



**Interim Financial Statements
September 30, 2011**

ZAHIDJEE TEXTILE MILLS LIMITED

1 ZAHIDJEE TEXTILE MILLS LIMITED

Condensed Interim Financial Statements- September 30, 2011

| | |
|---|----|
| Company Information | 2 |
| Directors' Report to the Members | 3 |
| Condensed Balance Sheet | 4 |
| Condensed Profit and Loss Account | 5 |
| Condensed Interim Statement of Comprehensive Income | 6 |
| Condensed Cash Flow Statement | 7 |
| Condensed Statement of Changes in Equity | 9 |
| Notes to the Condensed Interim Financial Statements | 10 |

ZAHIDJEE TEXTILE MILLS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS- SEPTEMBER 30, 2011

**Company
Information****Board of Directors**

Mr. Muhammad Zahid
Chairman / Chief Executive

Mst. Huma Zahid
Mst. Fauzia Shahani
Mr. Abdul Rehman Farooqi
Mr. Nasir Ahmed
Mr. Muhammad Jamshaid
Mr. Muhammad Imran

Audit Committee

Mr. Nasir Ahmed
(Chairman)
Mst. Huma Zahid
Mst. Fouzia Shahani

**Company Secretary/
Chief Financial Officer**

Mr. Shahab-Ud-Din Khan

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountants

Bankers of the Company

Allied Bank Limited
Faysal Bank Limited
United Bank Limited
National Bank of Pakistan
The Bank of Punjab

Registered Office

20, Bilal Road,
Civil Lines,
Faisalabad

Mills

28-KM, Sheikhpura Road,
Faisalabad

32-KM, Tandlian wala Road,
Faisalabad

Share Registrar

Consulting One (Private) Limited
478-D Peoples Colony No.1
Faisalabad
Tel: + 92-41-8541165/8541965
Fax: + 92-41-8542765

The Directors of your Company take pleasure in presenting their report alongwith the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2011.

Operating Results

However overview of operating results is as under:-

| | September 30, 2011 | September 30, 2010 |
|--------------------------------|-------------------------------|-----------------------|
| Profit before taxation | (65,344,416) | 70,950,493 |
| Provision for taxation | (7,308,557) | 6,922,662 |
| (Loss) / profit for the period | <u>(58,035,859)</u> | <u>64,027,831</u> |

The Company earned an operating loss of Rs. 58.04 million as compared to an operating profit of Rs. 64.03 million during the corresponding period of last year. The reason of loss was straight decline in demand and prices of yarn from July 2011.

As a result we too like other spinning units were forced to close spinning units for four weeks during July-August 2011.

Future Outlook

In October prices of yarn started improving and in mid of month are matching with current cotton prices. Price of cotton is expected to decline with increase in supply of cotton lint so we expect a batter results in future.

For and on behalf of
the Board

Dated: October 31, 2011
Faisalabad.

MUHAMMAD ZAHID
Chief Executive Officer

| | Note | September 30, 2011 Rupees | June 30, 2011 Rupees |
|--|------|---------------------------------|----------------------------|
| NON - CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | 1,010,242,610 | 1,030,360,992 |
| Long term deposits | | 3,520,725 | 3,281,718 |
| | | 1,013,763,335 | 1,033,642,710 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 100,332,184 | 107,652,025 |
| Stock in trade | | 420,978,147 | 649,063,054 |
| Trade debts | | 499,387,549 | 427,352,650 |
| Loans and advances | | 242,119,742 | 233,218,868 |
| Prepayments | | 3,337,185 | 169,223 |
| Other receivables | | 39,043,025 | 25,216,030 |
| Short term investments | 4 | 41,115,389 | 51,127,737 |
| Tax refunds due from Government | | 33,405,487 | 30,536,194 |
| Cash and bank balances | | 11,111,281 | 14,499,106 |
| | | 1,390,829,989 | 1,538,834,887 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 268,036,011 | 250,125,365 |
| Interest / mark up payable | | 21,308,261 | 34,258,754 |
| Short term borrowings | | 847,025,962 | 801,165,978 |
| Current portion of long term financing | | 56,000,000 | 206,154,525 |
| Provision for taxation - income tax | | 63,475,131 | 55,421,896 |
| | | 1,255,845,365 | 1,347,126,518 |
| | | 1,148,747,959 | 1,225,351,079 |
| NON - CURRENT LIABILITIES | | | |
| Long term financing | | 41,000,000 | 60,000,000 |
| Deferred liabilities | | | |
| Deferred taxation | | 30,577,162 | 46,117,335 |
| | | 71,577,162 | 106,117,335 |
| CONTINGENCIES AND COMMITMENTS | | | |
| Net worth | 5 | - | - |
| | | 1,077,170,797 | 1,119,233,744 |
| Represented by | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | | 340,509,040 | 340,509,040 |
| Capital reserves | | 298,989,667 | 283,195,136 |
| Revenue reserve | | | |
| Unappropriated profit | | 382,918,069 | 439,838,126 |
| | | 1,022,416,776 | 1,063,542,302 |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | | |
| | | 54,754,021 | 55,691,442 |
| | | 1,077,170,797 | 1,119,233,744 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

