



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 Nine Months Ended
March 31, 2021

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COMPANY INFORMATION

Board of Directors

Mr. Jonathan R. Simon
Mr. Nasim Hyder
Mr. Khaleequr Rahman
Mr. Shabbir Ahmed
Mr. Abdul Rehman Yaquub
Mr. Perwez Ahmed
Mr. Anas Rahman
Mr. Zain Ashraf Mukaty
Ms. Huma Pasha
Ms. Aminah Zahid Zaheer
Mr. Rehan Rahman

Director / Chairman
Director / Vice Chairman
Director
Director
Director
Director
Director
Director
Director
Director
Chief Executive Officer

Board Audit Committee

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

Chairman
Member
Member
Member

Board HR & Remuneration Committee

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

Chairperson
Member
Member

Chief Financial Officer

Ms. Javeria Siddiqui

Company Secretary

Mr. Mudassir Moten

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
BankIslami Pakistan Limited

External Auditors

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

Internal Auditors

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

Registered Office

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

Office Building

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

Factory Addresses

Sindh

Plot # H-23/4-A & H-23/4-B, Scheme # 3,
Landhi Industrial Area, Landhi, Karachi.
B-4/A, SITE, Karachi.
Plot # A-5, SITE, Karachi.
Plot # C-3, SITE, Karachi.
Plot # C-31 SITE, Karachi.
Plot # F-89, SITE, Karachi.
Plot # F-125, SITE, Karachi.
Plot # F-342, SITE, Karachi.
Plot # D-202, SITE, Karachi.
Plot # 342/A, Haroonabad, SITE, Karachi.
Survey # 81, 242, 72 to 75, 165, 166, 171, 172,
176 to 181, 186 to 190, 156, 210, 211, 243,
Deh Moachko, Tapo Gabopat, Keamari Town,
Karachi.

Baluchistan

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

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.
1st 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 for the nine months ended 31 March 2021.

INDUSTRY OVERVIEW

Pakistan's textile exports experienced an upside mainly attributed to the fact that neighboring countries were battling with more severe Pandemic situation and the Country managed to cope up with the challenges relatively earlier. During 9MFY21, in value terms the textile exports increased by 9.1% against a growth of 7.1% in total exports. The export of towels particularly went up by 16.8% and 10.1% in USD value and volumes respectively during the first nine months compared to the corresponding period last year whereas, cotton yarn exports plunged by 12.0% in value and 13.0% in volumes.

In contrast, cotton production in Pakistan for FY21 has been recorded at the lowest in over three decades. This production shortfall to the critical level has pushed the cotton prices to a record 11 years high to Rs. 12,000 / Maund consequently cotton imports have increased by 84.8% in quantity and 85.6% in value terms during July to March, 2021 as compared to last year. The acute shortfall in the main industrial input affected the benefit that could have been reaped from increased exports and is expected to upset the exports going forward also.

Moreover, the higher prices in the international market resulted in the continued volatility in yarn prices. Rupee strengthened against US dollar approx. by 8.5% - the abrupt appreciation has led to challenges in planning and a more stable currency is need of the hour. Besides these, the issues on account of timely accessibility of the distribution channel and non-releasing of funds in form of rebates from the Government, were the major obstacles faced during the period.

REVIEW OF OPERATING RESULTS

During the period under review, your Company has managed to perform satisfactorily inspite of the challenges detailed in the foregoing paragraphs and was able to maintain the profitability ratios. The profit after tax has increased by Rs. 618 million, an increase of 21.9% in comparison with corresponding period last year. The sales volumes in the current period have increased notably, owing partially to the spill over from the last year and also the Company managed to tap the opportunities as well. The net sales have increased by Rs. 6,168 million, i.e. by 23.9% in comparison with the corresponding period last year to reach the level of Rs. 31,919 million.

Raw material import prices were contained till the very beginning of the current quarter – however, has significantly increased this quarter. The other major cost components broadly experienced offsetting impacts and are in line with the increase in sales volumes.

FUTURE OUTLOOK

The raw material availability & prices, currency stability and most importantly the Country's ability to keep up the export orders' momentum will primarily determine the times ahead. As the production capacities start to go live beginning next fiscal year as a result of the Temporary Economic Refinance Facility given by the State Bank of Pakistan – the presence of export orders will be crucial to feed the increased capacities and underpin the economic prosperity for the Country.

