	19090000	19,088,949
1	From	21790001	to	21795000	21,793,054
1	From	23255001	to	23260000	23,259,900
1	From	39190001	to	39195000	39,192,607
1	From	47645001	to	47650000	47,646,000
1	From	74370001	to	74375000	74,372,314

1122

376,800,968



# PATTERN OF SHAREHOLDING

As at 30 June 2021

Categories of Shareholders	Number of shareholders	Shares Held	Percentage
Associated Companies, undertaking and related parties	4	87,863,959	23.32
Investment Companies and Mutual Funds	15	2,049,670	0.54
Directors, Chief Executive Officer and their Spouse	11	141,860,128	37.65
Joint Stock Companies	15	10,962,141	2.91
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance and others	12	23,899,247	6.34
Individuals	1065	110,165,823	29.24
	<b>1,122</b>	<b>376,800,968</b>	<b>100.00</b>

# PATTERN OF SHAREHOLDING

As at 30 June 2021

Associated Companies, undertaking and related parties	4	87,863,959	
Investment Companies, Mutual Funds and Other			
M/s. Investment Corporation of Pakistan	1	6	
M/s. Shirazi Investment Ltd	1	13	
Trustee National Bank of Pakistan Employees Pension Fund	1	10,551	
CDC - Trustee Meezan Balanced Fund	1	67,800	
CDC - Trustee AKD Index Tracker Fund	1	13,100	
CDC - Trustee Al Meezan Mutual Fund	1	199,700	
CDC - Trustee Meezan Islamic Fund	1	1,382,600	
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	200,000	
CDC - Trustee ABL Stock Fund	1	3,700	
CDC - Trustee First Habib Stock Fund	1	19,000	
CDC-Trustee First Habib Islamic Stock Fund	1	37,500	
CDC - Trustee First Habib Asset Allocation Fund	1	12,000	
MCBFSL - Trustee ABL Islamic Stock Fund	1	400	
CDC - Trustee Meezan Asset Allocation Fund	1	60,000	
CDC Trustee - Meezan Dedicated Equity Fund	1	43,300	
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	74,372,314
Mr. Abdul Rehman Yaqub	Director	1	-
Mr. Perwez Ahmed	Director	1	21,793,054
Mr. Anas Rahman	Director	1	6,565,231
Mr. Zain Ashraf Mukaty	Director	1	-
Mr. Nasim Hyder	Director	1	500
Ms.Huma Pasha	Director	1	500
Ms. Aminah Zahid Zaheer	Director	1	500
Mrs.Shahnaz Rahman (Spouse)	Spouse	1	6,956,412
Mrs.Saba Perwez (Spouse)	Spouse	1	6,526,132
Mrs.Sana Rehan (Spouse)	Spouse	1	6,500,231
Executives	2	24,454,231	
Joint Stock Companies	15	10,962,141	
Bank, Development Finance Institutions, Non-Banking Finance Companies	2	514,565	
Insurance Companies, Takeful, Modarabas and Pension Fund	10	23,384,682	
Shareholders holding 5% or more voting interest:			
M/s. EFU Life Assurance Ltd	1	23,259,900	
M/s. Grangeford USA Inc	1	39,192,607	
M/s. Liberty Mills Limited	1	47,646,000	
Mr. Omair Rehman	1	19,088,949	
Mr. Shabbir Ahmed	1	74,372,314	
Mr. Perwez Ahmed	1	21,793,054	

# NOTICE OF 49TH ANNUAL GENERAL MEETING

Notice is hereby given to the Members that the 49th Annual General Meeting of the Company will be held on Thursday, 28 October 2021 at 09:30 a.m. at C-3, SITE, Karachi / video link to transact the following businesses:

## ORDINARY BUSINESS:

1. To confirm the minutes of Extraordinary General Meeting of the Company held on 15 April 2021.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30 June, 2021 together with the Chairman's Review, Directors' and Auditors' report thereon.
3. To consider and, if thought fit, approve as recommended by the Board of Directors, final cash dividend at the rate of Rs.1.43 per share i.e. (14.3%) to all shareholders of the Company. This is in addition to Rs. 2.00 per share i.e. (20%) interim cash dividend already declared/paid for the year ended 30 June 2021.
4. To appoint statutory auditors for the year ending 30 June 2022 and to fix their remuneration. The present auditors M/s. EY Ford Rhodes, Chartered Accountants retire and being eligible, have offered themselves for Re-appointment.

