



**FEROZE1888 MILLS LIMITED**



**Condensed Interim Financial Information  
for the Half Year Ended December 31, 2014**

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**COMPANY INFORMATION**

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

## **DIRECTORS' REPORT**

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

### **Operational and Financial Performance**

During the half year under review the operational performances of the Company was satisfactory and except for the challenge of shortage/pressure issue in gas supply which again was tackled to a great extent by use of alternate fuel that though caused burden on profit but not affected the operational performance and targets materially. The benefits of advancement and balancing of spinning operations last year and the installation of additional looms in the beginning of current fiscal year was fully and effectively available during the second quarter of period under review and helped the Company to further reduce the reliance on outside resources. Raw material prices were stable to a great extent and lower than last year and supply has also not posed any threat enabling purchases in efficient manner to a great extent. These factors and effective alignment of all manufacturing processes enabled us, Alhamdulillah, to achieve optimum capacity utilization. Besides, maintaining same cordial and beneficial relations with our customers, we were successful in selling our optimum production.

Operational efficiencies if not translated into fanatical gain seem meaningless and realizing the same, your management, as its continued objective, tries to improve the same with its best efforts. The efforts included innovation in products like we have added recently printed towel in our product range, producing value added yarn internally and reducing reliance on procurement/outside processing, finding alternate ways and means to combat energy supply and pressure issues etc. These efforts requires long as well as short term planning, funding of same and then ensuring execution in timely and efficient manner. By doing so not only we bring cost efficiencies in our operations, which not only enable us to cope with the enhanced cost of production without any increase in the selling prices but at same time be more acceptable to our customers.

During the period under review, in view of reduction in the cotton prices compared with last year, our customers were tough to bargain and were seeking reduction in prices which we tactfully bargained and tried to keep a balance between the reduction in the raw material prices and reduction in the selling prices of our products. The parity of Pak Rupee with US Dollar which was somehow volatile during the first quarter and rupee was depreciating, continued during the second quarter and started to reverse with rupee appreciation initially then apparently settled to float within a range. This was one of single factor that affected the profitability of the company which would have been higher if either the rupee has not appreciated on overall basis or at least not been volatile.

The period under review not only witnessed decline in raw cotton prices both in domestic and international market but also rise in gas tariff, more pressure on smooth gas supply, instable forex market, increase in wages, and general increase in the prices besides our leader busy playing in see-saw which was a concern for our major buyers. The net sales during the period under review were 8.512 billion as against 8.970 billion during the corresponding period of last year. The reduction in sales value is 4.83% of which 1.1% was due to low volume caused by product mix, 0.34% due to reduced selling prices and 3.39% due to rupee appreciation. The gross profit amount which was Rs. 1.725 billion in the corresponding period of last year has reduced to Rs. 1.654 billion during the period under review in spite of improvement in gross profit rate from 19.24% to 19.43%. The administrative, selling and financial cost is marginally higher in terms of amount but is also higher by 0.96% of sales value due to reduced sales value for reasons mentioned earlier. The pretax profit is 965.069 million and post-tax profit is 876.876 million and both

are lower than last year only due to lower sales volume. Though the post-tax profit is lower by Rs. 114.019 million but Company has successfully met all its long and short financial obligations and there is no compromise or changes in the machinery replacement and up-gradation plan.

#### **FUTURE PROSPECTS**

The State Bank of Pakistan in its Monetary Policy Statement issued in last week of January, 2015 stated that the key macroeconomic indicators have improved; CPI inflation and its expectations continue to follow a downward trajectory; in the last two months of November and December 2014 trade deficit has declined; considerable foreign exchange inflows have contributed in maintaining an upward trajectory in foreign exchange reserves and with these positive developments, first half of the current fiscal year ended on a better macroeconomic outlook for the remaining months of current financial year. The statement further indicates that FBR revenue collection moderated due to downward adjustment in petroleum prices and slowdown in Large-scale manufacturing and going forward, overall expenditures could increase due to higher security related expenditures. This along with expected shortfall in FBR revenues may make meeting the fiscal deficit target more challenging for the Government. Given the above macroeconomic developments it was also announced to reduce the SBP policy rate by 100 basis points from 9.5 percent to 8.5 percent. The Statement further mentioned that exports of the country has declined by 1.9% during period of July to December despite the grant of GSP plus status by European Union (EU) and the disaggregated export data shows a 1.1 percent decline in textile exports only during July-December 2014. SBP concludes that this was largely due to substantial reduction in low value added exports and continued gas shortage is another factor contributing to decline in exports. Moreover, appreciation of Pak rupee in real terms by 3.4 percent during July-November 2014 was not a welcome development from export competitiveness point of view.