The Company is keeping a finger on the pulse of the continuously changing socioeconomic conditions and realigning its strategic direction in order to achieve growth and excellence.

ACKNOWLEDGMENT

We would like to place on record our profound gratitude for the shareholders, customers, and business partners, whose continued cooperation and support have enabled the Company to strive for delivering better and desired results. We also like to acknowledge and thank all the employees of the Company for their dedicated efforts and persistence.

For and on behalf of the Board of Directors

Rehan Rahman
Chief Executive Officer

Nasim Hyder
Director

Karachi
Date: 29-April-2021

ڈائریکٹرز رپورٹ

۳۱ مارچ ۲۰۲۱ء کو اختتام پذیر نو ماہ کی کارکردگی کا جائزہ اور غیر اشتمال شدہ مالیاتی گوشوارے پیش خدمت ہیں۔

صنعتی جائزہ

پاکستان کی ٹیکسٹائل کی برآمدات میں اضافہ کی بڑی وجہ پڑوسی ممالک کا زیادہ مہلک وبائی مرض کی صورتحال سے تاحال نبرد آزما ہونا ہے، جبکہ ہمارے ملک نے نسبتاً جلد وبائی مرض سے پیدا شدہ مسائل پر قابو حاصل کر لیا تھا۔ سال ۲۰۲۱ء کے ۹ ماہ کے دوران ٹیکسٹائل کی برآمدات میں مالیت کے اعتبار سے ۹.۱ فیصد اضافہ جبکہ کل برآمدات میں ۱.۷ فیصد اضافہ ہوا۔ بالخصوص تولیہ کی برآمدات میں زیر نظر ۹ ماہ میں گزشتہ سال کے اسی عرصہ وقت کے مقابلے میں ۱۶.۸ فیصد اور ۱۰.۱ فیصد بالترتیب ڈالر کی مالیت اور مقدار میں اضافہ ہوا، جبکہ کاٹن یارن کی برآمدات کی مالیت میں ۱۲ فیصد اور مقدار میں ۱۳ فیصد کمی واقع ہوئی۔ اس کے برعکس، مالی سال ۲۰۲۱ء میں پاکستان میں کپاس کی پیداوار پچھلے تین دہائیوں میں سب سے کم ریکارڈ کی گئی۔ اس پیداواری کمی نے کپاس کی قیمت کو ۱۱ سال کی بلند ترین سطح ۱۲،۰۰۰ روپے فی من تک کی سطح تک پہنچا دیا ہے۔ نتیجتاً کپاس کی برآمدات میں گزشتہ سال کی نسبت اس سال جولائی سے مارچ ۲۰۲۱ء میں، مقدار میں ۸۴.۸ فیصد، جبکہ لاگت میں ۸۵.۶ فیصد اضافہ دیکھنے میں آیا۔ اہم صنعتی خام مال و دیگر اجزاء (Input) میں کمی نے اس فائدہ کو متاثر کیا جو برآمدات میں اضافے سے حاصل کیا جاسکتا تھا اور توقع ہے کہ یہ آگے بھی برآمدات کو مزید نقصان پہنچا سکتا ہے۔

مزید برآں، بین الاقوامی مارکیٹ میں بڑھی ہوئی قیمتوں کی وجہ سے یارن کی قیمتوں میں مستقل اتار چڑھاؤ کی صورتحال ہے۔ روپے کی قدر امریکی ڈالر کے مقابلے میں ۸.۵ فیصد مستحکم ہوئی۔ کرنسی کے اچانک استحکام نے منصوبہ بندی کے عمل کو مشکلات سے دوچار کیا۔ زیادہ مستحکم کرنسی وقت کی ضرورت ہے۔ اس کے علاوہ تقسیم کے چینل تک بروقت رسائی اور حکومت کی جانب سے ریہیٹ (Rebate) کا عدم اجراء زیر نظر عرصے میں درپیش بڑی مشکلات تھیں۔

