



# FEROZE 1888 MILLS LTD

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

*Weaving a Better World®*

# 50/

**Determination for Success**

*Continuing The Legacy of 50 Years of Excellence*

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## COMPANY INFORMATION

### Board of Directors

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

### Board Audit Committee

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

### Board HR & Remuneration Committee

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

### Chief Financial Officer

Ms. Javeria Siddiqui

### Company Secretary

Mr. Muhammad Usama Siddiqui

### Bankers

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

### External Auditors

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

### Internal Auditors

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

### Registered Office

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

### Office Building

K&N Centre, 2<sup>nd</sup> and 3<sup>rd</sup> Floor, 160 Banglore Town,  
Shahrah -e-Faisal, Karachi

### Factory Addresses

#### Sindh

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

Plot # A-5, SITE, Karachi.

Plot # C-3, SITE, Karachi.

Plot # C-31 SITE, Karachi.

Plot # F-89, SITE, Karachi.

Plot # F-125, SITE, Karachi.

Plot # F-342, SITE, Karachi.

Plot # D-202, SITE, Karachi.

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

Survey # 81, 242, 72 to 75, 165, 166, 171, 172,  
176 to 181, 186 to 190, 156, 210, 211, 243,  
Deh Moachko, Tapo Gabopat, Keamari Town,  
Karachi.

#### Baluchistan

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

### Share Registrar / Transfer Agent

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

### Legal Advisor

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

### Website

<http://www.feroze1888.com>

## DIRECTORS' REPORT

The Directors of Feroze1888 Mills Limited ("the Company") are pleased to present the performance review and the unaudited Financial Statements for the Quarter ended 30 September 2020.

### ECONOMIC OUTLOOK

The policy decisions taken by the Government after COVID-19 pandemic has resulted in an improvement in the macroeconomic landscape. The Country recorded current account surplus in Aug-20 on the back of controlled trade deficit and strong remittances growth. The current account surplus along with flows from multilateral and bilateral sources has shored up reserves to USD 19.5bn which has helped the local currency to depict strength. The current account surplus for the month of Aug-20 clocked at USD 297mn, taking 2MFY21 cumulative surplus to USD 805mn (1.8% of GDP) compared to current account deficit of USD 1.2bn (2.8% of GDP) during same period last year. Drop in imports supported the external account yet decline in exports kept the benefit in check. However, the exports are expected to increase in the coming months. The foreign direct investment is expected to catch pace in FY21 given the working on CPEC projects. Considerable increase in remittance is expected under Roshan Digital Accounts Scheme launched by State Bank of Pakistan for overseas Pakistanis that will further support Pak Rupee.

SBP kept policy rate unchanged at 7 percent in its Monetary Policy Statement announced in September 2020. The headline inflation for September 2020 clocked in at 9.04% YoY increased from 8.21%YoY in the preceding month (August 2020) mainly owing to supply shocks triggered after recent spell of monsoon rains/floods observed all over the Country. It is believed that the GDP growth is likely to show recovery as most of the businesses have opened but a potential second wave of COVID-19 can derail the recovery. The focus would remain on COVID-19 numbers and the policy actions taken by the Government to control the fallout from the pandemic.

### FINANCIAL PERFORMANCE OVERVIEW

During the Quarter ended September 30, 2020, the Company's profit after tax has increased by Rs. 871.16 million i.e. by 1.17 times in comparison with corresponding period of last year. The Company's net sales revenue is increased by Rs. 2,395 million i.e. by 31.24% in comparison with corresponding period of last year and reached Rs. 10,062 million. This increase is mainly attributed to the increase in Sales volumes, amplified by devaluation of currency as compared corresponding period last year.

				Rs. In '000	
Statement of Profit or Loss for the Quarter Ended,		Statement of Financial Position As At,			
	September 2020	September 2019		September 2020	June 2020
Sales- net	10,061,524	7,666,321	Property, plant and equipment	17,943,224	17,595,012
Gross profit	2,751,831	2,075,052	Store and spares	1,067,894	886,495
			Stock-in-trade	8,076,204	8,269,628
Admin and distribution cost	(999,427)	(829,985)	Trade debts	9,313,595	6,809,503
Other expenses	(98,618)	(423,390)			
Other income	172,276	72,259	Share capital	3,768,009	3,768,009
Finance cost	(107,233)	(58,998)	Reserves	18,994,128	17,379,049
			Long term financing	5,735,970	5,012,562
Profit before taxation	1,718,829	834,938	Short term borrowings	9,840,000	9,640,000
Profit after taxation	1,615,079	743,916	Trade and other payables	6,202,936	6,481,124
EPS	4.29	1.97			

The cost of sales per unit is largely flat with major cost components experiencing offsetting impacts and other variables also in line with the increase in sales. Other income increased by Rs. 100 million mainly on account of currency exchange difference and return on short term investments. There has been a significant increase in finance cost during the period in line with increase in finances obtained under Long Term Finance Facilities, Refinance Scheme for Payment of Wages and Salaries and Export Refinance Facilities for modernization of plant & machinery, payment of wages and salaries and working capital requirements respectively.

## **LOOKING AHEAD**

After a difficult financial year 2019-20, the Country's economy seems to be recovering robustly at the outset of FY2021. In July 2020, industrial production posted its first expansion since December 2019. The exports after rebounding in July, declined in August as monsoon rains caused widespread supply chain disruptions however, was still softer than previous quarter, signaling healthier external demand. Sustainability of the exports and economic recovery of the Country will depend on how effectively the spread of the virus is controlled in future. If the situation continues to improve in the same manner and the global economy witnesses a pause in the crisis as well, it is hoped that the economic activities and exports will continue growing.

## **ACKNOWLEDGEMENT AND APPRECIATION**

Feroze1888 has been selected in the Annual Forbes Asia 200 Best Under A Billion Companies list in its August 2020 issue. Recognition by this global platform is a matter of extreme privilege for the Company. This recognition has increased the confidence of the Company in its team and direction of its efforts and has fueled up the aspiration to live up its vision of being the market leader.

Feroze1888 takes pleasure in expressing its sincere gratitude and appreciation for the outstanding commitment and contribution of all the employees and continued trust and reliance placed in the Company by all the stakeholders.

For and on behalf of the Board of Directors

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Independent Director

Karachi  
Date: 29 October 2020

فی اکائی (Per Unit) قیمت فروخت، کل فروخت میں اضافے کے باوجود عمومی طور پر متوازن رہی۔ دیگر آمدن میں ۱۰۰ ملین روپے اضافہ ہوا جو کہ بنیادی طور پر کرنسی کے تبادلے کا فرق اور مختصر عرصہ کی سرمایہ کاری سے آمدنی کا موجب ہے۔ اسی عرصہ وقت میں فنانس کی لاگت میں گراں قدر اضافہ دیکھنے میں آیا جس کی وجہ طویل معیاد قرضوں کی حصول، تنخواہوں اور اجرت کی ادائیگی، ایکسپورٹ ری فنانس اسکیم اور مشینوں کی جدید کاری کے لئے اور ورکنگ سرمایہ کاری کی ضروریات کے لئے بالترتیب لیا گیا۔

## مستقبل کا زاویہ نگاہ

سال ۲۰۲۰ء-۲۰۱۹ء کے مشکل مالی سال کے بعد مالی سال ۲۰۲۱ء کے آغاز پر ہی ملکی معیشت بہتری کی طرف گامزن ہوتی دکھائی دے رہی ہے۔ جولائی ۲۰۲۰ء میں صنعتی پیداوار میں دسمبر ۲۰۱۹ء کے بعد پہلی بار اضافہ ہوا جولائی کے مہینے میں تیزی کے بعد اگست میں برآمدات میں کمی واقع ہوئی جس کی وجہ مون سون کی بارشوں کے باعث وسیع پیمانے پر سپلائی چین میں خلل واقع ہونا تھا۔ تاہم یہ پچھلی سہ ماہی کے مقابلے میں پھر بھی بہتر تھا کیونکہ باہر کے خریدار کی طرف سے مانگ (Demand) میں اضافے کا رجحان موجود تھا۔ ملک کی برآمدات میں استحکام اور معاشی بحالی کا انحصار اس بات پر منحصر ہے کہ مستقبل میں وائرس کے پھیلاؤ کو کتنے موثر طریقے سے قابو میں کیا جاسکتا ہے۔ اگر صورتحال قابو میں رہی اور عالمی معیشت بھی بحران پر قابو پانے میں کامیاب رہی تو امید ہے کہ معاشی سرگرمیاں اور برآمدات بدستور بڑھتی رہیں گی۔

## اظہار تشکر

فیروز ۱۸۸۸ کو سالانہ فوربس ایشیاء (Forbes Asia) اگست ۲۰۲۰ء کے شمارے میں ۲۰۰ بہترین انڈر بلین کمپنی (200 Best under a billion companies) کی فہرست میں منتخب کیا گیا۔ اس عالمی پلیٹ فارم کے ذریعہ کمپنی کی پزیرائی (Recognition) ہمارے لئے بڑے اعزاز کی بات ہے۔ ہماری یہ پزیرائی ہماری اپنی ٹیم کی محنت اور سعی مسلسل کو مزید جلا بخشتی ہے اور ہمارے مارکیٹ لیڈر بننے کے اپنے وژن کو مزید استحکام دیتی ہے۔ فیروز ۱۸۸۸ اپنے تمام ملازمین کی لگن اور کاوشوں اور تمام اسٹیک ہولڈرز کے اعتماد اور بھروسے کے لیے تہہ دل سے مشکور و ممنون ہے۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