## ANY OTHER BUSINESS:

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

By order of the Board  
(Mudassir Moten)  
Company Secretary

Karachi:  
05 October 2021

## NOTES:

1. Share Transfer Books of the Company will remain closed from Friday, 22 October 2021 to Thursday, 28 October 2021 (both days inclusive). Transfer received at the office of Share Registrar at the close of business on Thursday, 21 October 2021 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 to be valid must 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 fixed 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 share 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 No. 4 of 2021 dated 15 February 2021 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID-19) for Corporate Sector, the shareholders interested in attending the General Meetings 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 the 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, Shahr-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 Companies Act, 2017 which mandates all listed companies to pay dividend only by way of electronic mode directly into the bank account of entitled shareholders 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 Share Registrar for availing the benefit of withholding tax rate applicable to filers.

Incase of joint account shareholders are requested to please furnish the shareholding ratio details of themselves as Principal shareholder and their Joint Holders, to the Company's Share Registrar, enabling the Company to compute withholding tax of each shareholder accordingly. The required information must reach the Company's Share Registrar by October 18, 2021, otherwise each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

8. As per 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 dated 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 facilitate 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.



7- شیئر ہولڈرز کو مطلع کیا جاتا ہے کہ حکومت پاکستان نے انکم ٹیکس آرڈی نینس 2001ء کی دفعہ 150 میں چند ترمیمات کی ہیں جس کے ذریعہ کمپنی کی جانب سے ادا کیا جانے والا منافع منقسمہ کی رقم پر وہ ہولڈنگ ٹیکس کی منہائی کیلئے مختلف ریٹ مقرر کئے گئے ہیں۔ یہ ٹیکس ریٹس مندرجہ ذیل ہیں

(a) انکم ٹیکس ریٹرن داخل کرنے والوں کیلئے	15%
(b) انکم ٹیکس ریٹرن داخل نہ کرنے والوں کیلئے	30%

شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ فائبرز کیلئے قابل اطلاق ود ہولڈنگ ٹیکس ریٹ کا فائدہ حاصل کرنے کے لیے CDC کے شرکاء اور ہماری کمپنی کے شیئر رجسٹرار کو اپنا درست اور اپ ڈیٹ CNIC/NTN فراہم کریں۔

مشترکہ اکاؤنٹ کی صورت میں شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے پاس موجود شیئر ہولڈنگ کے تناسب کی تفصیل بطور پرنسپل شیئر ہولڈرز ان کے مشترکہ ہولڈرز کمپنی کے شیئر رجسٹرار کو فراہم کر دیں تاکہ کمپنی اس کے مطابق ہر ایک شیئر ہولڈر کے ود ہولڈنگ ٹیکس کا تعین کر سکے۔ مطلوبہ معلومات لازماً کمپنی کے شیئر رجسٹرار کو 18 اکتوبر 2021 تک موصول ہو جائیں بصورت دیگر ہر ایک شیئر ہولڈر کو شیئر کے مساوی تعداد کا حامل تصور کیا جائیگا اور اس کے مطابق ٹیکس کی کوٹی کی جائیگی۔

8- کمپنیز ایکٹ 2017 کی دفعہ 72 کے تحت لسٹڈ کمپنی کو اپنے فزیکل شیئر کو ایک مخصوص انداز میں بک اینٹری فارم میں کمیشن 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 کھولائیں تاکہ ان کے فزیکل شیئر اسکرپ لیس شکل 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 کمپنی اپنے شیئر ہولڈرز کو بذریعہ ای میل اپنے سالانہ مالیاتی گوشوارہ مع کمپنی کے سالانہ اجلاس عام کا نوٹس بھیج سکتی ہے۔ جو اشخاص بذریعہ ای میل سالانہ رپورٹ حاصل کرنے کے خواہشمند ہوں ان سے التماس ہے کہ وہ کمپنی کو مکمل رضامندی کا فارم فراہم کریں۔ ای میل رضا مندی فارم ہماری ویب سائٹ پر دستیاب ہے۔

10- ممبران کمپنیز ایکٹ، 2017ء کی شق 143 اور 144 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز، 2018ء کی قابل اطلاق شق کی شرائط سے مشروط ای۔ ووٹنگ 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

## اجلاس میں شرکت کیلئے :-

- 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۔
- کاروباری ادارے کی صورت میں اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ، نامزد کردہ شخص کے دستخط کے نمونے کیساتھ (اگر پہلے فراہم نہ کیا ہو) پیش کرنا ہوگا۔

## پراکسیز نامزد کرنے کے لئے:-

- 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 کرانا ہوگا۔
- پراکسی فارم کی دو افراد کی جانب سے گواہی دی گئی ہو جن کا نام، پتہ اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم میں درج کرنا ہوگا۔
- پینفیشل اونر اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ہمراہ پیش کرنی ہوں گی۔
- پراکسی کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔
- کاروباری ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ، نامزد کردہ شخص کے دستخط کے نمونے کیساتھ (اگر پہلے فراہم نہ کیا گیا ہو تو) کمپنی کو پراکسی فارم کے ہمراہ پیش کرنا ہوگا۔

## رجسٹرڈ آفس:

فیروز 1888 ملز لمیٹڈ  
H-23/4A، اسکیم نمبر 3

لانڈھی انڈسٹریل ایریا، کراچی

## شیئر رجسٹرار:

فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ  
8-F فاران ہوٹل کے فوری بعد، نرسری،

بلاک -6، PECHS، شاہراہ فیصل، کراچی

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. Shareholders of the company who wish to receive Annual Report via email are requested to provide complete consent form to the Company 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 attending the Meeting

- 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 authenticate his/her identity by showing his/her original National Identity Card or original passport at the time of attending the meeting.
- 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 proxies

- 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 submit the proxy form as per the above requirement.
- The proxy form must be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) number shall be mentioned on the form.
- Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her Original CNIC or Original Passport at the time of the meeting.
- 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

Feroze 1888 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

BCR CRITERIA CONTENT INDEX

S. No	BCR Criteria contents	Page Ref.
1	ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT What does the organization do and circumstances under which it operates	
1.01	Principal business activities and markets local and international including key brands, products and services.	Page no. 15
1.02	Geographical location and address of all business units including sales units and plants.	Page no. 14
1.03	Mission, vision, code of conduct, culture, ethics and values.	Page no. 4 to 11
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	N/A
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	Page no. 22 & 23
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	Page no. 39
1.07	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	Page no. 183
1.08	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	Page no. 24
1.09	Significant factors effecting the external environment and the associated organization's response (external environment includes commercial, political, economic, social, technological, environmental and legal environment). Also describe the effect of seasonality on business in terms of production and sales.	Page no. 26 & 27
1.10	Significant changes from prior years (regarding the information disclosed in this section).	Page no. 38
1.11	Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	Page no. 25
1.12	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	Page no. 32
2	STRATEGY AND RESOURCE ALLOCATION Where does the organization want to go and how does it intend to get there	
2.01	Short, medium and long term strategic objectives.	Page no. 36 & 37
2.02	Strategies in place or intended to be implemented to achieve those strategic objectives.	Page no. 36 & 37
2.03	Resource allocation plans to implement the strategy and financial capital structure. (Resource mean CAPITALS including financial capital (e.g. liquidity, cash flows, financing arrangements); human capital, manufactured capital (e.g. building, equipment, infrastructure); intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); social and relationship capital and natural capital).	Page no. 36 & 37
2.04	The effect of technological change, societal issues such as (population and demographic changes, human rights, health, poverty, collective values and educational systems), environmental challenges, such as climate change, the loss of ecosystems, and resource shortages, on the company strategy and resource allocation.	Page no. 36 & 37
2.05	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	Page no. 36 & 37
2.06	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	Page no. 36 & 37