آپریٹنگ نتائج کا جائزہ

زیر جائزہ مدت کے دوران، آپ کی کمپنی نے مذکورہ بالا پیرا گراف میں بیان کردہ چیلنجز کے باوجود اطمینان بخش کارکردگی کا مظاہرہ کیا اور منافع کے تناسب کو برقرار رکھنے میں کامیاب رہی۔ ٹیکس منہا کرنے کے بعد منافع ۶۱۸ ملین بڑھا جو کہ پچھلے سال کے اسی عرصہ وقت کے مقابلے میں ۲۱.۹ فیصد زیادہ ہے۔ موجودہ مدت میں فروخت کے حجم میں خاص طور پر اضافہ ہوا ہے جو کہ جزوی طور پر پچھلے سال سے بڑھ گیا ہے، اس کے ساتھ ساتھ کمپنی حاصل ہونے والے مواقعوں کو بروئے کار لانے میں کامیاب رہی ہے۔ خالص فروخت میں ۶،۱۶۸ ملین روپے کا اضافہ ہوا جو کہ پچھلے سال اسی عرصہ وقت کے مقابلے میں ۲۳.۹ فیصد زیادہ ہے جس نے ہمارے خالص منافع کو ۳۱،۹۱۹ ملین روپے کی منزل تک پہنچا دیا۔

موجودہ سہ ماہی کے آغاز میں تو خام مال کی درآمدی قیمتوں نے کچھ معاونت کی تاہم اسی سہ ماہی میں قیمتوں میں نمایاں اضافہ ہوا۔ دیگر اہم اجزاء کی قیمتوں میں فروخت کے حجم کے مطابق اضافہ ہوا جو کہ زائد فروخت کے اثر کو زائل کرتا ہے۔

مستقبل پر نظر

خام مال کی دستیابی اور قیمتیں، کرنسی کا استحکام اور سب سے اہم ملکی سطح پر برآمدات کے آرڈر برقرار رکھنے کی صلاحیت بنیادی طور پر آنے والے وقت کا تعین کرے گی۔ مرکزی بینک کی جانب سے دی جانے والی عارضی قرضوں کی سہولت (Temporary economic refinance facility) کے نتیجے میں پیداواری صلاحیتوں کا اگلے مالی سال کے آغاز پر پیداواری عمل متوقع ہے۔ بڑھی ہوئی پیداواری صلاحیت اور معاشی خوشحالی کے فروغ کے لئے برآمدی آرڈرز کی دستیابی نہایت اہم ہے۔

کمپنی بدلتے ہوئے معاشی و معاشرتی حالات پر توجہ مرکوز رکھتے ہوئے اپنی حکمت عملی کو تبدیل (Realign) کر رہی ہے تاکہ اپنی نمو اور بہترین کارکردگی کا سفر جاری رکھے۔

اظہار تشکر

ہم تہہ دل سے حصص یافتگان، صارفین اور کاروباری شراکت داروں کے شکر گزار ہیں، جن کے مستقل تعاون سے کمپنی کو بہتر اور مطلوبہ نتائج کے حصول کی جدوجہد کرنے میں مدد ملی۔ ہم کمپنی کے تمام ملازمین کی مستقل مزاجی اور انتھک کوششوں کے لیے بھی ان کے ممنون ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

نسیم حیدر
ڈائریکٹر

ریحان رحمان
چیف ایگزیکٹو آفیسر

کراچی
تاریخ: ۲۹ اپریل ۲۰۲۱ء

Condensed Interim Statement of Financial Position

As at March 31, 2021

		Un-audited March 31, 2021	Audited June 30, 2020
		----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	19,025,475	17,595,012
Intangible assets		24,867	29,540
Long term deposits		16,380	16,380
		19,066,722	17,640,932
Current assets			
Stores and spares		1,178,024	886,495
Stock in trade	5	9,548,287	8,269,628
Trade debts - considered good	6	9,815,569	6,809,503
Advances, deposits, prepayments and other receivables		3,272,006	2,982,084
Taxation - net		267,676	472,382
Short-term investments		2,641,781	3,787,643
Cash and bank balances		2,665,238	2,247,990
		29,388,581	25,455,725
Total assets		48,455,303	43,096,657
EQUITY AND LIABILITIES			
Share capital and reserves			
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		17,594,576	15,134,124
		23,607,510	21,147,058
Liabilities			
Non-current liabilities			
Deferred liability		315,918	205,355
Provision for GIDC		1,239,045	-
Long term financing	7	5,318,556	5,012,562
Lease liabilities		71,840	171,678
		6,945,359	5,389,595
Current liabilities			
Trade and other payables	8	5,965,834	6,481,124
Short term borrowings	9	10,240,000	9,640,000
Accrued mark-up		75,151	90,449
Current portion of lease liabilities		224,123	131,686
Current portion of long term financing	7	1,328,753	214,838
Unclaimed dividend		1,814	1,907
Unpaid dividend		66,758	-
		17,902,433	16,560,004
CONTINGENCIES AND COMMITMENTS	10		
Total equity and liabilities		48,455,303	43,096,657