آیینہ زاہد ظہیر  
آزاد ڈائریکٹر

ریحان رحمان  
چیف ایگزیکٹو آفیسر



## ڈائریکٹرز رپورٹ

فیروز ۱۸۸۸ ملز لمیٹڈ (کمپنی) کے ناظمین ۳۰ ستمبر ۲۰۲۰ء کو ختم ہونے والی پہلی سہ ماہی کی کارکردگی کا جائزہ اور غیر محاسب شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرور ہیں۔

### اقتصادی منظر نامہ

حکومت نے COVID-19 کے وبائی مرض کے بعد جو پالیسی فیصلے کیے ہیں اس کے نتیجے میں کل معاشی منظر نامہ میں بہتری آئی ہے۔ ملک میں کرنٹ اکاؤنٹ کی مد میں اگست ۲۰۲۰ء میں سرپلس (منافع) ریکارڈ کیا گیا اور اس کی وجہ تجارتی خسارے میں کمی اور ترسیلات زر میں اضافہ ہے۔ کرنٹ اکاؤنٹ کے ضمن میں اضافہ اور ترسیلات زر نے فارن کرنسی ذخائر میں گراں قدر اضافہ کیا جو کہ ۱۹.۵ بلین ڈالر ریکارڈ کیا گیا، جس کی وجہ سے مقامی کرنسی کو مستحکم رہنے میں مدد ملی۔ رواں سال اگست ۲۰۲۰ء کے مہینے میں کرنٹ اکاؤنٹ سرپلس ۲۹۷ ملین امریکی ڈالر پر پہنچ گئے جو کہ FY-21 کے پہلے دو مہینوں کے مجموعی ریزرو کو ۸۰.۵ بلین امریکی ڈالر (1.8% of GDP) تک لے گئے جبکہ گزشتہ سال اسی عرصے کے دوران کرنٹ اکاؤنٹ کا خسارہ ۱.۲ بلین امریکی ڈالر (2.8% of GDP) تھا۔ درآمدات میں کمی نے بیرونی کھاتوں کو سنبھالے رکھا جبکہ برآمدات میں کمی نے فائدہ برقرار رکھا۔ تاہم آنے والے مہینوں میں برآمدات میں اضافہ متوقع ہے۔ توقع کی جا رہی ہے کہ براہ راست غیر ملکی سرمایہ کاری میں مالی سال ۲۰۲۱ء میں تیزی آئے گی اور اس کی وجہ CPEC پراجیکٹ پر بڑھتی ہوئی سرمایہ کاری ہے۔ اسٹیٹ بینک آف پاکستان کے ذریعے شروع ہونے والی روشن ڈیجیٹل اکاؤنٹس اسکیم کے تحت ترسیلات زر میں قابل ذکر اضافہ متوقع ہے، جو کہ پاکستانی روپے کی قدر کو مزید مستحکم کرنے کا باعث ہوگا۔

اسٹیٹ بینک نے ستمبر ۲۰۲۰ء میں اپنے مانیٹری پالیسی بیان میں پالیسی شرح کو ۷ فیصد پر برقرار رکھا۔ ستمبر ۲۰۲۰ء میں افراط زر کی شرح ۹.۰۴ فیصد جبکہ اس سے پچھلے مہینے (اگست ۲۰۲۰ء) میں ۸.۲۱ فیصد سال بسال اضافہ کا شکار رہی جس کی بنیادی وجہ پورے ملک میں مون سون بارشوں/سیلابی صورتحال کے بعد اشیاء کی ترسیل میں تعطل رہی۔ یہ امید کی جا رہی ہے کہ خام ملکی پیداوار کی نمو اپنی بحالی کی طرف گامزن ہے کیونکہ زیادہ تر کاروباری سرگرمیاں بحال ہو چکی ہیں مگر کووڈ-۱۹ کی دوسری لہر اس بحالی کو پھٹی سے اتار سکتی ہے۔ ہماری توجہ کووڈ-۱۹ کے کیسز / نمبرز اور اس کے نتیجے میں حکومت کی طرف سے کیے جانے والے وبائی امراض کو قابو پانے کی پالیسی اقدامات پر مرکوز ہے۔

### مالی کارکردگی کا جائزہ

۳۰ ستمبر ۲۰۲۰ء کو ختم ہونے والی سہ ماہی کے دوران ٹیکس منہا کرنے کے بعد کمپنی کا منافع ۸۷۱.۱۶ ملین روپے بڑھا جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں ۱.۱۷ گنا زیادہ ہے۔ کمپنی کی خالص فروخت کی آمدنی ۲,۳۹۵ ملین روپے بڑھی جو کہ پچھلے سال کے مقابلے میں ۳۱.۲۴ فیصد اضافے کے بعد ۱۰,۰۶۲ ملین روپے پر پہنچ گئی ہے۔ یہ اضافہ بنیادی طور پر فروخت کی مقدار میں اضافہ اور روپے کی قیمت میں کمی کا آئینہ دار ہے۔

