



# 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*

Condensed Interim Financial Information for  
the Half Year ended December 31, 2020

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## 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

### Bankers

Bank Al Habib Limited  
Faysal Bank Limited  
HBL 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**

We are pleased to present the performance review and the un-audited Financial Statements along with auditors' review report thereon for the half year ended 31 December 2020.

### **ECONOMIC OUTLOOK**

Amidst the resurgence of coronavirus cases, the world economies are realizing the inescapability of living with a global pandemic. As the economies around the world continue to face uncertainty, Alhamdulillah, the 1st wave of COVID pandemic situation was effectively controlled in Pakistan through effective strategy of smart lockdowns attempting to maintain a balance between life and livelihood and has yielded positive results. In order to minimize the impact of 2nd wave of COVID pandemic, a timely and well-calibrated economic plan response to the crisis from the Government and the SBP supportive policies are on the move to prevent a deeper fallout from the crisis and lay the foundations for economic revival.

On the whole, the current account surplus provided a further boost to the Country's FX reserves primarily due to remittances including employment terminal benefits, rebound in exports, lower services imports and strengthened the exchange rate during the period. The important shock-absorbing quality of the market-determined exchange rate was also evident, as the PKR adjusted flexibly in both directions. Nonetheless, Pakistan's export performance was relatively better compared to a number of other emerging markets, partly due to the early resumption of economic activity. As a result, exports regained their pre-COVID trajectory in September 2020, helped by higher export receipts for industries particularly in textiles.

The IMF has forecasted the growth to be much slower than previously expected as a result of lasting damage inflicted by the COVID. However, projections for Pakistan are on the milder side, with GDP growth is expected to grow by 2 percent in 2021. On the inflation front, the slight increase in inflation during the period was predominantly attributable to food inflation however, projected to fall up to 7.5% in 2021.

It is also worth highlighting that the consistency in the policy rate in conjunction with facilitative policies of the Government and the SBP, was appropriate to support the emerging recovery.

### **INDUSTRY OVERVIEW**

Pakistan is the 4th largest cotton producer, the 4th largest textile producer and the 12th largest textile exporter in the World. The textile industry is the most important pillar and the largest export industry in Pakistan. In recent years, Pakistan's textile industry has been plagued by insecurity, high operating costs, declining competitiveness and sluggish demand in the international market. However, with the exclusive measures taken by the Government, Pakistan's textile industry and textile exports have a bright future.

Pakistan's textile and clothing exports grew by 4.88% year-on-year to \$6.04 billion between July to November FY21 compared to \$5.76 billion in the same period last year. Meanwhile, on year-on-year basis, the textile exports increased by 9.27% during the month of November 2020 as compared to the same month of last year. Specifically towel exports went up 14.24% in value and 3.79% in quantity, whereas cotton yarn exports plunged by 37.34% and yarn other than cotton by 16.69%.

On the other hand, cotton production has reduced to 5.49 million bales against 8.33 million bales as compared to the same period last year resultantly an increase of 60.36% was seen in imports of textile group including raw cotton, synthetic and artificial silk yarn.

Moving ahead, the present Government of Pakistan has taken special measures to further develop textile industry to help recuperate from the COVID-19 shock. Moreover, Pakistan is eying to increase the Country's textile exports

target by 2025 to \$25.3 billion and \$50 billion by 2030 which was \$13.33 billion in 2018. Presently, Pakistan's share is 1.6% in the world textile trade, hopefully which will be increased to 3% by 2025.

## **REVIEW OF OPERATING RESULTS**

By the grace of Almighty Allah, your Company has performed well in the first six months under review and results are strong as compared to corresponding period of last year.

				Rs. In '000	
<b><u>Statement of Profit or Loss for the Half Year Ended,</u></b>		<b><u>Statement of Financial Position As At,</u></b>			
	<b>December 2020</b>	<b>December 2019</b>		<b>December 2020</b>	<b>June 2020</b>
Sales- net	<b>21,096,228</b>	16,212,454	Property, plant and equipment	<b>18,531,507</b>	17,595,012
Gross profit	<b>5,378,632</b>	4,175,625	Stock-in-trade	<b>9,222,115</b>	8,269,628
Profit before taxation	<b>2,768,836</b>	1,831,137	Trade debts	<b>11,945,886</b>	6,809,503
Profit after taxation	<b>2,518,237</b>	1,653,757			
EPS	<b>6.68</b>	4.39	Share capital	<b>3,768,009</b>	3,768,009
			Reserves	<b>19,674,974</b>	17,379,049
			Long term financing	<b>5,734,764</b>	5,012,562
			Short term borrowings	<b>10,113,562</b>	9,640,000
			Trade and other payables	<b>5,281,938</b>	6,481,124

The Company's profit after tax has increased by Rs. 864.48 million i.e. by 52.27% 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 after the COVID-19 lockdown situation in India and Bangladesh, it is also evident by the significant growth in the Company's net sales revenue, the net sales is increased by Rs. 4,884 million i.e. by 30.12% in comparison with corresponding period of last year and reached to Rs. 21,096 million. On the cost side, major cost components experiencing offsetting impacts and other variables also in line with the increase in sales volumes. However, the impact of foreign exchange loss effecting the net margin is lower as compared to previous period. Besides operational cost we also made focused efforts to keep administrative and distribution cost under control.

While on the other side of the coin, we had observed the continued volatility in yarn prices, unfavorable trend of rupee to US dollar parity particularly in current quarter, energy crisis, non-releasing of funds on account of rebates/claims from the Government, were the major challenges faced during the period.

## **FUTURE OUTLOOK AND CHALLENGES**

The recent invention of COVID-19 vaccine has to play a major role in determining the upcoming position of the World as well as the Country's economy. Despite the challenging operating environment in the past, the management of the Company is quite optimistic and is continually readjusting its strategy to better cope with the upcoming combats alongside the exploration of new emerging opportunities.

In order to meet the blooming demand of the customers and expansion of its value added products, 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 boost the Country's export and sustained growth for the Company.

## **ACKNOWLEDGMENT**

We would like to take this opportunity to place on record our appreciation to the Board of Directors, shareholders, customers, financial institutions and business partners for their continued cooperation, support and patronage. We further acknowledge relentless efforts and dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and keep it abreast to face future challenges.

For and on behalf of the Board of Directors

**Rehan Rehman**  
**Chief Executive Officer**

**Aminah Zahid Zaheer**  
**Director**

**Karachi**  
**Date: 26-Feb-2021**

## ڈائریکٹرز رپورٹ

۳۱ دسمبر ۲۰۲۰ء کو اختتام پذیر شدہ سال کی کارکردگی کا جائزہ، غیر اشتهال شدہ مالیاتی گوشوارے اور محاسبین کی جائزہ رپورٹ پیش خدمت ہے۔

### معاشی جائزہ

کردنا وائرس کی دوسری لہر نے عالمی معیشتوں کو یہ باور کرایا ہے کہ اس وباء سے فرار ممکن نہیں۔ جہاں تا حال پوری دنیا کی معیشتوں کو غیر یقینی صورتحال کا سامنا ہے وہیں، الحمد للہ، کرونا کی پہلی لہر کے دوران اسمارٹ لاک ڈاؤن کی موثر حکمت عملی کے ذریعہ پاکستان نے اس پر وباء پر قابو کیا اور زندگی اور معاش کے مابین توازن برقرار رکھنے کی سعی کی گئی جس کے مثبت نتائج برآمد ہوئے۔ کرونا وائرس کی دوسری لہر کے اثرات کو معاشی نظام کی گہرائیوں تک پہنچنے اور اس کی شدت کو کم کرنے کے لیے حکومت اور اسٹیٹ بینک آف پاکستان بروقت اور موثر منصوبہ بندی اور معاون پالیسیوں کے ذریعے معاشی بحالی و استحکام کے لیے کوشاں ہیں۔

مجموعی طور پر کرنٹ اکائٹ سرپلس نے زرمبادلہ کے ذخائر کو مزید بڑھایا جس کی بنیادی وجوہات میں ترسیلات زرمبادلہ روزگار ٹرمینل کے فوائد، برآمدات میں اضافہ، خدمات کی کم درآمد اور اس مدت کے درمیان زرمبادلہ کی شرح میں استحکام شامل ہیں۔ مارکیٹ کی طے شدہ زرمبادلہ کی شرح کے اتار چڑھاؤ کو برداشت کرنے (shock-absorbing) کی صلاحیت بھی خاصی اہم اور واضح رہی، پاکستانی روپے نے دونوں سمتوں میں لچک دکھاتے ہوئے توازن قائم رکھا۔ بہر حال پاکستان کی برآمدی کارکردگی دوسری بھرتی ہوئی مارکیٹوں کی نسبتاً بہتر تھی، جس کی ایک وجہ اقتصادی سرگرمیوں کی جلد بحالی بھی ہے۔ نتیجتاً برآمدات نے ستمبر ۲۰۲۰ء میں ہی Covid سے پہلے والی رفتار کو دوبارہ حاصل کر لیا اور یہی ٹیکسٹائل سیکٹر کی زائد برآمدات کی وجہ بھی بنی۔

آئی ایم ایف نے پیش گوئی کی ہے کہ کرونا کے باعث ہوئے دیر پا اور دُور رس نقصانات کی وجہ سے شرح نمو توقعات سے کہیں کم رہے گی۔ تاہم پاکستان کے لیے یہ پیش گوئی معتدل ہے اور مجموعی طور پر سال ۲۰۲۱ء میں قومی پیداوار میں ۲ فیصد اضافہ کی امید ہے۔ اگر ہم افراط زر کو دیکھیں تو اس عرصے کے درمیان افراط زر میں معمولی اضافہ ہوا جو کہ زیادہ تر غذائی اجناس میں تھا، تاہم اس میں سال ۲۰۲۱ء میں ۵.۵ فیصد تک کمی متوقع ہے۔

یہاں یہ بات بھی قابل ذکر ہے کہ مجموعی طور پر حکومت اور مرکزی بینک کی سہولت بخش پالیسی اور شرح پالیسی میں استحکام نے معیشت کی بحالی میں موزوں اور معاون کردار ادا کیا ہے۔

### صنعتی جائزہ

پاکستان کپاس کا چوتھا بڑا پیداواری، ٹیکسٹائل میں چوتھا بڑا پیداکار اور دنیا کا ۱۲واں بڑا ٹیکسٹائل برآمد کنندہ ملک ہے۔ ٹیکسٹائل انڈسٹری پاکستان کا سب سے اہم ستون اور سب سے بڑی برآمدی صنعت ہے۔ حالیہ برسوں میں پاکستان کی ٹیکسٹائل انڈسٹری زائد آپریٹنگ اخراجات، کم ہوتی مسابقت اور بین الاقوامی مارکیٹ میں سست مانگ کی وجہ سے عدم تحفظ کا شکار رہی ہے۔ تاہم حکومت کے خصوصی اقدامات کے باعث پاکستان کی ٹیکسٹائل انڈسٹری اور ٹیکسٹائل برآمدات کا مستقبل روشن نظر آتا ہے۔



پاکستان کی ٹیکسٹائل اور کپڑوں کی برآمدات میں سال بہ سال کی بنیاد پر ۸۸.۲۸ فیصد کا اضافہ ہوا جو کہ جولائی سے نومبر برائے مالی سال ۲۰۲۱ کے درمیان ۶.۰۴ بلین ڈالر رہا جو کہ گذشتہ سال کے اسی عرصے میں ۵.۷۶ بلین ڈالر تھا۔ دریں اثنا سال بہ سال ہی کی بنیاد پر نومبر ۲۰۲۰ میں گذشتہ سال کے اسی عرصے کے مقابلے میں ٹیکسٹائل کی برآمدات میں ۹.۲۷ فیصد کا اضافہ بھی دیکھنے میں آیا۔ خصوصاً تولیے کی برآمد مالیت کی مد میں ۱۲.۲۴ فیصد اور مقدار کی مد میں ۳.۷۹ فیصد رہی، جب کہ کاٹن سوت (cotton yarn) میں ۳۷.۳۴ فیصد اور دیگر سوت (other than cotton yarn) میں ۱۶.۶۹ فیصد اضافہ دیکھا گیا۔

دوسری طرف کپاس کی پیداوار گزشتہ سال کی اسی مدت کے مقابلے میں ۸.۳۳ بلین کانٹوں سے کم ہو کر ۵.۴۹ بلین کانٹوں تک رہ گئی جس کے نتیجے میں ٹیکسٹائل گروپ کی خام مال بشمول کپاس، سینتھیک اور مصنوعی ریشمی سوت کی درآمدات میں ۶۰.۳۶ فیصد اضافہ دیکھنے میں آیا۔

موجودہ حکومت نے ٹیکسٹائل صنعت کی ترقی اور کرونا وباء سے ہوئے نقصانات پر قابو پانے کے لئے خصوصی اقدامات کیے ہیں۔ مزید برآں پاکستان اپنی ٹیکسٹائل برآمدات کا ہدف سال ۲۰۲۵ء تک ۲۵.۳ بلین ڈالر اور سال ۲۰۳۰ء تک ۵۰ بلین ڈالر تک بڑھانے کی کوشش کر رہا ہے، جو کہ سال ۲۰۱۸ء میں ۱۳.۳۳ بلین تھا۔ اس وقت پاکستان کی برآمدات دنیا میں ٹیکسٹائل کی کل تجارت میں ۱.۶۰ حصہ ڈالتی ہے، امید ہے کہ ۲۰۲۵ء تک یہ ۳% تک ہو جائے گا۔

### کارکردگی کے نتائج کا جائزہ (Review of operating result)

اللہ تعالیٰ کے فضل و کرم سے آپ کی کمپنی نے سال کے ابتدائی چھ مہینوں میں اچھی کارکردگی کا مظاہرہ کیا ہے اور پچھلے سال کے اسی عرصے کے مقابلے میں اس سال کے نتائج زیادہ بہتر اور مضبوط ہیں۔

Rs. In '000

<u>Statement of Profit or Loss for the Half Year Ended,</u>			<u>Statement of Financial Position As At,</u>		
	<u>December</u>	<u>December</u>		<u>December</u>	<u>June</u>
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2020</u>
Sales- net	21,096,228	16,212,454	Property, plant and equipment	18,531,507	17,595,012
Gross profit	5,378,632	4,175,625	Stock-in-trade	9,222,115	8,269,628
Profit before taxation	2,768,836	1,831,137	Trade debts	11,945,886	6,809,503
Profit after taxation	2,518,237	1,653,757			
EPS	6.68	4.39	Share capital	3,768,009	3,768,009
			Reserves	19,674,974	17,379,049
			Long term financing	5,734,764	5,012,562
			Short term borrowings	10,113,562	9,640,000
			Trade and other payables	5,281,938	6,481,124

کمپنی کا نفع محصولات منہا کرنے کے بعد ۸۶.۴۸ بلین روپے بڑھا جو کہ پچھلے سال کی اسی مدت کے مقابلے میں ۵۲.۲۷% زائد ہے۔ مالی نتائج کے اعداد و شمار اور تناسب بہتری کے عکاس ہیں۔ انڈیا اور بنگلہ دیش میں کرونا لاک ڈاؤن کی وجہ سے ہمارے ملک میں ٹیکسٹائل مصنوعات کی برآمدی مانگ میں واضح اضافہ ہوا؛ کمپنی کی خالص فروخت کی آمدنی میں نمایاں اضافہ اس بات کا ثبوت ہے۔ کمپنی کی خالص فروخت میں ۲,۸۸۴ بلین روپے کا اضافہ دیکھنے میں آیا، یعنی کہ پچھلے سال کے اسی عرصے کے مقابلے میں ۳۰.۱۲ فیصد زیادہ اور روپے میں یہ اضافہ ۲۱,۰۹۶ بلین روپے تک پہنچ گیا۔ اگر ہم لاگت کی طرف اپنی توجہ مبذول کریں تو فروخت کے حجم کے ساتھ لاگت کے اہم اجزاء (major cost components) و دیگر متغیرات کی بڑھتی ہوئی لاگت اس اضافے کو جذب (offset) کرتا دیکھائی دیتا ہے۔ تاہم خالص منافع پر غیر ملکی زرمبادلہ کے منفی اثرات گذشتہ سال کے مقابلے میں کافی کم رہے۔ نہ صرف اپنی آپریشنل لاگت بلکہ انتظامی اور تقسیمی لاگت کو بھی قابو میں رکھنے کے لیے ہم مؤثر اور جامع اقدامات کے ساتھ مصروف عمل ہیں۔



دوسری طرف سوت کی قیمتوں میں مسلسل غیر یقینی صورتحال، امریکی ڈالر کے مقابلے میں روپے کی قدر میں منفی رجحان خصوصاً حالیہ تین ماہ کے عرصے میں، توانائی کا بحران، حکومت کی جانب سے ریٹ / کلیمز کی مد میں فنڈز کا اجراء نہ ہونا اس عرصے میں درپیش بڑے چیلنجز ہیں۔

## مستقبل پر نظر

کووڈ 19 ویکسین کی حالیہ ایجاد دنیا بھر کے ساتھ ساتھ ملکی معیشت کے مستقبل کا تعین کرنے میں اہم کردار ادا کرے گی۔ ماضی میں درپیش تمام تر مشکلات کے باوجود کمپنی کی انتظامیہ پر اُمید ہے، اور آنے والے حالات و بدلاؤ سے بہتر طور پر نبرد آزما ہونے اور نئے مواقعوں سے بھرپور استفادہ حاصل کرنے کے لیے موثر حکمت عملی اور مسلسل نظر ثانی کے ذریعے بہتر سے بہترین کے لیے کوشاں ہے۔