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director

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

For the Nine months ended March 31, 2021

		Nine months ended		Quarter ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Note	----- (Rupees in '000) -----			
Sales - net		31,919,402	25,750,908	10,823,174	9,578,423
Cost of sales	11	(23,920,394)	(19,151,348)	(8,202,798)	(7,114,519)
Gross profit		7,999,008	6,599,560	2,620,376	2,463,904
Administrative cost		(940,048)	(892,645)	(335,398)	(304,240)
Distribution cost		(2,382,526)	(1,739,846)	(824,701)	(632,850)
Other expenses	12	(738,287)	(763,482)	(358,540)	(212,397)
		(4,060,861)	(3,395,973)	(1,518,639)	(1,149,487)
		3,938,147	3,203,587	1,101,737	1,314,417
Other income	13	208,539	135,938	41,125	41,009
Operating profit		4,146,686	3,339,525	1,142,862	1,355,426
Finance cost		(349,000)	(243,236)	(114,012)	(90,274)
Profit before taxation		3,797,686	3,096,289	1,028,850	1,265,152
Taxation		(361,320)	(277,974)	(110,721)	(100,594)
Profit after taxation		3,436,366	2,818,315	918,129	1,164,558
Earning per share basic & diluted (Rupees)		9.12	7.48	2.44	3.09

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Nine months ended March 31, 2021

	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	----- (Rupees in '000) -----			
Profit after taxation	3,436,366	2,818,315	918,129	1,164,558
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,436,366	2,818,315	918,129	1,164,558

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director

Feroze1888 Mills Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the Nine months ended March 31, 2021

	Share capital	Capital reserve		Revaluation surplus on property, plant and equipment	Revenue reserve	Total
		Amalgamation reserve	Share premium		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
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	-	-	-	-	2,818,315	2,818,315
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period ended March 31, 2020	-	-	-	-	2,818,315	2,818,315
Balance as at March 31, 2020	3,768,009	543,413	215,250	1,499,008	14,974,400	21,000,080
Balance as at June 30, 2020 (Audited)	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)
Interim cash dividend for the year ending June 30, 2021 @ Rs. 2.00 per share	-	-	-	-	(753,602)	(753,602)
Net profit for the period	-	-	-	-	3,436,366	3,436,366
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period ended March 31, 2021	-	-	-	-	3,436,366	3,436,366
Balance as at March 31, 2021	3,768,009	543,413	215,250	1,486,262	17,594,576	23,607,510

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director

Condensed Interim Statement of Cash Flows (Un-audited)