Rs. In '000					
Statement of Profit or Loss for the Quarter Ended,			Statement of Financial Position As At,		
	September 2020	September 2019		September 2020	June 2020
Sales- net	10,061,524	7,666,321	Property, plant and equipment	17,943,224	17,595,012
Gross profit	2,751,831	2,075,052	Store and spares	1,067,894	886,495
			Stock-in-trade	8,076,204	8,269,628
Admin and distribution cost	(999,427)	(829,985)	Trade debts	9,313,595	6,809,503
Other expenses	(98,618)	(423,390)			
Other income	172,276	72,259	Share capital	3,768,009	3,768,009
Finance cost	(107,233)	(58,998)	Reserves	18,994,128	17,379,049
			Long term financing	5,735,970	5,012,562
Profit before taxation	1,718,829	834,938	Short term borrowings	9,840,000	9,640,000
Profit after taxation	1,615,079	743,916	Trade and other payables	6,202,936	6,481,124
EPS	4.29	1.97			

## Condensed Interim Statement of Financial Position As at September 30, 2020

		Un-audited September 30, 2020	Audited June 30, 2020
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	17,943,224	17,595,012
Intangible assets		27,983	29,540
Long term deposits		16,380	16,380
		<u>17,987,587</u>	<u>17,640,932</u>
<b>Current assets</b>			
Store and spares		1,067,894	886,495
Stock-in-trade	6	8,076,204	8,269,628
Trade debts	7	9,313,595	6,809,503
Advances, deposits, prepayments and other receivables	8	3,113,220	2,982,084
Taxation - net		304,339	472,382
Short-term investments	9	4,338,946	3,787,643
Cash and bank balances		1,393,203	2,247,990
		<u>27,607,401</u>	<u>25,455,725</u>
<b>Total assets</b>		<u><u>45,594,988</u></u>	<u><u>43,096,657</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
400,000,000 (2019: 400,000,000) ordinary shares of Rs 10/- each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital		3,768,009	3,768,009
Capital reserves		758,663	758,663
Revaluation surplus on property, plant and equipment		1,486,262	1,486,262
Revenue reserve		<u>16,749,203</u>	<u>15,134,124</u>
		<u>22,762,137</u>	<u>21,147,058</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred liability		234,453	205,355
Long term financing	11	5,735,970	5,012,562
Lease liabilities		<u>144,454</u>	<u>171,678</u>
		<u>6,114,877</u>	<u>5,389,595</u>
<b>Current liabilities</b>			
Trade and other payables	12	6,202,936	6,481,124
Short term borrowings	13	9,840,000	9,640,000
Accrued mark-up		70,251	90,449
Current portion of long term financing	11	443,425	214,838
Current portion of lease liabilities		159,518	131,686
Unclaimed dividend		1,844	1,907
		<u>16,717,974</u>	<u>16,560,004</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
<b>Total equity and liabilities</b>		<u><u>45,594,988</u></u>	<u><u>43,096,657</u></u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director



## Condensed Interim Statement of Profit or Loss (Un-audited)

### For the Quarter ended September 30, 2020

		September 30, 2020	September 30, 2019
	Note	(Rupees in '000)	
Sales - net		10,061,524	7,666,321
Cost of sales	15	(7,309,693)	(5,591,269)
<b>Gross profit</b>		<b>2,751,831</b>	<b>2,075,052</b>
Administrative cost		(302,891)	(294,607)
Distribution cost		(696,536)	(535,378)
Other expenses	16	(98,618)	(423,390)
		<b>(1,098,045)</b>	<b>(1,253,375)</b>
		<b>1,653,786</b>	<b>821,677</b>
Other income	17	172,276	72,259
<b>Operating profit</b>		<b>1,826,062</b>	<b>893,936</b>
Finance cost		(107,233)	(58,998)
<b>Profit before taxation</b>		<b>1,718,829</b>	<b>834,938</b>
Taxation		(103,750)	(91,022)
<b>Profit after taxation</b>		<b>1,615,079</b>	<b>743,916</b>
<b>Earning per share basic &amp; diluted (Rupees)</b>		<b>4.29</b>	<b>1.97</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director

## Condensed Interim Statement of Comprehensive Income (Un-audited) For the Quarter ended September 30, 2020

	September 30, 2020	September 30, 2019
	----- (Rupees in '000) -----	
Profit after taxation	1,615,079	743,916
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>1,615,079</b>	<b>743,916</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director

## Condensed Interim Statement of Cash Flows (Un-audited) For the Quarter ended September 30, 2020

	September 30, 2020	September 30, 2019
Note	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,718,829	834,938
<b>Adjustment for:</b>		
Depreciation	366,015	277,699
Amortization	1,558	136
Finance cost	107,233	58,998
Deferred liability	31,028	27,920
Interest on bank deposits	(25,509)	(34,662)
Dividend income on open ended mutual fund units	(60,318)	(37,597)
Allowance for expected credit loss on trade debts	3,556	-
Reversal of provision for doubtful advances	(10,285)	-
Loss on disposal of property, plant and equipment	4,861	270
	418,139	292,764
	2,136,968	1,127,702
<b>(Increase)/ decrease in current asset</b>		
Stores and spares	(181,399)	(169,448)
Stock in trade	193,424	(2,442,564)
Trade debt	(2,507,647)	657,964
Advances, deposits, prepayments and other receivables	(122,715)	(1,052,951)
	(2,618,337)	(3,006,999)
<b>(Decrease)/ increase in current liabilities</b>		
Trade and other payables	(280,202)	613,098
<b>Net cash used in operations</b>	(761,571)	(1,266,200)
Finance cost paid	(120,886)	(71,738)
Income tax paid	64,290	(101,102)
Gratuity paid	(1,397)	-
Government grant received	4,489	-
<b>Net cash used in operating activities</b>	(815,075)	(1,439,040)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(729,308)	(1,466,757)
Proceeds from disposal of operating fixed assets	10,220	18,089
Short-term investments made	(990,985)	-
Interest received on bank deposits	27,373	26,981
Dividend income received on open ended mutual fund units	-	37,597
<b>Net cash used in investing activities</b>	(1,682,700)	(1,384,090)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(63)	(64)
Short term borrowings obtained - net	200,000	-
Long term financing obtained - net	951,995	786,367
Lease rental paid	(8,944)	-
<b>Net cash generated from financing activities</b>	1,142,988	786,303
<b>Net decrease in cash and cash equivalent</b>	(1,354,787)	(2,036,827)
Net cash and cash equivalent at beginning of the period	4,247,990	3,267,698
<b>Cash and cash equivalent at end of the period</b>	2,893,203	1,230,871

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

Javeria Siddiqui  
Chief Financial Officer

Rehan Rahman  
Chief Executive Officer

Aminah Zahid Zaheer  
Director

## Condensed Interim Statement of Changes in Equity

### For the Quarter ended September 30, 2020

	Share capital	Capital		Reserves		Total equity
		Merger reserve	Share premium	Revaluation surplus on property, plant and equipment	Revenue reserve	
					Accumulated profit	
(Rupees '000)						
Balance as at June 30, 2019 (Audited)	3,768,009	543,413	215,250	1,499,008	14,077,769	20,103,449
Net profit for the period	-	-	-	-	743,916	743,916
Other Comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	743,916	743,916
Balance as at September 30, 2019 (Un-audited)	3,768,009	543,413	215,250	1,499,008	14,821,685	20,847,365
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)
Net profit for the period	-	-	-	-	2,193,305	2,193,305
Other Comprehensive income for the period	-	-	-	-	28,073	28,073
	-	-	-	-	2,221,378	2,221,378
Transfer of revaluation surplus on disposal of property, plant and equipment	-	-	-	(12,746)	12,746	-
Balance as at June 30, 2020 (Audited)	3,768,009	543,413	215,250	1,486,262	15,134,124	21,147,058
Net profit for the period	-	-	-	-	1,615,079	1,615,079
Other Comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	1,615,079	1,615,079
Balance as at September 30, 2020 (Un-audited)	3,768,009	543,413	215,250	1,486,262	16,749,203	22,762,137

The annexed notes 1 to 24 form an integral part of these condensed interim financial information.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director

## Notes to the Condensed Interim Financial Information (Un-audited) For the Quarter ended September 30, 2020

### 1 THE COMPANY AND ITS OPERATIONS

Feroze1888 Mills Limited (the Company) was incorporated in Pakistan as a Public Limited Company in October 1972 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of:

- International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement if IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 This condensed interim financial information does not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2020.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of annual audited financial statements for the year ended June 30, 2020.

### 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements is in conformity with the approved accounting standards which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

During the preparation of these condensed interim financial statements, the significant judgments made by management in applying Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2020.