49واں سالانہ اجلاس عام کانوٹس

بذریعہ بذراطلاع کیا جاتا ہے کہ کمپنی کے ممبران کا 49واں سالانہ اجلاس عام بروز جمعرات 28 اکتوبر، 2021ء بوقت صبح 09:30 بجے C-3 سائٹ کراچی /اوید پولک مندرجہ ذیل امور کی انجام دہی کے لئے منعقد کیا جائیگا۔

عمومی امور:

- 1- 15 اپریل 2021ء کو منعقدہ کمپنی کے غیر معمولی اجلاس عام کی کاروائی کی توثیق۔
- 2- 30 جون 2021ء کو ختم شدہ سال کے لیے کمپنی کے سالانہ آڈٹ شدہ مالیاتی اسٹیٹمنٹس بشمول ان پریجیز مین کا جائزہ، ڈائریکٹرز اور آڈیٹرز کی رپورٹ وصول کرنا، غور کرنا اور اختیار کرنا۔
- 3- 30 جون 2021ء کو ختم شدہ سال کے لیے بورڈ آف ڈائریکٹرز کی سفارش کردہ کمپنی کے تمام شیئرز ہولڈرز کو Rs.1.43 فی شیئر (14.3%) نقد منافع منقسمہ پر غور کرنا اور اگر مناسب سمجھے تو منظور کرنا۔ بشمول Rs. 2.00 فی شیئر (20%) کے عبوری نقد منافع منقسمہ جو کہ پہلے ہی ادا کیا گیا ہے۔
- 4- 30 جون 2022ء کو ختم ہونے والے سال کے لیے قانونی آڈیٹرز کا تقرر اور ان کا اعزاز یہ مقرر کرنا۔ حالیہ آڈیٹرز میسرز EY Ford Rhodes چارٹرڈ اکاؤنٹنٹ نے سبکدوش اور اہل ہونے کی بناء پر خود کو دوبارہ تقرر کے لیے پیش کیا ہے۔

دیگرا مور:

- 5- چیئرمین مجلس کی اجازت سے دیگر امور پر کاروائی۔

حسب الحکم بورڈ

(مدر موٹن)

کراچی: 06 اکتوبر 2021ء

کمپنی سیکریٹری

نوٹس:

- 1- کمپنی کی شیئر ٹرانسفرنگس جمعہ 22 اکتوبر 2021ء تا جمعرات 28 اکتوبر 2021ء (بشمول دونوں ایام) بند رہیں گی، شیئرز رجسٹرار کے آفس میں جمعرات 21 اکتوبر 2021ء کو کاروبار کے اختتام پر موصول ہونے والے ٹرانسفر اجلاس میں شرکت اور ووٹ دینے اور ٹرانسفر فریز کے مندرجہ بالا استحقاق کے مقصد کے لیے بروقت تصور ہوں گے۔
- 2- 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 لیے کسی دوسرے کو اپنا مجاز مقرر کر سکتا ہے، مجاز فرد لازمی طور پر کمپنی کا رکن ہونا چاہئے، 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 سرٹیفائیڈ کاپی اجلاس کے مقررہ وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس یا شیئرز رجسٹرار کے دفتر میں لازمی 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 کرائے گا ایسی تمام دستاویز ناقابل عمل تصور ہوں گی۔ مجاز فرد کو اپنی شناخت ثابت کرنے کے لیے اپنا اصل شناختی کارڈ یا پاسپورٹ پیش کرنا ہوگا۔
- 3- اراکین سے درخواست ہے کہ وہ اپنی کمپیوٹرائزڈ شناختی کارڈ کی نقل جمع کروائیں اور اپنے پتے میں کسی بھی تبدیلی کی صورت میں شیئرز رجسٹرار آفس میں فوری طور پر مطلع کریں۔
- 4- اراکین کو مر اسلت کے لیے اور اجلاس میں شرکت کے وقت اپنا فوئو / CDC نمبر درج کرنا ہوگا۔
- 5- Covid-19 وباء کی بناء پر وید پولک کے ذریعے اجلاس میں شرکت:

SECP کے سرکلر نمبر 4 سال 2021ء بتاریخ 15 فروری 2021ء میں (Covid-19) کرونا وائرس کے اثر کو کاروباری سیکٹر میں کم کرنے کے لیے ریگولیٹری ریلیف کے تحت، شیئرز ہولڈرز جو اجلاس عام (AGM) میں وید پولک سہولت (زوم) کے ذریعے شرکت کرنے کے خواہشمند ہیں جو کہ گوگل پلے اسٹور اور ایپل 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 شیئرز رجسٹرار فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ واقع F-8 متصل ہوٹل فاران، نرسری بلاک PECHS:6 شاہراہ فیصل کراچی میں مندرجہ ذیل تفصیلات فراہم کر کے اپنا اندراج کرائیں۔

شیئرز ہولڈر کا نام	CNIC نمبر	فوئو / سی ڈی سی	موبائل نمبر	ای میل

- ✓ خواہشمند شیئرز ہولڈرز سے مذکورہ بالا تفصیلات کی وصولی کے بعد کمپنی لاگ ان تفصیلات ان کے ای میل ایڈریس پر ارسال کر دے گی۔
- ✓ AGM کے موقع پر شیئرز ہولڈرز بذریعہ اپنے اسمارٹ فون اور کمپیوٹر آلات سے اپنے سہولت کے مقام سے AGM کی کاروائی میں لاگ ان کر کے شرکت کر سکتے ہیں۔
- ✓ لاگ ان سہولت اجلاس کے وقت سے 20 منٹ قبل کھول دی جائیگی تاکہ شناخت اور تصدیق کے عمل کے بعد شرکت کو یقینی بنایا جاسکے۔
- 6- کمپنیز ایکٹ 2017ء کی شق 242 کی تعمیل میں جس کا مینڈیٹ ہے کہ تمام فہرست شدہ کمپنیوں کو ان کی جانب سے نامزد کردہ حقدار شیئرز ہولڈر کے بینک اکاؤنٹ میں براہ راست الیکٹرونک طریقے سے ڈیویڈنڈ ادا کئے جائیں، لہذا، اس نوٹس کے ذریعے تمام شیئرز ہولڈرز سے درخواست کی جاتی ہے کہ اپنے متعلقہ شرکاء کے ذریعے سینٹرل ڈیپازٹری سسٹم میں اپنے بینک اکاؤنٹ کی تفصیلات اپ ڈیٹ کر لیں۔ فزیکل شیئرز کی صورت میں بینک اکاؤنٹ کی تفصیلات کمپنی شیئرز رجسٹرار میسرز فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ برائے مہربانی نوٹ فرمائیں کہ کمپنی کے اعلانیہ ڈیویڈنڈز صرف نامزد کردہ بینک اکاؤنٹس میں جمع کروائے جائینگے، اس لئے برائے مہربانی مستقبل میں زحمت سے بچنے کے لیے اپنی تفصیلات جلد از جلد اپ ڈیٹ کر لیں۔