Another statistics prepared for presentation to Prime Minister by the Commerce Ministry indicates that exports declined to \$12.073 billion during July-December 14 from 12.617 billion during the same period last year thus showing a reduction of 4.1%. Realizing this, the Ministry is arguing that customs, taxes, industrial policy, investment policy, energy policy and technical policy should be export-oriented. Here, it may be pertinent to note that Pakistan Textile Exporters Association has reported 6.38% reduction in textile exports only in December 2014.

The only object quoting above is the reappraise our valued shareholders that how the pulse of the economy is currently monitored and felt and the issues and challenges are realized at the Government level even. The issues of the export units aggravate when the Government even does not meet the commitments as to the payment of refunds and claims etc. Those available under the Tax Laws, Custom Laws and Schemes announced in 2009 and recently in budget of 2014 are the major examples and precisely include Sales Tax Refunds, Custom Rebates, and Duty Draw Back Claims etc. involving millions of rupees by each export oriented textile unit.

Generally speaking, textile sector as whole is passing through a difficult period due to depressed market demands, higher cost of doing business and negative impact of change in Dollar/Rupee Parity. The country is losing competitiveness to the competitors in the neighboring countries because of energy crisis, rapid rise of wages, instable exchange rate, concerns about overall law and order situation, uncertain political environment and energy crisis etc. The situation does not seem a matter of serious concern in spite of the fact that any setback to this sector has directly impact on government revenues, forex earnings and employment opportunities. Though recently the State Bank has reduced the policy rate as well consequently the rates of export finance scheme and long term finance schemes has also been reduced but only reducing financial cost which is only around 1.5% to 3.0% of the total cost would not be of a real help.



However, considering the above as long term and continued challenges the management would remain focused on achieving highest customer satisfaction, working on finding alternate energy, energy conservation, balancing of capacities, modernization of machineries, enhanced cost controls and improving performance. We would like to assure you that every endeavor will be made to achieve the better results during the ensuing quarters or to at the minimum to maintain the same.

**ACKNOWLEDGMENTS**

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

On behalf of the Board

Khaleequr Rahman  
Chairman

Karachi: February 24, 2015

**AUDITORS' REPORT TO THE MEMBERS  
ON REVIEW OF CONDENSED INTERIM FINANCIAL  
INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim balance sheet of Feroze1888 Mills Limited as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of interim financial information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014 and 2013.

Chartered Accountants  
Engagement Partner: Muhammad Waseem

Karachi  
Dated: February 24, 2015

**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2014**

	Note	(UN-AUDITED) December 31, 2014	(AUDITED) June 30, 2014
..... (Rupees in '000) .....			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorized 400,000,000 ordinary shares of Rs. 10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up capital		3,768,009	3,768,009
Capital reserves		758,663	758,663
Accumulated profit		3,221,444	2,533,361
		<u>7,748,116</u>	<u>7,060,033</u>
Surplus on revaluation of property, plant and equipment		1,080,662	1,080,662
<b>NON-CURRENT LIABILITIES</b>			
Long term finance - secured		336,462	472,093
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,841,876	2,682,767
Accrued mark-up		37,359	31,121
Short term borrowings - secured		1,738,570	1,177,725
Current portion of long term finance - secured		103,328	136,147
		<u>4,721,133</u>	<u>4,027,760</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>5</b>	-	-
		<u>13,886,373</u>	<u>12,640,548</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<b>6</b>	5,461,932	5,210,869
Intangible assets		7,712	10,283
Long term investment		10	10
Long term deposits		5,348	5,348
		<u>5,475,002</u>	<u>5,226,510</u>
<b>CURRENT ASSETS</b>			
Stores and spares		531,601	599,509
Stock-in-trade		3,681,284	3,133,460
Trade debts - considered good		2,878,217	2,630,993
Advances, prepayments and other receivables		823,454	787,999
Taxation - net		26,130	28,175
Cash and bank balance		470,685	233,902
		<u>8,411,371</u>	<u>7,414,038</u>
		<u>13,886,373</u>	<u>12,640,548</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director



**CONDENSED INTERIM PROFIT AND  
LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

Note	Half Year Ended		Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	..... (Rupees in '000).....		..... (Rupees in '000).....	
Sales	8,511,755	8,969,736	3,997,967	4,583,246
Cost of sales	7 (6,858,875)	(7,244,378)	(3,116,508)	(3,582,701)
<b>Gross profit</b>	1,652,880	1,725,358	881,459	1,000,545
Administrative cost	(289,332)	(259,651)	(147,157)	(132,526)
Distribution cost	(232,072)	(215,108)	(122,596)	(104,489)
	(521,404)	(474,759)	(269,753)	(237,015)
<b>Operating profit</b>	1,131,476	1,250,599	611,706	763,530
Other (charges) / income	(11,496)	(7,736)	(6,604)	(2,280)
Finance cost	(96,949)	(92,350)	(156,448)	(162,250)
Workers' fund	(57,961)	(65,001)	(25,632)	(33,916)
	(166,406)	(165,087)	(188,684)	(198,446)
<b>Profit before taxation</b>	965,070	1,085,512	423,022	565,084
Provision for taxation	(88,193)	(94,616)	(41,418)	(48,443)
<b>Profit after taxation</b>	876,877	990,896	381,604	516,641
Earning per share basic and diluted	2.33	2.63	1.01	1.37

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	..... (Rupees in '000) .....		..... (Rupees in '000) .....	
Profit for the period	876,877	990,896	381,604	516,641
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>876,877</u>	<u>990,896</u>	<u>381,604</u>	<u>516,641</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director

**CONDENSED INTERIM CASH FLOW  
STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	<b>July to December 31, 2014</b>	<b>July to December 31, 2013</b>
	..... (Rupees in '000).....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax for the period	965,070	1,085,512
<b>Adjustments for non cash items:</b>		
Depreciation and amortization	206,382	177,597
Provision for WWF and WPPF	57,961	65,001
Finance cost	96,949	92,350
Gain on disposal of property, plant and equipment	(1,729)	(1,604)
	<u>359,563</u>	<u>333,344</u>
<b>Operating profit before working capital changes</b>	<b>1,324,633</b>	<b>1,418,856</b>
<b>(Increase)/decrease in current assets</b>		
Stores and spares	67,908	(108,411)
Stock-in-trade	(547,824)	(1,296,537)
Trade debtors	(247,224)	(827,059)
Advances, prepayments and other receivables	(35,455)	8,795
<b>Increase in current liabilities</b>		
Trade and other payables	195,934	194,678
	<u>(566,661)</u>	<u>(2,028,534)</u>
	<b>757,972</b>	<b>(609,678)</b>
Finance cost paid	(90,712)	(65,064)
Income tax paid	(90,238)	(81,851)
WPPF & WWF paid	(94,849)	(78,473)
	<u>(275,799)</u>	<u>(225,388)</u>
<b>Net cash generated from / (used in) operating activities</b>	<b>482,173</b>	<b>(835,066)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(452,538)	(477,389)
Sales proceeds on disposal of property, plant and equipment	3,486	17,616
Long term deposits paid	-	(2)
<b>Net cash used in investing activities</b>	<b>(449,052)</b>	<b>(459,775)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(188,733)	(215,241)
Repayment of long-term loans	(168,450)	(92,563)
<b>Net cash used in financing activities</b>	<b>(357,183)</b>	<b>(307,804)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(324,062)</b>	<b>(1,602,645)</b>
Cash and cash equivalents at the beginning of the period	(943,823)	(2,027,919)
Cash and cash equivalents at the end of the period	<u>(1,267,885)</u>	<u>(3,630,564)</u>
	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	470,685	153,300
Short-term borrowing - secured	(1,738,570)	(3,783,864)
	<u>(1,267,885)</u>	<u>(3,630,564)</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES  
IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31,2014**