			(Un-audited)	(Audited)
			September 30, 2020	June 30, 2020
5	PROPERTY, PLANT AND EQUIPMENT	Note	----- Rupees in '000 -----	
	Operating fixed assets	5.1	15,921,905	14,072,097
	Capital work-in-progress	5.2	1,780,638	3,248,220
	Right-of-use-assets		240,681	274,695
			17,943,224	17,595,012

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		Rupees in '000	
<b>5.1 Operating fixed assets</b>	<i>Note</i>		
Balance at the beginning of the period / year		14,072,097	11,388,151
Addition during the period / year	5.1.1	2,196,891	4,047,571
		16,268,988	15,435,722
Disposals during the period / year (NBV)	5.1.1	(15,081)	(159,227)
Depreciation charged during the period / year		(332,002)	(1,204,398)
		(347,083)	(1,363,625)
Balance at the end of the period / year		15,921,905	14,072,097

**5.1.1 Details of addition and disposal are as follows:**

	Additions (Cost)		Disposal (NBV)	
	(Un-audited) September 30, 2020	(Audited) June 30, 2020	(Un-audited) September 30, 2020	(Audited) June 30, 2020
	Rupees in '000			
Land - Leasehold	741,348	-	-	(25,410)
Building on leasehold land	333,509	1,096,342	-	-
Leasehold Improvements	3,586	-	-	-
Plant and machinery	1,088,567	2,892,170	10,284	(106,777)
Electric fittings / equipments	25,563	14,767	-	(5,151)
Office equipments	2,008	9,834	17	(1,136)
Computers	707	14,961	-	(1,787)
Furniture and fixtures	1,603	3,561	-	(1,162)
Vehicles	-	15,936	4,780	(17,804)
	2,196,891	4,047,571	15,081	(159,227)

**5.1.2** Depreciation on operating fixed assets for the period amounted to Rs. 366.02 million (September 30, 2019: Rs. 277.70 million).

	(Un-audited) September 30, 2020	(Audited) June 30, 2020
	Rupees in '000	
<b>5.2 Capital work-in-progress</b>		
Balance at the beginning of the period / year	1,999,112	1,776,058
Addition during the period / year	545,064	4,075,102
	2,544,176	5,851,160
Transferred to operating fixed assets / expenses	(1,475,652)	(3,852,048)
	1,068,524	1,999,112
Advance against fixed assets	639,387	871,779
Stand-by equipments	72,727	377,329
Balance at the end of the period / year	1,780,638	3,248,220

**6 STOCK-IN-TRADE**

Raw material	6.1	3,501,127	4,083,618
Work-in-progress	6.2	2,912,517	2,597,780
Finished goods	6.3	1,662,560	1,588,230
		8,076,204	8,269,628

**6.1** Includes items costing Rs. 8.89 million (June 30, 2020: Rs. 30.56 million) which have been valued at their net realizable value of Rs. 4.44 million (June 30, 2020: Rs. 15.28 million).

- 6.2 Includes items costing Rs. 8.79 million (June 30, 2020: Rs. 8.52 million) held at WIP stores which have been valued at their net realizable value of Rs. 4.40 million (June 30, 2020: Rs. 4.26 million).
- 6.3 Includes items costing Rs. 139.59 million (June 30, 2020: Rs. 508.10 million) which have been valued at their net realizable value of Rs. 84.86 million (June 30, 2020: Rs. 260.44 million).

			(Un-audited) September 30, 2020	(Audited) June 30, 2020
			----- Rupees in '000 -----	
7	<b>TRADE DEBTS</b>	<i>Note</i>		
	<b>Exports</b>			
	Considered good		9,285,123	6,797,429
	Considered doubtful		20,500	16,944
			9,305,623	6,814,373
	Allowance for expected credit loss	7.1	(20,500)	(16,944)
			9,285,123	6,797,429
	<b>Local</b>			
	Considered good		28,472	12,074
			9,313,595	6,809,503
7.1	<b>Movement of allowance for expected credit loss is as follows:</b>			
	Balance at the beginning of the period		16,944	-
	Charge for the period		3,556	16,944
	Balance at the end of the period		20,500	16,944
8	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	<b><u>Advances</u></b>			
	<b>- Suppliers</b>			
	Considered good		774,920	203,675
	Considered doubtful		94,684	104,969
			869,604	308,644
	Provision for doubtful advances		(94,684)	(104,969)
			774,920	203,675
	<b>- Employees</b>			
	Considered good		233	2,311
			775,153	205,986
	<b><u>Deposits</u></b>	8.1	40,455	32,566
	<b><u>Prepayments</u></b>	8.2	67,994	404,640
	<b><u>Other receivables</u></b>			
	Sales tax refundable		1,207,592	1,591,939
	Export rebate / duty drawback		312,794	204,142
	Due from Government		644,896	483,972
	Others		64,336	58,839
			2,229,618	2,338,892
			3,113,220	2,982,084

- 8.1 This includes amount of Rs. 30.01 million (June 30, 2020: Rs. 30.01 million) paid to various related parties.
- 8.2 Includes balance of Rs. 31.13 million (June 30, 2020: Rs. 393.41 million) outstanding with 1888 Mills LLC.



		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>9</b>	<b>SHORT-TERM INVESTMENTS</b>		
	<b>At amortised cost</b>		
	Term Deposit Receipt	1,500,000	2,000,000
	<b>At fair value through profit or loss</b>		
	Open Ended Shariah Compliant Money Market Scheme	2,838,946	1,787,643
		<u>4,338,946</u>	<u>3,787,643</u>

**9.1** This carries interest rate of 7.35% (June 30, 2020: 8.4%) per annum, having maturity of one month.

**9.2** Represents investment in 46.59 million units (June 30, 2020: 25.70 million) and 50.94 million units (June 30, 2020: 50.24 million) of Open Ended Shariah Compliant Money Market Schemes which are stated at the rates of Rs.50 and Rs.10 respectively, as at September 30, 2020.

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>10</b>	<b>CASH AND BANK BALANCES</b>		
	<b>With banks</b>		
	<i>In current accounts</i>		
	Local currency	573,706	1,672,826
	Foreign currency	280,076	116,680
		853,782	1,789,506
	<i>In savings account</i>		
	Local currency	535,915	455,356
		1,389,697	2,244,862
	<b>Cash in hand</b>	3,506	3,128
		<u>1,393,203</u>	<u>2,247,990</u>

**10.1** These carry interest rates ranging from 5.50% to 5.89% (June 30, 2020: 5.40% to 12.40%) per annum.

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>11</b>	<b>LONG TERM FINANCING</b>		
	Long Term Finance Facility	5,189,102	4,754,602
	Temporary Economic Refinance Facility	330,000	-
	Refinance Scheme for Payment of Wages and Salaries	660,293	472,798
	Current portion	(443,425)	(214,838)
		<u>5,735,970</u>	<u>5,012,562</u>

**11.1** These represent Long Term Finance Facility (LTFF) obtained from various commercial banks for import of machinery. These carry mark-up at the rates ranging from SBP LTFF rate plus 0.5% to 1% (June 30, 2020: 0.5% to 1%) per annum. These facilities are secured against specific charge on plant and machinery of the Company. The principal portion of the loan is repayable in five years through semi-annually and quarterly installments after grace period of one year. The unutilized portion of long term finance is Rs. 1,080 million (June 30, 2020: Rs. 1,330 million).

**11.2** This represents Temporary Economic Refinance Facility (TERF) obtained from a conventional bank for import of machinery. It carries mark-up at the rate SBP rate plus 1% (June 30, 2020: Nil) per annum. These facilities are secured against specific charge on plant and machinery of the Company. The principal portion of the loan is repayable in five years through quarterly installments after grace period of one year.

- 11.3** Includes a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. It carries mark-up at the rate of SBP rate plus 0.50%. However, the effective interest rate is calculated at 2.50% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021. The financing is secured against first pari-passu hypothecation charge over current assets.

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>12</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	1,802,725	2,251,093
	Accrued liabilities	4,142,581	3,562,784
	Workers' profits participation fund	81,152	148,096
	Workers' welfare fund	32,665	24,703
	Advance from customers	38,314	26,028
	Payable to provident fund	30,371	23,488
	Derivative financial instruments	23,189	381,164
	Current portion of government grant	11,852	9,838
	Others	40,087	53,930
		<b>6,202,936</b>	<b>6,481,124</b>

- 12.1** This includes amount of Rs. 198.12 million (June 30, 2020: Rs. 397.54 million) due to 1888 Mills LLC.

- 12.2** Includes Gas Infrastructure Development Cess amounting to Rs. 1,569.09 million (June 30, 2020 Rs. 1,503.62 million).

### **13 SHORT TERM BORROWINGS**

Represents utilized portion of export re-finance facilities from various commercial banks of Rs. 10,850 million (June 30, 2020: Rs. 10,850 million) carrying mark-up at the rates ranging from SBP Export refinance rate plus 0.25% to 1% (June 30, 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.

### **14 CONTINGENCIES AND COMMITMENTS**

#### **14.1 Contingencies**

No contingencies exist as at the reporting date.

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>14.2</b>	<b>Commitments</b>		
	Outstanding letter of credit	2,389,401	650,050
	Outstanding letter of guarantee	1,281,145	1,221,427
	Capital expenditure	544,465	849,016
	Post dated cheques	3,593,759	3,148,213

- 14.2.1** These represent post dated cheques issued to Custom Authorities in respect of duties on imported items.

		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
<b>15</b>	<b>COST OF SALES</b>		
	Opening stock of finished goods	1,588,230	1,098,394
	Finished goods purchased	372,620	-
	Add: Cost of goods manufactured	7,011,403	5,862,398
		8,972,253	6,960,792
	Less: Closing stock of finished goods	(1,662,560)	(1,369,523)
		7,309,693	5,591,269
<b>15.1</b>	<b>Cost of goods manufactured</b>		
	Raw material consumed	4,151,586	3,424,516
	Stores and spares consumed	915,507	779,164
	Salaries, wages and other benefits	1,048,558	923,862
	Fuel, power and water	685,193	582,969
	Insurance expense	16,482	8,026
	Repair and maintenance	130,753	14,834
	Vehicle running expenses	3,513	3,870
	Communication and transportation	18,351	20,926
	Rent	-	29,066
	Depreciation	339,818	257,543
	Amortization	123	136
	Entertainment	475	810
	Quality control and inspection	14,323	9,713
	Other manufacturing expenses	1,458	988
		7,326,140	6,056,423
	Opening work-in-process	2,597,780	2,330,145
	Closing work-in-process	(2,912,517)	(2,524,170)
		7,011,403	5,862,398
<b>15.1.1</b>	<b>Raw material consumed</b>		
	Opening stock	3,743,625	2,931,448
	Purchases during the period	3,296,750	5,025,368
		7,040,375	7,956,816
	Less: closing stock	(2,888,789)	(4,532,300)
		4,151,586	3,424,516
<b>15.1.2</b>	This includes an amount of Rs. 23.01 million (September 30, 2019: Rs. 20.14 million) in respect of staff provident fund and Rs. 31.03 million in respect of staff gratuity expense (September 30, 2019: Rs. 27.92).		
		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
<b>16</b>	<b>OTHER EXPENSES</b>		
	Loss on disposal of operating fixed asset - net	4,861	270
	Workers' profit participation fund	81,152	37,500
	Workers' welfare fund	7,963	6,075
	Allowance for expected credit loss	3,556	-
	Donations	-	500
	Auditors' remuneration	1,086	1,058
	Exchange differences on export receivables and trade payables	-	377,987
		98,618	423,390

		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
17	<b>OTHER INCOME</b>		
	Exchange differences on export receivables and trade payables	76,164	-
	Interest on bank deposit	25,509	29,364
	Dividend income on open ended mutual fund units	60,318	37,597
	Profit on long-term investments	-	5,298
	Reversal of provision against doubtful advances	10,285	-
		<u>172,276</u>	<u>72,259</u>

## 18 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associates, directors, major shareholders of the Company, key management personnel and staff provident fund. Details of transactions with related parties during the quarter, other than those which have been disclosed elsewhere in these financial statements are as follows:

		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
<b>Nature of transaction</b>	<i>Note</i>		
<i>Transaction with associates</i>			
Sale of goods		220,261	296,199
Sale of fixed asset		-	6,383
Purchases		-	949
Marketing Fee		411,029	301,840
Lease rental		-	29,966
<i>Transaction with directors</i>			
Meeting fee		3,900	4,200
<i>Transaction with key management personnel</i>			
Remuneration paid		13,168	14,046
Post-employment benefits		787	816
<i>Transaction with other related party</i>			
Contribution to staff provident fund		36,149	32,154

## 18.1 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%
M&N Impex (Private) Limited	Common Directorship	-
Frieden Management (Private) Limited	Common Directorship	-
Nigheban (Private) Limited	Director's Shareholding	-
UTI Industries (Private) Limited	Common Directorship	-
Feroze1888 Mills Limited - Provident Fund	Retirement benefit fund	-
Mr. Rehan Rahman	Chief Executive / Director	2.2443%
Mr. Jonathan R. Simon	Director	-
Mr. Khaleequr Rahman	Director	2.8367%
Mr. Shabbir Ahmed	Director	19.9103%
Mr. Perwez Ahmed	Director	5.7837%
Mr. Abdul Rehman Yaqub	Director	-
Mr. Anas Rahman	Director	1.7424%
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. Muhammad Usama Siddiqui	Key Management Personnel	-

		(Un-audited)	
		September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
<b>19</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Term deposit receipt	1,500,000	-
	Cash and bank balances	1,393,203	1,230,872
		<u>2,893,203</u>	<u>1,230,872</u>

**20 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks. These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2020. There have been no change in any risk management policies since June 30, 2020.

**21 FAIR VALUE OF ASSETS AND LIABILITIES**

There were no transfers amongst level of fair value analysis of financial assets and liabilities during the period.

**22 OPERATING SEGMENTS**

- These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- Revenue from export sales represents 99% (September 30, 2019: 99%) of the total gross revenue of the Company.
- All non-current assets of the Company as at September 30, 2020 and 2019 are located in Pakistan.
- Sales made by the Company to its two major customers during the period constituted 66% (September 30, 2019: 52%) of total sales.

**23 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue on October 29, 2020 by the Board of Directors of the Company.

**24 GENERAL**

- 24.1** Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.
- 24.2** All figures have been rounded-off to the nearest thousand rupees, unless otherwise stated.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director