For the Nine months ended March 31, 2021

	March 31, 2021	March 31, 2020
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,797,686	3,096,289
Adjustment for:		
Depreciation	1,166,498	969,193
Amortization	4,673	381
Write-off of property, plant and equipment	-	13,218
Finance cost	349,000	243,236
Gratuity expense	93,085	83,760
Allowance for expected credit loss	5,474	-
Reversal of provision against doubtful advances	(44,532)	-
Provision for slow moving, obsolete stores and spares - net	31,347	50,694
Interest on bank deposit and TDR	(43,490)	(45,986)
Dividend income on open ended mutual fund units	(120,517)	(89,953)
Loss on disposal of property, plant and equipment - net	4,609	37,343
	1,446,148	1,261,887
(Increase) / decrease in current asset		
Stores and spares	(322,876)	(86,536)
Stock in trade	(1,278,659)	(2,030,807)
Trade debt	(3,011,539)	(1,162,146)
Advances, deposits, prepayments and other receivables	(251,079)	(1,980,488)
	(4,864,153)	(5,259,977)
Increase in current liability		
Trade and other payables	717,626	1,018,120
Net cash used in operations	1,097,308	116,319
Finance cost paid	(339,000)	(201,372)
Income tax paid	(156,614)	(243,351)
Gratuity paid	(6,460)	(1,632)
Government grant received	42,717	-
Net cash used in operating activities	637,950	(330,036)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,628,483)	(3,870,271)
Proceeds from disposal of operating fixed assets	26,913	59,121
Short-term investments	1,266,380	(2,028,879)
Interest income received	49,178	44,973
Dividend Income received	-	89,953
Net cash generated from / (used in) investing activities	(1,286,013)	(5,705,103)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(909,249)	(1,873,635)
Lease rental paid	(32,595)	(113,262)
Short term borrowings – net	600,000	3,260,229
Long term finance - net	1,407,155	2,344,986
Net cash generated from financing activities	1,065,311	3,618,318
Net decrease in cash and cash equivalent	417,248	(2,416,821)
Cash and cash equivalent at beginning of the period	2,247,990	3,267,698
Cash and cash equivalent at end of the period	2,665,238	850,877

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director

Notes to the Condensed Interim Financial Statements (Un-audited) For the Nine months ended March 31, 2021

1 THE COMPANY AND ITS OPERATIONS

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

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.

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 condensed interim financial statements are the same as those that were applied to the annual financial statements of the Company for the year ended June 30, 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)
			March 31, 2021	June 30, 2020
			----- Rupees in '000 -----	
4	PROPERTY, PLANT AND EQUIPMENT	Note		
	Operating fixed assets	4.1	17,159,567	14,072,097
	Capital work-in-progress	4.2	1,693,253	3,248,220
	Right of use asset		172,655	274,695
			19,025,475	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	<u>4,183,351</u>	<u>4,047,571</u>
		18,255,448	15,435,722
Disposals during the period / year - net book value (NBV)	4.1.1	<u>(31,423)</u>	<u>(159,227)</u>
Depreciation charged during the period / year		<u>(1,064,458)</u>	<u>(1,204,398)</u>
		(1,095,881)	(1,363,625)
Balance at the end of the period / year		<u>17,159,567</u>	<u>14,072,097</u>

4.1.1 Details of addition and disposal are as follows:

	Additions (Cost)		Disposal (NBV)	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	March 31, 2021	June 30, 2020	March 31, 2021	June 30, 2020
----- Rupees in '000 -----				
Land - Leasehold	808,196	-	-	(25,410)
Building on leasehold land	546,205	1,096,342	-	-
Leasehold Improvements	3,586	-	-	-
Plant and machinery	2,633,881	2,892,170	15,256	(106,777)
Electric fittings / equipments	84,100	14,767	-	(5,151)
Office equipments	47,509	9,834	152	(1,136)
Computers	6,013	14,961	-	(1,787)
Furniture and fixtures	24,544	3,561	-	(1,162)
Vehicles	29,317	15,936	16,015	(17,804)
	<u>4,183,351</u>	<u>4,047,571</u>	<u>31,423</u>	<u>(159,227)</u>

4.1.2 Depreciation on operating fixed assets for the period amounted to Rs. 1,064.46 million (March 31, 2020: Rs. 868.28 million).

		(Un-audited)	(Audited)
		March 31, 2021	June 30, 2020
		----- Rupees in '000 -----	
4.2	Capital work-in-progress	Note	
	Balance at the beginning of the period / year	1,999,112	1,776,058
	Addition during the period / year	2,701,027	4,075,102
		4,700,139	5,851,160
	Transferred to operating fixed assets / expenses	(3,245,294)	(3,852,048)
		1,454,845	1,999,112
	Advance against fixed assets	194,183	871,779
	Stand-by equipments	44,225	377,329
	Balance at the end of the period / year	1,693,253	3,248,220

5 STOCK-IN-TRADE

Raw material in			
-hand	5.1	3,245,465	3,743,625
-transit		<u>578,804</u>	<u>339,993</u>
		3,824,269	4,083,618
Work-in-progress	5.2	3,096,966	2,597,780
Finished goods	5.3	<u>2,627,052</u>	<u>1,588,230</u>
		<u>9,548,287</u>	<u>8,269,628</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. 479.97 million (June 30, 2020: Rs. 508.10 million) which have been valued at their net realizable value of Rs. 296.99 million (June 30, 2020: Rs. 260.44 million).

			(Un-audited)	(Audited)
			March 31, 2021	June 30, 2020
			----- Rupees in '000 -----	
6	TRADE DEBTS	Note		
	Exports			
	Considered good		9,783,707	6,797,429
	Considered doubtful		22,418	16,944
			9,806,125	6,814,373
	Allowance for expected credit loss	6.1	(22,418)	(16,944)
			9,783,707	6,797,429
	Local			
	Considered good		31,862	12,074
			9,815,569	6,809,503

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	5,474	16,944
Balance at the end of the period / year	22,418	16,944

7 LONG TERM FINANCING

Term loans	12.1 & 12.2	6,647,309	5,227,400
Current portion		(1,328,753)	(214,838)
		5,318,556	5,012,562

- 7.1** 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. 5,356.60 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 which will be amortised to interest income over the period of facility.

- 7.2** 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)	(Audited)	
		March 31, 2021	June 30, 2020	
		----- Rupees in '000 -----		
8	TRADE AND OTHER PAYABLES	Note		
	Creditors	8.1	2,538,811	2,251,093
	Accrued liabilities		2,685,071	3,562,784
	Workers' profits participation fund		173,080	148,096
	Workers' welfare fund		25,184	24,703
	Advance from customers		77,005	26,028
	Payable to provident fund		25,132	23,488
	Derivative financial instruments		-	381,164
	Current portion of GIDC		285,934	-
	Current portion of government grant		15,967	9,838
	Others		139,650	53,930
			5,965,834	6,481,124

8.1 This includes amount of Rs. 23.91 million (June 30, 2020: Rs. 397.54 million) due to 1888 Mills LLC.

			(Un-audited)	(Audited)
			March 31, 2021	June 30, 2020
9	SHORT TERM BORROWINGS	<i>Note</i>	----- Rupees in '000 -----	
	Export re-finance	9.1	10,240,000	9,640,000
			10,240,000	9,640,000

9.1 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.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

No contingencies exist as at the reporting date.

			(Un-audited)	(Audited)
			March 31, 2021	June 30, 2020
10.2	Commitments	<i>Note</i>	----- Rupees in '000 -----	
	Outstanding letter of credit		1,346,373	650,050
	Outstanding letter of guarantee		1,412,782	1,221,427
	Capital expenditure		4,349,002	849,016
	Post dated cheques	10.2.1	3,427,630	3,148,213

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

			(Un-audited)		(Un-audited)	
			Nine months ended		Quarter ended	
			March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
11	COST OF SALES	<i>Note</i>	----- Rupees in '000 -----			
	Opening stock of finished goods		1,588,230	1,098,394	1,955,182	1,661,657
	Add: Cost of goods manufactured	11.1	24,959,216	18,912,448	8,874,668	6,312,356
			26,547,446	20,010,842	10,829,850	7,974,013
	Less: Closing stock of finished goods		(2,627,052)	(859,494)	(2,627,052)	(859,494)
			23,920,394	19,151,348	8,202,798	7,114,519

11.1 Cost of goods manufactured

	Raw material consumed	11.1.1	15,351,324	10,823,175	5,486,674	3,736,402
	Stores and spares consumed		3,212,092	2,744,657	1,089,223	929,368
	Salaries, wages and other benefits	11.1.2	3,387,034	2,899,621	1,204,701	986,488
	Fuel, power and water		2,016,231	1,751,277	680,580	571,279
	Insurance expense		44,784	41,114	15,426	14,471
	Repair and maintenance		207,739	66,850	38,296	28,025
	Vehicle running expenses		11,373	12,485	3,995	4,107
	Communication and transportation		76,751	59,902	27,625	18,086
	Rent		12,906	127	12,906	-
	Depreciation		1,081,497	884,423	385,138	308,117
	Amortization		368	381	123	122
	Entertainment		1,824	2,216	609	655
	Quality control and inspection		49,320	37,726	19,715	12,825
	Other manufacturing expenses		5,158	6,344	551	(128)
			25,458,401	19,330,298	8,965,562	6,609,816
	Opening work-in-process		2,597,780	2,330,145	3,006,072	2,450,535
	Closing work-in-process		(3,096,966)	(2,747,995)	(3,096,966)	(2,747,995)
			24,959,215	18,912,448	8,874,668	6,312,356