| | Note | September 30, 2011 | September 30, 2010 |
|--|----------|-----------------------|-----------------------|
| Sales | | 818,599,773 | 1,063,677,950 |
| Cost of goods sold | 6 | 815,402,935 | 914,342,085 |
| Gross profit | | 3,196,838 | 149,335,865 |
| Other operating income | | 13,044,397 | 209,403 |
| | | 16,241,235 | 149,545,268 |
| Distribution cost | | 14,783,222 | 12,071,939 |
| Administrative expenses | | 10,677,970 | 7,402,227 |
| Other operating expenses | | 23,107,860 | - |
| Finance cost | | 33,016,599 | 43,018,947 |
| | | 81,585,651 | 62,493,113 |
| Share of loss of associate | | - | (16,101,662) |
| (Loss)/profit before taxation | | (65,344,416) | 70,950,493 |
| Provision for taxation | | (7,308,557) | 6,922,662 |
| (Loss)/profit for the period | | (58,035,859) | 64,027,831 |
| Earnings per share - Basic and diluted | | (1.70) | 1.88 |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

| | September 30, 2011 Rupees | September 30, 2010 Rupees |
|--|--|---------------------------------|
| (Loss)/profit for the period | (58,035,859) | 64,027,831 |
| Other comprehensive income / (loss) for the period | | |
| Fair value reserve on available for sale investments | | |
| (Decrease) in fair value | (6,992,348) | (13,188,132) |
| Loss transferred to profit and loss account on disposal | 22,786,879 | |
| | 15,794,531 | (13,188,132) |
| Surplus on revaluation of property, plant and equipment Incremental depreciation on revalued assets for the period | 1,115,802 | 825,816 |
| Share of changes in other comprehensive income of associate - net of deferred tax | - | 183,459 |
| | 16,910,333 | (12,178,857) |
| Total comprehensive (loss)/income for the period | <u>(41,125,526)</u> | <u>51,848,974</u> |

CHIEF EXECUTIVE OFFICER

DIRECTOR

| | September 30, 2011 Rupees | June 30, 2011 Rupees |
|--|---------------------------------|----------------------------|
| a) CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/profit before taxation | (65,344,416) | 437,172,112 |
| Adjustment for: | | |
| Depreciation of property, plant and equipment | 24,186,005 | 99,568,625 |
| Provision for staff retirement gratuity | - | 1,284,400 |
| Share of loss of associate | - | 62,235,305 |
| Balances written back | - | (373,775) |
| Gain on disposal of property, plant and equipment | (12,900,114) | (17,819,736) |
| Reversal of impairment loss on investment in associate | - | (49,954,205) |
| (Gain) / loss on sale of: | | |
| Investment in associate | - | (4,320,000) |
| Short term investment | 23,107,860 | 119,549,201 |
| Finance cost | 33,016,599 | 230,627,169 |
| Operating cash flows before working capital changes | <u>2,065,934</u> | <u>877,969,096</u> |
| Changes in working capital | | |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | 7,319,841 | (10,032,045) |
| Stock in trade | 228,084,907 | (23,803,437) |
| Trade debts | (72,034,899) | 14,988,337 |
| Loans and advances | (4,089,427) | (154,423,624) |
| Prepayments | (3,167,962) | 1,869,559 |
| Other receivables | (13,826,995) | (14,334,454) |
| Tax refunds due from Government | (2,869,293) | 5,418,243 |
| Increase in current liabilities | | |
| Trade and other payables | 17,910,647 | 92,967,319 |
| | <u>157,326,819</u> | <u>(87,350,102)</u> |
| Cash generated from operating activities | 159,392,753 | 790,618,994 |
| Finance cost paid | (45,967,092) | (237,206,844) |
| Income tax paid | (4,811,447) | (37,096,785) |
| Staff retirement gratuity paid | - | (20,654,351) |
| Net cash generated from operating activities | <u>108,614,214</u> | <u>495,661,014</u> |
| (b) CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions in property, plant and equipment | (4,867,510) | (44,115,927) |
| Investment in associate | | |
| Proceeds from: | | |
| Disposal of property, plant and equipment | 13,700,000 | 36,602,245 |
| Increase in long term security deposit | (239,007) | - |
| Sale of investment in associate | - | 12,000,000 |
| Sale of short term investments | 2,699,019 | 22,446,699 |
| Net cash generated from investing activities | <u>11,292,502</u> | <u>26,933,017</u> |