صارفین کی بڑھتی ہوئی مانگ اور اپنی ویلیو ایڈڈ مصنوعات کی توسیع کے لئے کمپنی طویل المدت توسیعی منصوبہ کے تحت اسپننگ (Spinning) اور اس سے ملحقہ پلانٹ پر جدت انگیز اور جدید مشینوں میں سرمایہ کاری کر رہی ہے تاکہ ملکی برآمدات میں اضافے اور کمپنی کی ترقی کو یقینی بنایا جاسکے۔

## اظہارِ تشکر

ہم اپنے بورڈ آف ڈائریکٹرز، شیئر ہولڈرز، صارفین، کاروباری و مالیاتی اداروں اور شراکت داروں کی کوششوں، مسلسل تعاون اور سرپرستی کے لیے تہہ دل سے ممنون و مشکور ہیں۔ ہم کمپنی کے تمام ملازمین کی ان تھک کوششوں، محنت، خدمات اور ٹیم ورک کے جذبے کی قدر کرتے ہیں اور یہ اُمید کرتے ہیں کہ اسی عزم و لگن اور محنت کی بدولت کمپنی مزید مستحکم ہوگی اور آنے والی مشکلات کا سامنا ہم مل کر کریں گے۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

آمینہ زہد ظہیر  
ڈائریکٹر

ریحان رحمان  
چیف ایگزیکٹو آفیسر

کراچی

تاریخ: ۲۶ فروری ۲۰۲۱ء

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

### **TO THE MEMBERS OF FEROZE1888 MILLS LIMITED**

### **REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Feroze1888 Mills Limited** (the Company) as at **31 December 2020** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of condensed interim statement of profit or loss, condensed interim statement of comprehensive income and the notes forming part thereof for the three month period ended 31 December 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 31 December 2020.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists 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 interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Mr. Shaikh Ahmed Salman.



**Chartered Accountants**  
**Place: Karachi**  
**Date: 01 March 2021**

**Condensed Interim Statement of Financial Position**  
**As at December 31, 2020**

		Un-audited	Audited
		December 31, 2020	June 30, 2020
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	18,531,507	17,595,012
Intangible assets		26,425	29,540
Long term deposits		16,380	16,380
		18,574,312	17,640,932
<b>Current assets</b>			
Stores and spares		1,051,929	886,495
Stock in trade	5	9,222,115	8,269,628
Trade debts - considered good	6	11,945,886	6,809,503
Advances, deposits, prepayments and other receivables	7	3,316,220	2,982,084
Taxation - net		233,132	472,382
Short-term investments	8	1,670,636	3,787,643
Cash and bank balances	9	1,409,243	2,247,990
		28,849,161	25,455,725
<b>Total assets</b>		47,423,473	43,096,657
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
400,000,000 (2018: 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
Revaluation surplus on property, plant and equipment		1,486,262	1,486,262
Revenue reserve		17,430,049	15,134,124
		23,442,983	21,147,058
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred liability	10	281,928	205,355
Provision for GIDC	11	1,334,357	-
Long term financing	12	5,734,764	5,012,562
Lease liabilities		107,750	171,678
		7,458,799	5,389,595
<b>Current liabilities</b>			
Trade and other payables	13	5,281,938	6,481,124
Short term borrowings	14	10,113,562	9,640,000
Accrued mark-up		106,979	90,449
Current portion of lease liabilities		191,246	131,686
Current portion of long term financing	12	826,134	214,838
Unclaimed dividend		1,832	1,907
Unpaid dividend		-	-
		16,521,691	16,560,004
<b>CONTINGENCIES AND COMMITMENTS</b>	15		
<b>Total equity and liabilities</b>		47,423,473	43,096,657

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

**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 Half year ended December 31, 2020**

		Half year Ended		Quarter Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Note	----- (Rupees in '000) -----			
Sales - net		21,096,228	16,212,454	11,034,704	8,546,133
Cost of sales	16	(15,717,596)	(12,036,829)	(8,407,903)	(6,445,560)
Gross profit		5,378,632	4,175,625	2,626,801	2,100,573
Administrative cost		(604,650)	(588,405)	(301,759)	(294,621)
Distribution cost		(1,557,825)	(1,146,965)	(861,289)	(610,764)
Other expenses	17	(379,747)	(551,085)	(357,293)	(132,993)
		(2,542,222)	(2,286,455)	(1,520,341)	(1,038,378)
		2,836,410	1,889,170	1,106,460	1,062,195
Other income	18	167,414	94,929	71,302	27,968
Operating profit		3,003,824	1,984,099	1,177,762	1,090,163
Finance cost		(234,988)	(152,962)	(127,755)	(93,964)
Profit before taxation		2,768,836	1,831,137	1,050,007	996,199
Taxation		(250,599)	(177,380)	(146,849)	(86,358)
Profit after taxation		2,518,237	1,653,757	903,158	909,841
Earning per share basic & diluted (Rupees)		6.68	4.39	2.40	2.41

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director

**Condensed Interim Statement of Comprehensive Income (Un-audited)**  
**For the Half year ended December 31, 2020**

	Half year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- (Rupees in '000) -----			
<b>Profit after taxation</b>	<b>2,518,237</b>	1,653,757	<b>903,158</b>	909,841
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>2,518,237</b>	1,653,757	<b>903,158</b>	909,841

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director

**Condensed Interim Statement of Changes in Equity (Un-audited)**  
**For the Half year ended December 31, 2020**

	Share capital	Capital reserve		Revaluation surplus on property, plant and equipment	Revenue reserve	Total
		Amalgamation reserve	Share premium		Accumulated profit	
	(Rupees '000)					
<b>Balance as at June 30, 2019 (Audited)</b>	3,768,009	543,413	215,250	1,499,008	14,077,769	20,103,449
Final cash dividend for the year ended June 30, 2019 @ Rs. 3.35 per share	-	-	-	-	(1,262,283)	(1,262,283)
Net profit for the period	-	-	-	-	1,653,757	1,653,757
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2019	-	-	-	-	1,653,757	1,653,757
<b>Balance as at December 31, 2019</b>	<b>3,768,009</b>	<b>543,413</b>	<b>215,250</b>	<b>1,499,008</b>	<b>14,469,243</b>	<b>20,494,923</b>
<b>Balance as at June 30, 2020 (Audited)</b>	3,768,009	543,413	215,250	1,486,262	15,134,124	21,147,058
Final cash dividend for the year ended June 30, 2020 @ Re. 0.59 per share	-	-	-	-	(222,312)	(222,312)
Net profit for the period	-	-	-	-	2,518,237	2,518,237
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period ended December 31, 2020	-	-	-	-	2,518,237	2,518,237
<b>Balance as at December 31, 2020</b>	<b>3,768,009</b>	<b>543,413</b>	<b>215,250</b>	<b>1,486,262</b>	<b>17,430,049</b>	<b>23,442,983</b>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director



**Condensed Interim Statement of Cash Flows (Un-audited)**  
**For the Half year ended December 31, 2020**

	December 31, 2020	December 31, 2019
	------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,768,836	1,831,137
<b>Adjustment for:</b>		
Depreciation on:		
- Operating fixed assets	678,730	565,359
- Right of use assets	68,027	67,276
Amortization	3,116	259
Write-off of property, plant and equipment	-	13,218
Finance cost of:		
- Lease liabilities	17,967	26,030
- Others	217,021	126,932
Deferred liability	62,057	55,840
Allowance for expected credit loss	6,529	-
Reversal of provision against doubtful advances	(32,627)	-
Provision for slow moving, obsolete stores and spares - net	31,347	-
Interest on bank deposit and TDR	(37,187)	(38,952)
Dividend income on open ended mutual fund units	(97,600)	(55,977)
Loss on disposal of property, plant and equipment - net	5,038	31,721
	922,418	791,706
<b>(Increase) / decrease in current asset</b>		
Stores and spares	(196,781)	(155,673)
Stock in trade	(952,487)	(2,732,249)
Trade debt	(5,142,912)	424,358
Advances, deposits, prepayments and other receivables	(308,585)	(1,153,868)
	(6,600,765)	(3,617,432)
<b>Increase in current liability</b>		
Trade and other payables	128,904	110,260
<b>Net cash used in operations</b>	(2,780,607)	(884,329)
Finance cost paid	(201,678)	(115,065)
Income tax paid	(11,350)	(143,935)
Deferred liability paid	(3,447)	(617)
Government grant received	32,025	-
<b>Net cash used in operating activities</b>	(2,965,058)	(1,143,946)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,705,850)	(2,692,485)
Proceeds from disposal of operating fixed assets	17,559	53,014
Short-term investments	2,214,607	-
Interest income received	44,263	39,008
Dividend Income received	-	56,033
<b>Net cash generated from / (used in) investing activities</b>	570,579	(2,544,430)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(222,387)	(1,170,416)
Lease rental paid	(22,335)	(74,352)
Short term borrowings – net	200,000	716,197
Long term finance - net	1,326,892	1,446,926
<b>Net cash generated from financing activities</b>	1,282,170	918,355
<b>Net decrease in cash and cash equivalent</b>	(1,112,309)	(2,770,021)
Cash and cash equivalent at beginning of the period	2,247,990	3,267,698
<b>Cash and cash equivalent at end of the period</b>	1,135,681	497,677

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The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

**Javeria Siddiqui**  
**Chief Financial Officer**

**Rehan Rahman**  
**Chief Executive Officer**

**Aminah Zahid Zaheer**  
**Director**

**Notes to the Condensed Interim Financial Statements (Un-audited)**  
**For the Half year ended December 31, 2020**

**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.

**2 BASIS OF PREPARATION**

**2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting 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.

These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2020. These condensed interim financial statements are unaudited, however have been subject to limited scope review by the auditors, and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2020 and December 31, 2019 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2020 and December 31, 2019.

**2.2 ACCOUNTING POLICIES**

The accounting policies and the methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial statements for the year ended June 30, 2020.

**2.3 Adoption of amendments to accounting standards and framework for financial reporting effective during the period.**

The Company has adopted the following amendments to International Financial Reporting Standards and framework for financial reporting which became effective for the current period:

**IFRS 3 - Definition of a Business (Amendments);**

IFRS 9 / IAS 39 / IFRS 7 - Interest Rate Benchmark Reform (Amendments); and

IAS 1 / IAS 8 - Definition of Material (Amendments).

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The adoption of the above amendments to accounting standards and framework did not have any effect on these condensed interim financial statements.

### 3 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements is in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, assumptions and use judgements that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Estimates and judgements made by management in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied to the annual unconsolidated financial statements of the Company for the year ended 30 June 2020.

The company follows the practice to conduct actuarial valuation as at year end. Hence the impact of re-measurement of staff retirement benefit fund has not been incorporated in these condensed interim financial statements.

		(Un-audited)	(Audited)	
		December 31, 2020	June 30, 2020	
		----- Rupees in '000 -----		
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating fixed assets	4.1	15,973,908	14,072,097
	Capital work-in-progress	4.2	2,350,931	3,248,220
	Right of use asset		206,668	274,695
			18,531,507	17,595,012
4.1	Operating fixed assets			
	Balance at the beginning of the period / year		14,072,097	11,388,151
	Addition during the period / year	4.1.1	2,603,138	4,047,571
			16,675,235	15,435,722
	Disposals during the period / year - net book value (NBV)	4.1.1	(22,597)	(159,227)
	Depreciation charged during the period / year		(678,730)	(1,204,398)
			(701,327)	(1,363,625)
	Balance at the end of the period / year		15,973,908	14,072,097

#### 4.1.1 Details of addition and disposal are as follows:

	Additions (Cost)		Disposal (NBV)	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	December 31, 2020	June 30, 2020	December 31, 2020	June 30, 2020
----- Rupees in '000 -----				
Land - Leasehold	785,649	-	-	(25,410)
Building on leasehold land	349,640	1,096,342	-	-
Leasehold Improvements	3,586	-	-	-
Plant and machinery	1,382,635	2,892,170	(12,289)	(106,777)
Electric fittings / equipments	26,072	14,767	-	(5,151)
Office equipments	32,557	9,834	(44)	(1,136)
Computers	2,910	14,961	-	(1,787)
Furniture and fixtures	19,142	3,561	-	(1,162)
Vehicles	947	15,936	(10,264)	(17,804)
	<u>2,603,138</u>	<u>4,047,571</u>	<u>(22,597)</u>	<u>(159,227)</u>

#### 4.1.2 Depreciation on operating fixed assets for the period amounted to Rs. 678.73 million (December 31, 2019: Rs. 565.45 million).

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>4.2 Capital work-in-progress</b>	<i>Note</i>		
Balance at the beginning of the period / year		1,999,112	1,776,058
Addition during the period / year		1,978,356	4,075,102
		<u>3,977,468</u>	<u>5,851,160</u>
Transferred to operating fixed assets / expenses		<u>(1,793,548)</u>	<u>(3,852,048)</u>
		<u>2,183,920</u>	<u>1,999,112</u>
Advance against fixed assets		137,282	871,779
Stand-by equipments		29,729	377,329
Balance at the end of the period / year		<u><u>2,350,931</u></u>	<u><u>3,248,220</u></u>

## 5 STOCK-IN-TRADE

Raw material in			
-hand	5.1	3,216,583	3,743,625
-transit		<u>1,044,278</u>	<u>339,993</u>
		<u>4,260,861</u>	<u>4,083,618</u>
Work-in-progress	5.2	3,006,072	2,597,780
Finished goods	5.3	<u>1,955,182</u>	<u>1,588,230</u>
		<u><u>9,222,115</u></u>	<u><u>8,269,628</u></u>

- 5.1** Includes items costing Rs. 27.74 million (June 30, 2020: Rs. 30.56 million) which have been valued at their net realizable value of Rs. 6.55 million (June 30, 2020: Rs. 15.28 million).
- 5.2** Includes items costing Rs. 19.59 million (June 30, 2020: Rs. 8.52 million) held at WIP stores which have been valued at their net realizable value of Rs. 8.46 million (June 30, 2020: Rs. 4.26 million).
- 5.3** Includes items costing Rs. 464.17 million (June 30, 2020: Rs. 508.10 million) which have been valued at their net realizable value of Rs. 317.06 million (June 30, 2020: Rs. 260.44 million).

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>6 TRADE DEBTS</b>	<i>Note</i>		
<b>Exports</b>			
Considered good		11,903,961	6,797,429
Considered doubtful		<u>23,473</u>	<u>16,944</u>
		<u>11,927,434</u>	<u>6,814,373</u>
Allowance for expected credit loss	6.1	<u>(23,473)</u>	<u>(16,944)</u>
		<u>11,903,961</u>	<u>6,797,429</u>
<b>Local</b>			
Considered good		<u>41,925</u>	<u>12,074</u>
		<u><u>11,945,886</u></u>	<u><u>6,809,503</u></u>

### 6.1 Movement of allowance for expected credit loss is as follows:

Balance at the beginning of the period / year	16,944	-
Charge for the period / year	<u>6,529</u>	<u>16,944</u>
Balance at the end of the period / year	<u><u>23,473</u></u>	<u><u>16,944</u></u>

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>7</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	<b>Note</b>		
	<b>Advances</b>		
	<b>- Suppliers</b>		
	Considered good	389,253	203,675
	Considered doubtful	72,342	104,969
		461,595	308,644
	Provision for doubtful advances	(72,342)	(104,969)
		389,253	203,675
	<b>- Employees</b>		
	Considered good	233	2,311
		389,486	205,986
	<b>Deposits</b>	46,195	32,566
	<b>Prepayments</b>	99,066	404,640
	<b>Other receivables</b>		
	Sales tax refundable	1,552,954	1,591,939
	Export rebate / duty drawback	306,094	204,142
	Due from Government	833,901	483,972
	Others	88,524	58,839
		2,781,473	2,338,892
		3,316,220	2,982,084
<b>7.1</b>	Include amounts due from the following related parties:		
	UTI Industries (Private) Limited	945	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
		30,010	30,010
<b>8</b>	<b>SHORT-TERM INVESTMENTS</b>		
	<b>At amortised cost</b>		
	Term Deposit Receipt	-	2,000,000
	<b>At fair value through profit or loss</b>		
	Open Ended Shariah Compliant Money Market Mutual Fund	1,670,636	1,787,643
		1,670,636	3,787,643
<b>8.1</b>	Represents investment in 12.99 million units (June 30, 2020: 25.70 million) and 102.08 million units (June 30, 2020: 50.24 million) of Open Ended Shariah Compliant Money Market Mutual Fund which are stated at the rates of Rs.50 and Rs.10 respectively, as at December 31, 2020.		

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>9 CASH AND BANK BALANCES</b>	<i>Note</i>		
<b>With banks</b>			
<i>In current accounts</i>			
Local currency		706,327	1,672,826
Foreign currency		693,489	116,680
		1,399,816	1,789,506
<i>In savings account</i>			
Local currency	9.1	6,400	455,356
		1,406,216	2,244,862
<b>Cash in hand</b>		3,027	3,128
		1,409,243	2,247,990

**9.1** These carry interest rates ranging from 5.50% to 6.22% (June 30, 2020: 5.40% to 12.40%) per annum.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>10 DEFERRED LIABILITY</b>	<i>Note</i>		
Defined benefit obligation - gratuity scheme		258,823	200,213
Government grant	10.1	23,105	5,142
		281,928	205,355

**10.1** Includes government grants recorded against subsidized rate loan obtained from various commercial banks pursuant to a Temporary Economic Refinance Facility (TERF) for purchase of new imported and locally manufactured plant & machinery and refinance scheme for payment of wages and salaries introduced by State Bank of Pakistan.

## **11 PROVISION FOR GIDC**

Represents non-current portion of provision for Gas Infrastructure Development Cess (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.



		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>12 LONG TERM FINANCING</b>	<i>Note</i>		
Term loans	12.1 & 12.2	6,560,898	5,227,400
Current portion		(826,134)	(214,838)
		<u>5,734,764</u>	<u>5,012,562</u>

- 12.1** During the period, the Company made further drawdown on its existing Long Term Finance Facility (LTFF) and Temporary Economic Refinance Facility (TERF) obtained from various commercial banks for import of plant and machinery. These carry mark-up at the rates ranging from SBP base 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, six and eight years through semi-annually and quarterly installments after grace period of one to two years. The unutilized portion of long term finance is Rs. 1,106 million (June 30, 2020: Rs. 1,330 million).

The loan obtained under Temporary Economic Refinance Facility (TERF) has been recognised at the present value by discounting at the effective rate of interest. The differential mark-up has been recognised as government grant (as mentioned in note 10) which will be amortised to interest income over the period of facility.

- 12.2** During the period, the Company obtained 1 further installment of long-term financing from a conventional bank under the refinance scheme for payment of wages and salaries by State Bank of Pakistan. It carries mark-up at the rate of SBP rate plus 0.50% spread. However, the effective interest rate is calculated at 2.50% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at effective rate of interest. The differential mark-up has been recognised as government grant which will be amortised to interest income over the period of facility. The financing is secured against first pari-passu hypothecation charge over current assets.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>13 TRADE AND OTHER PAYABLES</b>	<i>Note</i>		
Creditors	13.1	2,309,000	2,251,093
Accrued liabilities		2,471,527	3,562,784
Workers' profits participation fund		126,745	148,096
Workers' welfare fund		16,665	24,703
Advance from customers		59,720	26,028
Payable to provident fund		25,385	23,488
Derivative financial instruments		-	381,164
Current portion of GIDC		190,622	-
Current portion of government grant		16,105	9,838
Others		66,169	53,930
		<u>5,281,938</u>	<u>6,481,124</u>

- 13.1** This includes amount of Rs. 267.51 million (June 30, 2020: Rs. 397.54 million) due to 1888 Mills LLC.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>14 SHORT TERM BORROWINGS</b>	<i>Note</i>		
Export re-finance	14.1	9,840,000	9,640,000
Running finance	14.2	273,562	-
		<u>10,113,562</u>	<u>9,640,000</u>

- 14.1** These carry 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.

- 14.2** These carry mark-up at the rate of 3 month KIBOR plus 0.50% and 1 month KIBOR plus 1.50% per annum. This is secured against first pari passu charge over stock-in-trade, receivables and other current assets of the Company.

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

No contingencies exist as at the reporting date.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
		----- Rupees in '000 -----	
<b>15.2 Commitments</b>	<i>Note</i>		
Outstanding letter of credit		<u>1,676,705</u>	<u>650,050</u>
Outstanding letter of guarantee		<u>1,349,645</u>	<u>1,221,427</u>
Capital expenditure		<u>721,205</u>	<u>849,016</u>
Post dated cheques	15.2.1	<u>3,298,998</u>	<u>3,148,213</u>

**15.2.1** These represent the postdated cheques issued to Custom Authorities in respect of duties on imported items.

		(Un-audited) Half year Ended		(Un-audited) Quarter Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		----- Rupees in '000 -----			
<b>16 COST OF SALES</b>	<i>Note</i>				
Opening stock of finished goods		<u>1,588,230</u>	<u>1,098,393</u>	<u>1,662,560</u>	<u>1,369,523</u>
Add: Cost of goods manufactured	16.1	<u>16,084,548</u>	<u>12,600,092</u>	<u>8,700,525</u>	<u>6,737,693</u>
		<u>17,672,778</u>	<u>13,698,485</u>	<u>10,363,085</u>	<u>8,107,216</u>
Less: Closing stock of finished goods		<u>(1,955,182)</u>	<u>(1,661,656)</u>	<u>(1,955,182)</u>	<u>(1,661,656)</u>
		<u>15,717,596</u>	<u>12,036,829</u>	<u>8,407,903</u>	<u>6,445,560</u>
<b>16.1 Cost of goods manufactured</b>					
Raw material consumed	16.1.1	<u>9,864,650</u>	<u>7,086,774</u>	<u>5,340,444</u>	<u>3,662,258</u>
Stores and spares consumed		<u>2,122,869</u>	<u>1,815,289</u>	<u>1,207,362</u>	<u>1,036,125</u>
Salaries, wages and other benefits	16.1.2	<u>2,182,333</u>	<u>1,913,133</u>	<u>1,133,775</u>	<u>989,271</u>
Fuel, power and water		<u>1,335,651</u>	<u>1,179,998</u>	<u>650,458</u>	<u>597,029</u>
Insurance expense		<u>29,358</u>	<u>26,643</u>	<u>12,876</u>	<u>18,617</u>
Repair and maintenance		<u>169,443</u>	<u>38,825</u>	<u>38,690</u>	<u>23,991</u>
Vehicle running expenses		<u>7,378</u>	<u>8,378</u>	<u>3,865</u>	<u>4,508</u>
Communication and transportation		<u>49,126</u>	<u>41,816</u>	<u>30,775</u>	<u>20,890</u>
Rent		<u>-</u>	<u>127</u>	<u>-</u>	<u>127</u>
Depreciation		<u>696,359</u>	<u>576,306</u>	<u>356,541</u>	<u>289,697</u>
Amortization		<u>245</u>	<u>259</u>	<u>122</u>	<u>123</u>
Entertainment		<u>1,215</u>	<u>1,561</u>	<u>740</u>	<u>751</u>
Quality control and inspection		<u>29,605</u>	<u>24,900</u>	<u>15,282</u>	<u>15,187</u>
Other manufacturing expenses		<u>4,608</u>	<u>6,472</u>	<u>3,150</u>	<u>5,484</u>
		<u>16,492,840</u>	<u>12,720,482</u>	<u>8,794,080</u>	<u>6,664,058</u>
Opening work-in-process		<u>2,597,780</u>	<u>2,330,145</u>	<u>2,912,517</u>	<u>2,524,170</u>
Closing work-in-process		<u>(3,006,072)</u>	<u>(2,450,535)</u>	<u>(3,006,072)</u>	<u>(2,450,535)</u>
		<u>16,084,548</u>	<u>12,600,092</u>	<u>8,700,525</u>	<u>6,737,693</u>
<b>16.1.1 Raw material consumed</b>					
Opening stock		<u>4,083,618</u>	<u>2,982,549</u>	<u>2,888,789</u>	<u>4,959,959</u>
Purchases during the period		<u>10,041,526</u>	<u>9,135,370</u>	<u>6,712,149</u>	<u>3,733,444</u>
		<u>14,125,144</u>	<u>12,117,919</u>	<u>9,600,938</u>	<u>8,693,403</u>
Less: closing stock		<u>(4,260,494)</u>	<u>(5,031,145)</u>	<u>(4,260,494)</u>	<u>(5,031,145)</u>
		<u>9,864,650</u>	<u>7,086,774</u>	<u>5,340,444</u>	<u>3,662,258</u>

**16.1.2** This includes an amount of Rs. 45.64 million (December 31, 2019: Rs. 40.23 million) in respect of staff provident fund and Rs. 62.06 million in respect of staff gratuity expense (December 31, 2019: Rs. 55.84).

			(Un-audited)		(Un-audited)	
			Half year Ended		Quarter Ended	
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
			Rupees in '000			
<b>17</b>	<b>OTHER EXPENSES</b>	<b>Note</b>				
	Loss on disposal of operating fixed asset - net		5,038	31,721	177	31,451
	Property, plant and equipment - writeoff		-	13,218	-	13,218
	Workers' profit participation fund		126,745	83,330	45,593	45,830
	Workers' welfare fund		16,665	12,837	8,702	6,762
	Allowance for expected credit loss		6,529	-	2,973	-
	Donations		3,700	3,842	3,700	3,342
	Auditors' remuneration		2,350	5,417	1,264	4,359
	Exchange differences on export receivables, trade payables and derivative financial instruments		187,373	400,720	263,537	22,733
	Provision for slow moving, obsolete stores and spares - net		31,347	-	31,347	-
	Reversal of markup accrued		-	-	-	5,298
			<b>379,747</b>	<b>551,085</b>	<b>357,293</b>	<b>132,993</b>
<b>18</b>	<b>OTHER INCOME</b>					
	Interest on bank deposit and TDR		37,187	38,952	11,678	9,454
	Dividend income on open ended mutual fund units		97,600	55,977	37,282	18,514
	Reversal of provision against doubtful advances		32,627	-	22,342	-
			<b>167,414</b>	<b>94,929</b>	<b>71,302</b>	<b>27,968</b>
<b>19</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>Note</b>			(Un-audited) December 31, 2020	(Audited) December 31, 2019
	Cash and bank balances	9			1,409,243	497,677
	Running Finance	14			(273,562)	-
					<b>1,135,681</b>	<b>497,677</b>
<b>20</b>	<b>TRANSACTIONS WITH RELATED PARTIES</b>					

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 period, other than those which have been disclosed elsewhere in these condensed interim financial statements are as follows:

Nature of transaction	(Un-audited)		(Un-audited)	
	Half year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- Rupees in '000 -----			
<b>Transactions with associates</b>				
Sale of goods	<u>789,016</u>	<u>702,690</u>	<u>568,755</u>	<u>406,491</u>
Purchases	<u>-</u>	<u>2,879</u>	<u>-</u>	<u>1,930</u>
Marketing Fee	<u>904,049</u>	<u>627,338</u>	<u>493,020</u>	<u>325,499</u>
Disposal of fixed asset	<u>-</u>	<u>6,383</u>	<u>-</u>	<u>-</u>
Lease rental paid	<u>-</u>	<u>59,933</u>	<u>-</u>	<u>29,966</u>
Donation	<u>-</u>	<u>1,542</u>	<u>-</u>	<u>1,542</u>
Transaction with directors	(Un-audited)		(Un-audited)	
	Half year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	----- Rupees in '000 -----			
Meeting fee	<u>6,510</u>	<u>6,120</u>	<u>2,610</u>	<u>1,920</u>
<b>Transaction with key management personnel</b>				
Remuneration paid	<u>27,905</u>	<u>27,653</u>	<u>14,737</u>	<u>13,608</u>
Post-employment benefits	<u>1,572</u>	<u>1,631</u>	<u>785</u>	<u>816</u>
<b>Transaction with other related party</b>				
Contribution to staff provident fund	<u>70,815</u>	<u>63,483</u>	<u>34,666</u>	<u>31,329</u>

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

## 22 FAIR VALUE OF ASSETS AND LIABILITIES

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

## 23 OPERATING SEGMENTS

- These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- Revenue from export sales represents 99% (December 31, 2019: 99%) of the total gross revenue of the Company.
- All non-current assets of the Company as at December 30, 2020 and 2019 are located in Pakistan.
- Sales made by the Company to its two major customers during the period constituted 61% (December 31, 2019: 52%) of total sales.

**24 DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue on February 26, 2021 by the Board of Directors of the Company.

**25 GENERAL**

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

**25.2** All figures have been rounded-off to the nearest thousand rupees, unless otherwise stated.

**25.3** The Board of Directors in its meeting held on February 26, 2021 has proposed interim cash dividend @ Rs. 2.00 per share amounting to Rs. 754.60 million (2019: Rs. 1.75 per share amounting to Rs. 659.40 million). These condensed interim financial statements for the period ended December 31, 2020 do not include the effect of the above interim cash dividend which will be accounted for as a subsequent event.

**Javeria Siddiqui**  
Chief Financial Officer

**Rehan Rahman**  
Chief Executive Officer

**Aminah Zahid Zaheer**  
Director