		(Un-audited)		(Un-audited)	
		Nine months ended		Quarter ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
11.1.1	Raw material consumed	Note ----- Rupees in '000 -----			
	Opening stock	4,083,618	2,982,548	4,260,494	5,031,145
	Purchases during the period	14,513,173	12,675,032	4,471,647	3,539,662
		18,596,791	15,657,580	8,732,141	8,570,807
	Less: closing stock	(3,245,467)	(4,834,405)	(3,245,467)	(4,834,405)
		15,351,324	10,823,175	5,486,674	3,736,402

11.1.2 This includes an amount of Rs. 67.77 million (March 31, 2020: Rs. 60.10 million) in respect of staff provident fund and Rs. 93.08 million in respect of staff gratuity expense (December 31, 2019: Rs. 83.76).

12 OTHER EXPENSES	(Un-audited)		(Un-audited)	
	Nine months ended		Quarter ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
----- Rupees in '000 -----				
Loss on disposal of operating fixed asset - net	4,609	37,343	(429)	5,622
Property, plant and equipment - writeoff	-	13,218	-	-
Workers' profit participation fund	173,080	141,939	46,335	58,609
Workers' welfare fund	25,230	20,460	8,565	7,623
Allowance for expected credit loss	5,474	-	(1,055)	-
Donations	8,870	10,151	5,170	6,309
Auditors' remuneration	3,101	6,806	751	1,389
Exchange differences on export receivables, trade payables and derivative financial instruments	486,576	482,871	299,203	82,151
Provision for slow moving, obsolete stores and spares - net	31,347	50,694	-	50,694
	738,287	763,482	358,540	212,397

13 OTHER INCOME				
Interest on bank deposit and TDR	43,490	45,986	6,303	7,034
Dividend income on open ended mutual	120,517	89,953	22,917	33,976
Reversal of provision against doubtful	44,532	-	11,905	-
	208,539	135,938	41,125	41,009

14 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 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)	
	Nine months ended		Quarter Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
----- Rupees in '000 -----				
<i>Transactions with associates</i>				
Sale of goods	1,672,497	1,057,100	883,481	354,410
Purchases	276,872	10,356	276,872	7,476
Marketing Fee	1,335,650	1,004,558	431,601	377,220
Disposal of fixed asset	-	6,383	-	-
Lease rental paid	-	89,899	-	29,966
Rent expense	7,816	-	7,816	-
Donation	1,923	2,457	1,923	914

	(Un-audited)		(Un-audited)	
	Nine months ended		Quarter Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Transaction with directors	----- Rupees in '000 -----			
Meeting fee	<u>10,470</u>	<u>7,980</u>	<u>3,960</u>	<u>1,860</u>
Transaction with key management personnel				
Remuneration paid	<u>39,048</u>	<u>43,642</u>	<u>11,143</u>	<u>15,989</u>
Post-employment benefits	<u>2,337</u>	<u>2,447</u>	<u>765</u>	<u>816</u>
Transaction with other related party				
Contribution to staff provident fund	<u>105,388</u>	<u>95,545</u>	<u>34,573</u>	<u>32,062</u>

15 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.

16 FAIR VALUE OF ASSETS AND LIABILITIES

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

17 OPERATING SEGMENTS

- These condensed interim financial statements have been prepared on the basis of a single reportable segment.
- Revenue from export sales represents 99% (March 31, 2020: 99%) of the total gross revenue of the Company.
- All non-current assets of the Company as at March 31, 2021 and 2020 are located in Pakistan.
- Sales made by the Company to its two major customers during the period constituted 57% (March 31, 2020: 62%) of total sales.

18 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 29, 2021 by the Board of Directors of the Company.

19 GENERAL

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

Javeria Siddiqui
Chief Financial Officer

Rehan Rahman
Chief Executive Officer

Naism Hyder
Director