| | September 30, 2011 Rupees | June 30, 2011 Rupees |
|--|--|----------------------------|
| (c) CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long term financing | (169,154,525) | (126,500,000) |
| Decrease in short term borrowings - net | 45,859,984 | (389,368,613) |
| Net cash used in financing activities | <u>(123,294,541)</u> | <u>(515,868,613)</u> |
| Net (decrease)/increase in cash and cash equivalents (a+b+c) | (3,387,825) | 6,725,418 |
| Cash and cash equivalents at the beginning of the period | 14,499,106 | 7,773,688 |
| Cash and cash equivalents at the end of the period | <u>11,111,281</u> | <u>14,499,106</u> |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

| | Issued, subscribed and paid up share capital | Reserves | | | | Sub total | Unappropriated profit | Total |
|---|---|-----------------------|--------------------|------------------|--|--------------------|--------------------------|-------|
| | | Capital | | | Share of changes in equity of associate | | | |
| | | Fair value reserve | Merger reserve | Revenue | | | | |
| ----- Rupees ----- | | | | | | | | |
| Balance as at July 01, 2010 | 340,509,040 | (189,950,083) | 366,258,513 | 1,433,486 | 177,741,916 | 89,041,581 | 607,292,537 | |
| Total comprehensive income/(loss) for the period | - | (13,188,132) | - | 183,459 | (13,004,673) | 64,853,647 | 51,848,974 | |
| Balance as at September 30, 2010 | <u>340,509,040</u> | <u>(203,138,215)</u> | <u>366,258,513</u> | <u>1,616,945</u> | <u>164,737,243</u> | <u>153,895,228</u> | <u>659,141,511</u> | |
| Total comprehensive income/(loss) for the period | - | 119,080,252 | - | (622,359) | 118,457,893 | 285,942,898 | 404,400,791 | |
| Balance as at June 30, 2011 | <u>340,509,040</u> | <u>(84,057,963)</u> | <u>366,258,513</u> | <u>994,586</u> | <u>283,195,136</u> | <u>439,838,126</u> | <u>1,063,542,302</u> | |
| Total comprehensive income/(loss) for the period | - | 15,794,531 | - | - | 15,794,531 | (56,920,057) | (41,125,526) | |
| Balance as at September 30, 2011 | <u>340,509,040</u> | <u>(68,263,432)</u> | <u>366,258,513</u> | <u>994,586</u> | <u>298,989,667</u> | <u>382,918,069</u> | <u>1,022,416,776</u> | |

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. GENERAL INFORMATION

- 1.1 Zahidjee Textile Mills Limited (the Company) is incorporated in Pakistan on July 17, 1990 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at 20, Bilal Road, Civil Lines, Faisalabad. The Company is currently listed on Karachi and Lahore stock exchanges. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at Sityana, District Faisalabad and spinning units are located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.
- 1.2 Pursuant to scheme of arrangement approved by the Honorable Lahore High Court Lahore, assets, liabilities and reserves of Zahidjee Fabrics Limited have been merged with Zahidjee Textile Mills Limited with effect from July 01, 2006.
- 1.3 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. ACCOUNTING POLICIES

- 2.1 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directions issued under the Companies Ordinance, 1984, in case the requirements differ, the provisions of or directions issued under the Companies Ordinance, 1984 have been followed.
- 2.2 These condensed interim financial statements have been prepared under the "historical cost convention" except certain items of property, plant and equipment included at revaluation and short term investment at fair value.
- 2.3 These condensed interim financial statements do not include all the information required for annual financial statements, and should be read in conjunction with the Company's published audited financial statements for the year ended June 30, 2011.
- 2.4 These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.
- 2.5 The accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the published audited financial statements for the year ended June 30, 2011 except that the Company was operating a defined benefit plan-unfunded gratuity scheme for all its employees at mills. The gratuity scheme has been discontinued from July 2010 and the liability under the scheme has been paid. The Company has extended its scheme of defined contribution plan - staff provident fund, available to head office employees, to all employees at mills. Equal monthly contributions are being made by the Company and the employees at the rate of 8.33% per annum of the basic salary. All the employees at the mills have opted for membership of provident fund.