	<b>Share capital</b>	<b>Capital reserve</b>	<b>Accumulated profit</b>	<b>Total</b>
	----- (Rupees in '000) -----			
<b>Balance as at July 01, 2013</b>	3,768,009	758,663	1,138,038	5,664,710
Total comprehensive income for the period	-	-	990,896	990,896
Final cash dividend at Rs. 0.3 to directors, their relatives and associates and Rs.1.5 per share to others	-	-	(113,355)	(113,355)
<b>Balance as at December 31,2013</b>	<u>3,768,009</u>	<u>758,663</u>	<u>2,015,579</u>	<u>6,542,251</u>
<b>Balance as at January 01 ,2014</b>	3,768,009	758,663	2,015,579	6,542,251
Total comprehensive income for the period	-	-	706,576	706,576
Interim cash dividend at Rs. 0.5 to directors, their relatives and associates and Rs.2 per share to others	-	-	(188,794)	(188,794)
<b>Balance as at June 30, 2014</b>	<u>3,768,009</u>	<u>758,663</u>	<u>2,533,361</u>	<u>7,060,033</u>
<b>Balance as at July 1, 2014</b>	3,768,009	758,663	2,533,361	7,060,033
Total comprehensive income for the period	-	-	876,877	876,877
Final cash dividend at Rs. 0.5 to directors, their relatives and associates and Rs.2 per share to others	-	-	(188,794)	(188,794)
<b>Balance as at December 31, 2014</b>	<u>3,768,009</u>	<u>758,663</u>	<u>3,221,444</u>	<u>7,748,116</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial information.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

**1. LEGAL STATUS AND OPERATIONS**

The Company was incorporated in Pakistan as a public limited Company. The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in production and export of towels. The registered office of the Company is situated at H-23/4-A Landhi, Karachi.

**2. BASIS OF PREPARATION**

2.1 These condensed interim financial information are un-audited but subject to limited scope review by the auditors of the Company. These condensed interim financial information of the company for the six months period ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 The figures of the condensed interim profit and loss account for the quarters ended December 31, 2014 and 2013 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2014 and 2013. These condensed interim financial information do not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2014.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2014.

**4. ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended June 30, 2014.

**5. CONTINGENCIES AND COMMITMENTS**

**i) Contingencies**

There were no contingencies existed at the balance sheet date.

**ii) Commitments**

Guarantees aggregating to Rs. 271.17 million (June 2014: 226.47 million) issued by various commercial banks in respect financial obligation of the Company to various institutions.


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Company has also enter into following commitments:

	<b>December 31, 2014</b> <b>(Un-audited)</b>	<b>June 30, 2014</b> <b>(Audited)</b>
<b>Note</b>	----- <b>(Rupees in '000)</b> -----	
- Letter of credit	73,165	210,984
- Capital expenditure	<u>235,561</u>	<u>92,643</u>
	<b>December 31, 2014</b> <b>(Un-audited)</b>	<b>June 30, 2014</b> <b>(Audited)</b>
	----- <b>(Rupees in '000)</b> -----	

### 6. PROPERTY, PLANT & EQUIPMENT

Operating assets	6.1	5,043,932	4,602,152
Capital work in progress	6.2	382,992	582,312
Leasehold improvements		<u>35,008</u>	<u>26,405</u>
		<u>5,461,932</u>	<u>5,210,869</u>

#### 6.1 Major additions and deletions are as follows:

	<u>December 31, 2014</u>		<u>June 30, 2014</u>	
	<b>Additions/ Transfers</b>	<b>Disposals</b>	<b>Additions/ Transfers</b>	<b>Disposals</b>
	---- <b>(Rupees in '000)</b> ----		---- <b>(Rupees in '000)</b> ----	
Building on leasehold land	2,370	-	49,342	-
Building on freehold land	-	-	-	-
Plant and machinery	598,694	-	493,555	(78,657)
Electric fittings	2,019	-	6,658	-
Office equipments	2,535	-	15,814	-
Computers	7,813	-	6,810	-
Furniture and Fixtures	991	-	215	-
Vehicles	21,255	(8,008)	26,570	(10,091)
Arms and ammunitions	-	-	-	-
	<u>635,677</u>	<u>(8,008)</u>	<u>598,963</u>	<u>(88,748)</u>

6.2 Depreciation for the half year ended December 31, 2014 is Rs.192.14 million (June 30,2014: Rs.354.11million), Written down value of the disposal is Rs.1.76 million (June 30, 2014: Rs. 27.375 million).

	<b>December 31, 2014</b> <b>(Un-audited)</b>	<b>June 30, 2014</b> <b>(Audited)</b>
	----- <b>(Rupees in '000)</b> -----	

#### 6.3 CAPITAL WORK-IN-PROGRESS

Opening balance at the beginning of the year		582,312	126,103
Additions during the year:			
Machines under installation		346,797	870,876
Building under construction	6.3.1	84,103	86,457
Others	6.3.2	<u>27,247</u>	<u>10,207</u>
		458,147	967,540
Transferred to operating fixed assets		(633,258)	(502,510)
Transferred to leasehold improvement		(20,271)	-
Transferred / adjustment to expense		<u>(3,938)</u>	<u>(8,821)</u>
Closing balance at the end of the period		<u>382,992</u>	<u>582,312</u>


**Feroze1888 Mills Limited**

6.3.1 This represents construction of building for enhancement of spinning unit in location hub.

6.3.2 This represents electric fittings for enhancement of spinning unit in location hub.

	<u>For the half year ended</u>		<u>For the quarter ended</u>	
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>31,2014</b>	<b>31,2013</b>	<b>31,2014</b>	<b>31,2013</b>

---- (Rupees in '000)---- (Rupees in '000)----

## 7. COST OF SALES

### Raw materials consumed

Opening stock	1,428,292	1,595,129	1,832,939	2,176,409
Purchases during the year	4,303,388	5,843,592	2,080,956	3,255,818
	5,731,680	7,438,721	3,913,895	5,432,227
Less : Closing stock	(2,152,549)	(3,284,215)	(2,152,549)	(3,284,215)
<b>Raw materials consumed</b>	<b>3,579,131</b>	<b>4,154,506</b>	<b>1,761,346</b>	<b>2,148,012</b>
Stores consumed	967,216	917,896	331,838	458,971
Salaries, wages and benefits	381,199	276,337	173,505	131,891
Fuel, power and water	539,899	413,415	260,037	217,834
Outside manufacturing charges	516,078	461,599	254,653	223,632
Insurance	14,903	13,249	7,216	6,684
Repair and maintenance	36,534	38,623	21,211	7,351
Other manufacturing expenses	455,051	411,034	408,763	201,352
Depreciation and amortization	192,432	165,171	107,770	86,119
Work-in-process opening	1,064,591	1,100,317	918,445	1,015,683
Work-in-process closing	(1,041,089)	(943,239)	(1,041,089)	(943,239)
<b>Cost of goods manufactured</b>	<b>6,705,944</b>	<b>7,008,908</b>	<b>3,203,696</b>	<b>3,554,290</b>
Add: Opening stock of finished goods	640,578	768,706	400,458	561,647
Less: Closing stock of finished goods	(487,646)	(533,236)	(487,646)	(533,236)
<b>Cost of sales</b>	<b>6,858,875</b>	<b>7,244,378</b>	<b>3,116,508</b>	<b>3,582,701</b>

## 8. TRANSACTIONS WITH RELATED PARTIES

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

<b>Nature of transaction</b>	<b>Relationship</b>	<b>July to</b>	<b>July to</b>
		<b>December</b>	<b>December</b>
		<b>2014</b>	<b>2013</b>

---- (Rupees in '000)----

Sales of goods	<b>Associate</b>	673,436	520,604
Purchases	<b>Associate</b>	28,557	179,836
Manufacturing and other expenses	<b>Associate</b>	444,455	460,673

 **Feroze1888 Mills Limited**

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

**December 31, 2014**    **June 30, 2014**  
----- (Rupees in '000)-----

**Balances**

Payable	<b>Associate</b>	44,511	25,515
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**9. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding annual published financial statements of the Company for the year ended June 30,2014.

**10. DATE OF AUTHORIZATION FOR ISSUE**

The condensed interim financial information have been authorized for issue on February 24, 2015 by the Board of Directors of the Company.

**11. GENERAL**

Allocations for the workers' profit participation fund, workers' welfare fund and taxation are interim and final liability will be determined on the basis of annual results.

Figures have been rounded off to the nearest thousand rupee.

**Anas Rahman**  
Chief Executive

**Sheikh Zafar Ahmed**  
Director



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