2.07	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	Page no. 38
2.08	Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations etc.	Page no. 38
2.09	Significant changes in objectives and strategies from prior years.	Page no. 38
<b>3</b>	<b>RISKS AND OPPORTUNITIES</b> Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them	
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	Page no. 28 to 31
3.02	Description of the Risk Management Framework including risk management methodology.	Page no. 28 to 29
3.03	Sources of risks and opportunities (internal and external).	Page no. 28 to 31
3.04	The initiatives taken by the company in promoting and enabling innovation.	Page no. 28 to 31
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	Page no. 28 to 31
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	Page no. 28 to 31
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	Page no. 57
3.08	A statement from the board of directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	Page no. 57
3.09	Inadequacy in the capital structure and plans to address such inadequacy.	Page no. 29
<b>4</b>	<b>GOVERNANCE</b> How does the organization's governance structure support its ability to create value in the short, medium and long term	
4.01	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Profile of each director including education, experience and involvement / engagement of in other entities as CEO, Director, CFO or Trustee etc.	Page no. 67, 81 & 49 to 54
4.02	Review Report by the Chairman of the company on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	Page no. 45 to 46
4.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	Page no. 67
4.04	Shariah Advisor Report and Profile of the Shariah Advisor / Members' of the Shariah Board.	N/A
4.05	Annual evaluation of performance, along with description of criteria used for the members of the board and its committees, CEO and the Chairman.	Page no. 69
4.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	Page no. 69
4.07	Details of formal orientation courses for directors.	Page no. 69
4.08	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	Page no. 69
4.09	Description of external oversight of various functions like systems audit / internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	Page no. 72
4.10	a) Policy for remuneration to non-executive directors including independent directors. b) Policy of retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	Page no. 73
4.11	Policy for security clearance of foreign directors.	Page no. 73

4.12	How the organization's implemented governance practices exceeding legal requirements.	Page no. 69
4.13	Board's policy on diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	Page no. 73
4.14	No. of companies in which the executive director of the reporting organization is serving as non-executive director.	Page no. 69
4.15	a) Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding. b) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement. c) Approved policy for related party transactions including policy for disclosure of interest by directors in this regard.	Page no. 73, 175 & 176
4.16	Details of board meetings held outside Pakistan during the year.	Page no. 69
4.17	Disclosure of policy for actual and perceived conflicts of interest relating to members of the board of directors and a disclosure that how such a conflict is managed and monitored.	Page no. 70
4.18	Investors' grievance policy.	Page no. 73
4.19	Policy for safety records of the company.	Page no. 74
4.20	Disclosure of IT Governance Policy.	Page no. 74
4.21	Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	Page no. 74
4.22	Human resource management policies including preparation of a succession plan.	Page no. 74
4.23	Social and environmental responsibility policy.	Page no. 74
4.24	Review by the board of the organization's business continuity plan or disaster recovery plan.	Page no. 70
4.25	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	N/A
4.26	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	Page no. 81 to 83
4.27	A brief description about role of the Chairman and the CEO.	Page no. 68
4.28	Shares held by Sponsors / Directors / Executives.	Page no. 70, 187 to 189
4.29	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	Page no. 70 to 72
4.30	Timely Communication Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their Financial Statements would be provided a 20 days relaxation, on providing evidence to the Committee).	Page no. 183
4.31	Audit Committee Report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) Review of 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. f) An explanation as to how it has assessed the effectiveness of the external audit process and the	Page no. 77 to 79

	approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy. i) Results of the self-evaluation of the Audit Committee carried out of its own performance.	
4.32	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.	Page no. 75
4.33	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	N/A
4.34	Chairman's significant commitments and any changes thereto.	Page no. 46
4.35	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	Page no. 55
4.36	Pandemic Recovery Plan by the management and policy statement.	Page no. 84
<b>5</b>	<b>PERFORMANCE AND POSITION</b> To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals	
5.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; and (b) Performance against targets /budget (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits. Note: Analysis of non-financial performance shall be presented for material non-financial KPIs relevant for the business and stakeholders around other forms of capitals as mentioned under International Integrated Reporting Framework <IR>, i.e. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital. Inspiration can also be taken from the Specific Standard Disclosures of G4 Guidelines of the Global Reporting Initiative (GRI) for measurement and reporting on non-financial KPIs.	Page no. 122 to 124
5.02	Analysis of financial statements:	
	a) Financial Ratios (Refer Annexure 'I' )	Page no. 107
	b) DuPont Analysis	Page no. 117 & 118
	c) Free Cash Flow	Page no. 119
	d) Economic Value Added (EVA)	Page no. 119
5.03	Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.	Page no. 108 to 113
5.04	Summary of Cash Flow Statement for last 6 years.	Page no. 114 & 115
5.05	Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above.	Page no. 105 & 106
5.06	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed as per 5.02, 5.03 and 5.04 above.	Page no. 110, 113,115,118, 119, 121,122
5.07	Information about defaults in payment of any debts and reasons thereof period.	Page no. 38 & 125
5.08	Methods and assumptions used in compiling the indicators.	
5.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	Page no. 120

5.10	Segmental review of business performance.	N/A
5.11	Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	Page no. 126
5.12	History of major events during the year.	Page no. 186
5.13	Business rationale of major capital expenditure /projects during the year and for those planned for next year.	Page no. 125
5.14	Brief description and reasons; a) For not declaring dividend despite earning profits and future prospects of dividend. b) Where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	N/A
5.15	CEO presentation video on the organization's website explaining the business overview, performance, strategy and outlook. (Please provide reference / web link on company's annual report).	Company's website
<b>6</b>	<b>OUTLOOK</b>	
6.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the entity's resources, revenues and operations in the short, medium and long term. Also explaining the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	Page no. 40 & 41
6.02	Explanation as to how the performance of the entity meets the forward looking disclosures made in the previous year.	
6.03	Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	
6.04	Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	
6.05	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	
<b>7</b>	<b>STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT</b> State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	
7.01	How the company has identified its stakeholders.	Page no. 101 & 102
7.02	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the entity, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	Page no. 101 & 102
7.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	Page no. 75
7.04	Investors' Relations section on the corporate website.	Page no. 75
7.05	Issues raised in the last AGM, decisions taken and their implementation status.	Page no. 75
7.06	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration b) Government as taxes (separately direct and indirect) c) Shareholders as dividends d) Providers of financial capital as financial charges e) Society as donation; and f) Retained within the business	Page no. 116
7.07	Stakeholders engagement policy and steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	Page no. 75



7.08	Highlights about redressal of investors' complaints.	Page no. 73
8	<b>SPECIFIC DISCLOSURES OF THE FINANCIAL STATEMENTS</b>	
8.01	For Specific Disclosures of the Financial Statements please refer Annexure 'II' .	Page no. 137 to 183
8.02	Industry specific additional disclosures (if applicable):	
	a) Insurance Company - Annexure 'III' b) Banking Company - Annexure 'IV' c) Shariah compliant companies/ companies listed on the Islamic Indices - Annexure 'V'	N/A
9	<b>SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY</b>	
9.01	Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility (including environment related obligation applicable on the company and initiatives taken to fulfil during the year and company's responsibility towards the staff, their health & safety).	Page no. 87 to 90 & 92 to 102
9.02	Certifications acquired and international standards adopted for best sustainability and CSR practices.	Page no. 91
10	<b>BUSINESS MODEL</b> Business model is a system of transforming inputs, through business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term	Page no. 39
10.1	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework <IR>.	Page no. 39
11	<b>STRIVING FOR EXCELLENCE IN CORPORATE REPORTING</b>	
11.01	Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).	Page no. 130
11.02	Adoption of International Integrated Reporting Framework <IR> by fully applying the 'Fundamental Concepts' and 'Guiding Principles' of <IR> into their corporate reporting in addition to the 'Content Elements' (disclosures) of <IR>, as covered in this criteria.	Page no. 129
11.03	Disclosures beyond BCR criteria (Note: The participating organization to send the list of additional disclosures to BCR Committee).	Page 48, 87 to 102, 186
12	<b>ASSESSMENT BASED ON QUALITATIVE FACTORS</b>	
12.01	Please refer Annexure 'VI'	Overall Report
13	<b>OTHERS</b>	
13.01	BCR criteria cross referred with page numbers of the annual report.	Page 195 to 200
13.02	Brief about contents, scope and boundaries of the annual report.	Page no. 130
13.03	SWOT analysis.	Page no. 33

# PROXY FORM

PROXY FORM (Option 1)

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 Thursday , 28 October 2021 at 09:30 a.m. and at any adjournment thereof.

Signature of Member

Name of Member

Folio No./CDC No.

Signature on Revenue Stamp of Rs. 5/-

WITNESSES:

1. Signature

2. Signature

Name

Name

Address

Address

CNIC/ Passport No.

CNIC/ Passport No.

- NOTES:
- ò 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.
  - ò 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 fixed for holding the meeting.
  - ò For CDC Account Holders / Corporate Entities
- In addition to the above the following requirements have to be met:
- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form
  - (ii) Attested copies of CNIC or the passport of the beneficial owner(s) and the proxy shall be provided with the proxy form.
  - (iii) The proxy shall produce his/her CNIC or original passport at the time of the meeting.
  - (iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

# پراکسی فارم

پراکسی فارم (آپشن 1)

میں / ہم

ساکن

بہشیت ممبر فیروز 1888 ملزمینڈ حامل

عمومی شیئرز شیئرز رجسٹر کے فوئیو نمبر کے تحت

اور / یا سی ڈی سی

شرکاء کی آئی ڈی نمبر

اور اکاؤنٹ / سب اکاؤنٹ نمبر

نامزد کرتا ہوں

ساکن

یا ان کے نا جانے پر۔

پراکسی فارم ای۔وونگ (آپشن 2)

میں / ہم

ساکن

بہشیت ممبر فیروز 1888 ملزمینڈ حامل

عمومی شیئرز شیئرز رجسٹر کے فوئیو نمبر کے تحت

اور / یا سی ڈی سی

شرکاء کی آئی ڈی نمبر

اور اکاؤنٹ / سب اکاؤنٹ نمبر

نامزد کرتا ہوں

ساکن

یا ان کے نا جانے پر

بطور پراکسی مقرر کرنا / کرتے ہیں تاکہ وہ میری / ہماری جگہ اور میری / ہماری طرف سے کمپنی کے سالانہ اجلاس عام بمقام 3-C، سائٹ کراچی بروز جمعرات 28 اکتوبر 2021 بوقت 9:30 بجے منعقد ہو رہا ہے،

اس میں یا اس کے کسی ملوثی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

ممبر دستخط

ممبر کا نام:

فوئیو نمبر / CDC نمبر

ریونیواسٹامپ پر دستخط

رقم - 5 روپے

گواہان

(۱)

دستخط۔

نام۔

پتہ۔

شناختی کارڈ نمبر / پاسپورٹ نمبر۔

(۲)

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 پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کر سکتا ہے۔ پراکسی کمپنی کا ممبر ہونا چاہئے۔

● اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مع دستخط مکمل کر کے کمپنی سیکریٹری کو رجسٹرڈ آفس پر اجلاس کے مقررہ وقت سے 48 گھنٹے قبل بھجوائیں۔

● CDC اکاؤنٹ ہولڈرز / کارپوریٹ انٹیلیس

مندرجہ بالا اشخاص کے علاوہ مندرجہ ذیل تقاضوں کو پورا کریں:

(I) پراکسی فارم میں دو گواہان کے نام دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔

(II) پراکسی فارم کیساتھ رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول بھی منسلک کریں۔

(III) پراکسی کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔

(IV) Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد Power of Attorney / دستخط کیساتھ (بجز اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کمپنی کو جمع کروائیں۔