Certain standards, amendments and interpretations to approved accounting standards became effective during the period but considered either irrelevant or having no significant impact on the condensed interim financial statements, therefore not detailed in these condensed interim financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

| | September 30, 2011 | June 30, 2011 |
|--------------------------|-------------------------------|--------------------------|
| | Rupees | Rupees |
| Operating assets | 971,941,258 | 993,925,681 |
| Capital work in progress | 38,301,352 | 36,435,311 |
| | <u>1,010,242,610</u> | <u>1,030,360,992</u> |

Acquisitions and disposals of property, plant and equipment - at cost

| | Quarter ended September 30, 2011 | | Quarter ended September 30, 2010 | |
|---------------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|
| | Acquisitions Rupees | Disposals Rupees | Acquisitions Rupees | Disposals Rupees |
| Operating assets | | | | |
| Building on freehold land | 89,000 | - | - | - |
| Plant and machinery | 2,102,283 | - | 122,771 | - |
| Electric installations | 26,800 | - | 15,600 | - |
| Factory Equipment | 140,000 | - | - | - |
| Office equipment | 585,341 | - | 9,750 | - |
| Furniture and fittings | - | - | 119,790 | - |
| Vehicles | - | - | 65,500 | - |
| Capital work in progress | | | | |
| Plant and machinery | 1,924,086 | - | 26,932,371 | - |
| | 4,867,510 | - | 27,265,782 | - |

| | September 30, 2011 Rupees | June 30, 2011 Rupees |
|--|---------------------------------|----------------------------|
|--|---------------------------------|----------------------------|

4. Short term investments

Available for sale at fair value

Quoted securities

NIB Bank Limited

2,695,500 (June 30, 2011: 4,695,500)
ordinary shares of Rs.10/- each

34,781,221 60,588,100

Habib Metropolitan Bank Limited

2,022,854 (June 30, 2011: 2,022,854)
ordinary shares of Rs.10/- each

74,597,600 74,597,600

109,378,821 135,185,700

Less: Fair value reserve

(68,263,432) (84,057,963)

41,115,389 51,127,737**5. CONTINGENCIES AND COMMITMENTS****Contingencies**

There is no significant change in contingent liabilities since the date of published audited financial statements for the year ended June 30, 2011.

| | September 30, 2011 Rupees | June 30, 2011 Rupees |
|--|---------------------------------|----------------------------|
|--|---------------------------------|----------------------------|

Commitments

Under letters of credit for raw material and spare parts

7,596,521 457,581

6. Cost of sales

Cost of goods manufactured (Note 6.1)

550,074,396 891,588,625

Finished goods

Opening stock

495,487,411 300,439,004

Closing stock

(230,158,872) (277,685,544)

265,328,539 22,753,460

815,402,935 914,342,085

| | September 30, 2011 Rupees | September 30, 2010 Rupees |
|---------------------------------------|---------------------------------|---------------------------------|
| 6.1 Cost of goods manufactured | | |
| Raw material consumed (Note 6.1.1) | 410,315,978 | 737,142,726 |
| Packing material consumed | 3,150,219 | 8,344,185 |
| Salaries, wages and benefits | 36,505,872 | 39,780,796 |
| Retirement benefits | 969,051 | 2,035,201 |
| Stores and spares consumed | 35,812,515 | 23,676,695 |
| Fuel and power | 42,932,137 | 59,519,937 |
| Repairs and maintenance | 12,227,783 | 10,661,522 |
| Insurance | 1,823,867 | 1,426,044 |
| Depreciation | 23,926,290 | 17,651,410 |
| Other | 4,329,847 | 3,518,264 |
| | 571,993,559 | 903,756,780 |
| Work in process | | |
| Opening stock | 53,689,895 | 51,565,191 |
| Closing stock | (75,609,058) | (63,733,346) |
| | (21,919,163) | (12,168,155) |
| | 550,074,396 | 891,588,625 |
| | | |
| 6.1.1 Raw material consumed | | |
| Opening Stock | 99,885,748 | 273,255,422 |
| Purchases including purchase expenses | 425,640,447 | 711,890,594 |
| | 525,526,195 | 985,146,016 |
| Closing stock | (115,210,217) | (248,003,290) |
| | 410,315,978 | 737,142,726 |

7. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Significant transactions with related parties are as follows:-

| Relationship | Nature of transaction | September 30, 2011 Rupees | September 30, 2010 Rupees |
|-------------------------|-----------------------|---------------------------------|---------------------------------|
| Associated undertakings | Purchases | 6,503,125 | 2,565,900 |
| Chief executive officer | Remuneration | 150,000 | 300,000 |

8. Date of authorisation for issue

These financial statements were authorised for issue on October 31, 2011 by the Board of Directors of the Company.

9. OTHERS

- There is no unusual item included in these interim financial statements which is effecting assets, liabilities, equity, profit or cash flows of the company.
- The provision for taxation is based on these interim financial statements and are subject to adjustments in annual financial statements.
- The figure of corresponding period have been rearrange wherever necessary to reflect more appropriate presentation in the financial statements.

10. Figures have been rounded off to nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR