Contents

Company Information

BOARD OF DIRECTORS:
Mr. Mussaid Hanif
Chairman/Chief Executive Officer
Mr. Burhan Muhammad Khan
Mr. Arbab Muhammad Khan
Mr. Gauhar Abdul Hai
Mr. Manzar ul Islam
Ms. Tehniyat Mussaid
Ms. Sabah Burhan

AUDIT COMMITTEE:
Ms. Tehniyat Mussaid
Chairperson/Member
Mr. Arbab Muhammad Khan
Member
Ms. Sabah Burhan
Member

COMPANY SECRETARY:
Mr. Naveed Aleem

CHIEF FINANCIAL OFFICER:
Mr. Gauhar Abdul Hai

AUDITORS:
Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISOR:
Cornelius Lane & Mufti
Advocate and Solicitors
Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah Road,
Lahore - 54000, Pakistan

BANKERS TO THE COMPANY:
Habib Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Allied Bank Limited
Faysal Bank Limited
NIB Bank Limited
RBS
Citibank N.A.
Standard Chartered Bank

SHARE REGISTRAR:
THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3
Dr. Zia-ud-Din Ahmed Road, Karachi
UAN: 021-111-000-322
Fax: 021 - 5655595

MILLS:
1 Kilometer Balloki Bhai Pheru Road, Bhai Pheru
Tel: 0494 – 512007-9, 513103-5
Fax: 0494 - 512010

63 Km Gulshan Adda, Jumber Khurd
District, Kasur

REGISTERED AND HEAD OFFICE:
3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore.
Tel: 042 – 5782905
Fax: 042 - 5753202

Notice of Annual General Meeting

Notice is hereby given that the11th Annual General Meeting of the shareholders of Zephyr Textiles Limited will be held at the Registered office of the company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on October 31, 2009, Saturday at 11:00 AM to transact the following business:-

1. To confirm the minutes of the last extra ordinary general meeting dated August 16, 2009.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2009 together with the Directors' and Auditors' report thereon.

3. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration. The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment.

4. To transact any other business with the permission of the Chair.

By order of the Board

Lahore:
October 10, 2009

Naveed Aleem
Company Secretary

NOTES:

1. Share transfer books of the company will remain closed from October 31, 2009 to November 08, 2009 (both days inclusive) and no transfer will be accepted during this period.

2. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his /her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting.

3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their National Identity Card (NIC) along with their Account Number in CDC for verification. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

4. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.

5. Shareholders are requested to notify any change in their addresses immediately.

Directors' Report

On behalf of the Board of directors, I am pleased to welcome you to the 11th Annual General Meeting of the company and place before you the audited financial statements and Auditors' report for the year ended June 30, 2009.

General market scenario and future prospects

The financial year 2008-09 was worldwide a year of recession for most business including textile sector. Severe recession in USA and Europe markets led to lower sales and tough competition for suppliers. Textile industry in Pakistan went through extremely difficult situation during the year under review and was very volatile due to various reasons such as decelerated business volumes and energy crises. Further a record increase in yarn prices in first quarter of year under review alongwith steep interest rates hike had their impact on textile sector on varying degrees. The year under review was the test for the textile sector to survive as per their strength and relative positioning in the market. In a broad preview it looks like that due to recessionary trend in the global markets textile will remain depressed for medium term and situation might improve by the end of 2nd quarter of financial year 2010-11. Consequent to recovery of global market from current recession the textile sector will be benefited as well.

Operational review

During the year under review manufacturing facilities of the company were operational at their full capacity. In the corresponding period expansion project of towel manufacturing units was partially in commercial operations.

Operating financial results

The operating financial results of the company for the year ended June 30, 2009 are as under:

	June 30, 2009 Rupees	June 30, 2008 Rupees
Gross Profit	**274,640,353**	246,051,007
Distribution cost and admin Expenses	**114,395,452**	100,475,526
Other income	**37,352,628**	15,519,449
Operating Profit for the year	**197,597,529**	161,094,930
Financial charges	**353,588,885**	346,092,648
(Loss) for the year before taxation	**(155,991,356)**	(184,997,718)
Taxation current	**(4,994,289)**	13,161,233
(Loss)/Profit for the year after taxation	**(150,997,067)**	(198,158,951)

The company has registered net sales of Rs. 2,601.772 million (2008: Rs. 2,621.107 million) which is slightly decreased against corresponding year. The gross profit of Rs. 274.640 million i.e. 10.6% of sales (2008: Rs. 246.051 million i.e. 9.4%) depicts increase of 11.6%. The operating profit of Rs. 197.597 million (2008: Rs. 161.095 million) shows an increase of about 23%. The company has incurred loss before taxation of Rs. 155.991 million (2008: Rs. 184.998 million) due to heavy financial costs and exchange losses aggregating Rs. 353.589 million (2008: Rs. 346.092 million). The net loss for the year after providing taxation is Rs. 150.997 million (2008: Rs. 198.159 million).

The operating performance of the company during the period under review exhibits improvements in gross and operating profit by 11.6% and 23% respectively as against the corresponding period however, increased financial cost and other factors have eroded the net margin. The loss for the year is mainly due to following factors:

- Heavy financial cost during the year owing to sharp increase in interest rates despite of reduction in borrowing of the company. The interest cost increased by 37.70% despite reduction in liabilities by Rs. 155 million. The average borrowing rates of the company increased from 11.32% to 16.92%;

- Pressure on sales volumes and margins owing to global recession and increased yarn prices;

- Increase in gas tariff alongwith the supply of gas to textile industry was reduced we switched to WAPDA from our Captive gas power generation. Consequently besides higher cost we also faced a load shedding of about 5 to 6 hours daily due to WAPDA's shortfall of electric generation which resulted in severe production losses and higher energy cost aggregating Rs. 30 Million during that period;

- The outsourcing /toll manufacturing operation were drastically reduced as against corresponding period due to reduced market demand during the period and the management prefer to run own manufacturing facilities to meet the orders in hand first. Outsourcing /toll manufacturing operation had yielded high gross margins in corresponding period;

- Heavy depreciation of Rs. 196.264 million (2008: Rs. 153.756 million);

Loss Per Share

The loss Per Share of the company stands at Rs. 2.54 (2008: Rs. 3.33).

Marketing strategy

Presently the manufacturing facilities of the company are comprised of 257 weaving machines along with towel processing unit. These facilities are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels. The recent devaluation of Pak rupees gives competitive edge to us against the neighboring countries and orders/inquiries of their specialized fabrics have now started to shift to Pakistan. This has created a great opportunity and market for the Pakistani weavers.

The towel manufacturing unit alongwith complete finishing process is operational at 95% efficiency and we are targeting our sales to prominent European and American retailers. Currently our production line is for mid to higher end products, competing with Turkey, Spain and Portugal. We see a rapidly growing demand for towels in near future.

Restructuring of long term loans

Due to heavy losses sustained the current operations of the company are under stress and will remain under pressure in coming period till such time the current situation improves and restoration of global recession**.** In lieu of these facts the company is unable to generate sufficient funds from its operations to meet the long term obligations. Therefore the company has got rescheduled/restructured its long term liabilities from its lenders. The management is of the view that in case the situation improves earlier than projected they will accordingly repay the restructured debts earlier than schedule.

Board of directors

Following are the directors of the company elected in the elections held on August 16, 2009 for the period of three years in accordance with the provisions of the Companies Ordinance, 1984:

1.	Mr. Mussaid Hanif	Chairman and Chief Executive
2.	Mr. Burhan Muhammad Khan	Director
3.	Mr. Arbab Muhammad Khan	Director
4.	Mr. Gauhar Abdul Hai	Director
5.	Mr. Manzar Ul Islam	Director
6.	Ms. Tehniyat Mussaid	Director
7.	Ms. Sabah Burhan	Director

Compliance of Corporate and Financial Reporting Framework

The Company complies with the requirements of best practices of Corporate and Financial Reporting Framework. In order to protect and enhance the long term value of shareholders, the Board is responsible for overall Corporate Governance of the company including approving strategic policies and decision, capital expenditures, appointing, removing and creating succession policies. In compliance with Code of Corporate Governance following statements are given for corporate and financial reporting framework:

a) The financial statements, prepared by the management of the company, present fairly and accurately its state of affairs, the results of its operations, cash flows and changes in equity.

b) Proper books of accounts of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and there has been no departure therefrom except for classification of current maturity of certain long term loans as long term liabilities instead of current liabilities (refer note 8.4 to the accounts). This classification is qualified by the Auditors in para (a) of their Report to the members since it is not in accordance with the International Accounting Standard 1, "Presentation of Financial Statements". The company has classified these long term loans as long term liabilities in view of applied restructuring of these long term loans with the lender. These applied restructuring have almost been finalized by the lender however, certain negotiation regarding applied terms of restructuring are at final stages.

e) The system of internal control is sound in design and has been effectively implemented and monitored. Ongoing review will continue in future for further improvement in controls.

f) Without qualifying their report to members the Auditors have drawn attention to note 1.2 to the accounts which indicates that during the year company incurred loss amounting to Rs. 151.011 million and has accumulated loss of Rs. 263.652 million at the year end and its working capital is also negative at the year end. These accounts have been prepared on going concern basis since the management is of the view that there are no significant doubts upon the company's ability to continue as a going concern on the ground that the company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up for this purpose and bringing its liability to serviceable levels. The company has got restructured its long term loans to facilitate the cash flow of the company. Major long term loans have partially been restructured and balance are in process at approval stages. Furthermore, the management is negotiating with its lenders to reduce the borrowing costs which will make the operations more viable.

g) There has been no material departure from the best practices of corporate governance.

h) Key operating and financial data of last six years is annexed herewith.

Board Meetings

During the year under review, in aggregate 4 meetings of the Board of Directors were held and the attendance of the directors was as under:-

Name of Directors	Meetings Attended
Mr. Mussaid Hanif	4
Mr. Burhan Muhammad Khan	4
Mr. Arbab Muhammad Khan	4
Mr. Gauhar Abdul Hai	4
Mr. Manzar Ul Islam	3
Ms. Tehniyat Mussaid	2
Ms. Sabah Burhan	2

Pattern of Shareholding

The statement of shareholding of the company as on June 30, 2009 is annexed with this report. This statement is in compliance with the requirement of the Code of Corporate Governance and the Companies Ordinance, 1984.

Dividend

Considering the financial results of the company for the year ended June 30, 2009 the management has not recommended any dividend for the year ended June 30, 2009.

Audit Committee

The committee comprises of 3 members of whom 2 are non-executive directors. The names of its members are given in Company Information. The committee meets at least every quarter for review of audit report, interim and annual financial results prior to the approval of the Board.

Auditors

The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the company for the year ending June 30, 2010.

Acknowledgement

Finally the directors would like to extend there gratitude to the employees of the company for their team work, commitments, integrity and professionalism in trying to achieve the targets of the company.

For and on behalf of the Board of Directors

Lahore
October 09, 2009

MUSSAID HANIF
Chief Executive

Key Operating and Financial Data of Last Six Years

	Rupees in Thousand					
	June 30, 2009	**June 30, 2008**	**June 30, 2007**	**June 30, 2006**	**June 30, 2005**	**June 30, 2004**
PROFIT AND LOSS						
Sales	2,601,772	2,621,107	2,689,532	1,556,113	1,072,621	784,194
Gross Profit	274,640	246,051	277,058	215,912	114,543	98,426
Operating Profit plus othe income	197,598	161,095	212,863	167,133	68,618	59,736
Financial & Other charges	353,589	346,093	196,660	111,766	38,493	24,904
Taxation	(4,994)	13,161	13,563	9,333	5,743	10,181
Net Profit after tax	**(150,997)**	**(198,159)**	**2,640**	**46,034**	**24,382**	**24,650**
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	474,287	263,746
Share subscription money	-	-	-	-	10,660	-
Unappropriated Profit/A ccumulated Loss	(263,638)	(139,168)	58,991	56,350	10,317	935
Surplus on revaluation of fixed assets	316,891	343,419	-	-	-	-
Net worth	**647,540**	**798,537**	**653,278**	**650,637**	**495,264**	**264,680**
Long Term Liabilities	694,155	683,069	721,330	755,933	468,764	109,853
Deferred liabilities	149,118	159,646	9,380	5,012	2,667	1,514
Current Liabilities	1,837,373	1,905,319	1,676,626	1,153,050	766,758	415,271
Total Liabilities	**2,680,646**	**2,748,033**	**2,407,336**	**1,913,995**	**1,238,189**	**526,639**
Total Equity & Liabilities	**3,328,186**	**3,546,570**	**3,060,614**	**2,564,632**	**1,733,453**	**791,319**
Fixed Assets	2,129,639	2,275,204	1,752,408	1,622,115	1,026,638	379,630
Long Term Deposits	2,712	5,009	3,053	4,605	5,424	5,452
Current Assets	1,195,835	1,266,356	1,305,153	937,912	701,391	406,236
Total Assets	**3,328,186**	**3,546,570**	**3,060,614**	**2,564,632**	**1,733,453**	**791,319**
INVESTOR INFORMATION						
Break up value per share (Rs.)	10.90	13.44	10.99	10.95	10.44	10.04
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	15,000	60,278
Earning Per Share (Rs.)	(2.54)	(3.33)	0.04	0.78	0.75	2.02
Return on Equity (%)	(23.32)	(24.82)	0.40	7.08	4.92	9.31
Return on Assets (%)	(4.54)	(5.59)	0.09	1.79	1.41	3.12
FINANCIAL RATIOS						
Gross Margin (%)	10.56	9.39	10.30	13.88	10.68	12.55
Net Margin (%)	(5.80)	(7.56)	0.10	2.96	2.27	3.14
Current Ratio	0.65	0.66	0.78	0.81	0.91	0.98
Levrage	3.49	3.24	3.67	2.93	2.49	1.98
Long Term Debt : Equity	54:46	51:49	59:41	54:46	49:51	30:70

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in the relevant Listing Regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 2 independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4. Casual vacancy occurred in the Board during the year was filled within the stipulated period.

5. Statement of Ethics and Business Practice has been circulated to directors and employees of the company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranged orientation course for its directors during the period to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment, as determined by the CEO.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.

17. The Board has set up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

Lahore
October 9, 2009

MUSSAID HANIF
Chief Executive

Review Report to the Members on Statement of Complaince with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Zephyr Textiles Limited** ("the Company") to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and clause 40 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personal and review of various documents prepared by the Company to comply with the code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

Lahore
October 9, 2009

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zephyr Textiles Limited** ("the company") as at **30 June 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the over all presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) The company has classified current maturity of certain long term loans from The Bank of Punjab as long term liability instead of current liability on the basis of rescheduling / refinancing of the loans after the balance sheet date as disclosed in note 8.4 to the financial statements. This classification is not in accordance with the requirements of International Accounting Standard 1, "Presentation of Financial Statements".

b) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

c) In our opinion:
   i the balance sheet and profit and loss account together with the notes thereon, except for the matter referred to in paragraph "(a)", have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of Company's business; and

   iii. the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Company;

d) Except for the effects on the above statements of matters stated in paragraph "(a)" above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

e) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

f) With qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates that during the year the Company incurred loss amounting to Rs.150.997 million and has accumulated losses amounting to Rs.263.638 million at the year end. In addition, the Company has negative working capital at the year end. These financial statements however have been prepared on the going concern basis in the expectation of future profitability, restructuring of the Company's debts and undertaking of the financial support by the sponsoring directors, if required.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Engagement Partner: Asim Iftikhar
Lahore
Dated : October 9, 2009

ZEPHYR

Balance Sheet

EQUITY AND LIABILITIES	Notes	**2009 (Rupees)**	2008 (Rupees)
SHARE CAPITAL			
Authorized			
62,500,000 ordinary shares of Rs. 10/- each		**625,000,000**	625,000,000
Issued, subscribed and paid-up			
59,428,729 ordinary shares of Rs. 10/- each	6	**594,287,290**	594,287,290
ACCUMULATED LOSS		**(263,638,177)**	(139,168,390)
		330,649,113	455,118,900
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	**316,891,360**	343,418,641
NON-CURRENT LIABILITIES			
Long term financing	8	**694,154,846**	681,950,746
Liabilities against assets subject to finance lease	9	**-**	1,117,734
Deferred liabilities	11	**149,117,855**	159,645,543
CURRENT LIABILITIES			
Trade and other payables	12	**245,729,912**	251,133,202
Mark up accrued on loans	13	**171,849,998**	67,217,714
Short term borrowings	14	**1,320,877,321**	1,442,967,468
Current portion of long term liabilities	10	**98,915,875**	144,000,326
		1,837,373,106	**1,905,318,710**
CONTINGENCIES AND COMMITMENTS	15		
		3,328,186,280	3,546,570,274

- The annexed notes 1 to 40 form an integral part of these financial statements.

DIRECTOR

As at June 30, 2009

ASSETS	Notes	**2009 (Rupees)**	2008 (Rupees)
Property, plant and equipment	16	**2,127,462,426**	2,267,256,248
Capital work in progress	17	**2,176,712**	7,948,174
		2,129,639,138	2,275,204,421
LONG TERM DEPOSITS	18	**2,712,322**	5,009,422
CURRENT ASSETS			
Stores and spares		**50,665,767**	45,347,358
Stock in trade	19	**608,401,619**	672,845,057
Trade debts	20	**283,583,090**	313,227,842
Loans and advances	21	**106,341,513**	126,740,293
Trade deposits, prepayments and other receivables	22	**112,530,763**	91,556,208
Investments	23	**5,388,092**	14,175,212
Cash and bank balances	24	**28,923,976**	2,464,460
		1,195,834,820	1,266,356,430
		3,328,186,280	3,546,570,274

CHIEF EXECUTIVE

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2009

	Notes	**2009 (Rupees)**	2008 (Rupees)
SALES	25	**2,601,772,489**	2,621,107,450
COST OF SALES	26	**2,327,132,136**	2,375,056,443
GROSS PROFIT		**274,640,353**	246,051,007
OPERATING EXPENSES			
DISTRIBUTION AND SELLING	27	**74,593,804**	67,893,488
ADMINISTRATION	28	**31,703,536**	23,991,471
OTHERS	29	**8,098,112**	8,590,567
		114,395,452	100,475,526
		160,244,901	145,575,481
OTHER OPERATING INCOME	30	**37,352,628**	15,519,449
OPERATING PROFIT BEFORE FINANCE COST		**197,597,529**	161,094,930
FINANCE COSTS	31	**353,588,885**	346,092,648
LOSS BEFORE TAXATION		**(155,991,356)**	(184,997,718)
TAXATION	32	**(4,994,289)**	13,161,233
LOSS FOR THE YEAR		**(150,997,067)**	(198,158,951)
LOSS PER SHARE - BASIC AND DILUTED	33	**(2.54)**	(3.33)

- The annexed notes from 1 to 40 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2009

		2009 (Rupees)	2008 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year before taxation		**(155,991,356)**	(184,997,718)
Adjustments for:			
Depreciation		**196,263,603**	153,755,782
Gain on disposal of property, plant and equipment		**-**	(551,869)
Loss on re-measurement of short term investments		**4,098,111**	5,570,373
Loss on sale of property, plant and equiment		**3,067,994**	-
Dividends, capital gains and income from investments		**448,622**	1,574,792
Staff retirement benefits - gratuity		**8,952,132**	7,274,005
Loss on fair value adjustment of interest rate swap		**-**	8,841,248
Finance cost		**353,588,885**	256,778,023
		566,419,347	433,242,354
Profit before working capital changes		**410,427,991**	248,244,636
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(5,318,409)**	(3,109,187)
Stock in trade		**64,443,438**	(84,956,905)
Trade debts		**29,644,752**	64,856,954
Loans and advances		**20,398,780**	(15,547,916)
Trade deposits, prepayments and other receivables		**(17,660,386)**	21,449,835
		91,508,175	(17,307,219)
Increase in current liabilities			
Trade and other payables		**(5,403,290)**	5,262,032
Cash generated from operations		**496,532,876**	236,199,449
Finance cost paid		**(248,956,601)**	(205,840,642)
Taxes paid		**(12,603,800)**	(16,969,826)
Staff retirement benefits - gratuity paid		**(5,195,900)**	(3,495,850)
		(266,756,301)	(226,306,317)
Net cash flow from operating activities	**(A)**	**229,776,575**	9,893,132
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**5,816,646**	2,120,000
Purchase of property, plant and equipment		**(60,012,683)**	(188,214,716)
Long term deposits		**1,334,000**	(1,334,000)
Dividends, capital gains and income from investments		**483,385**	(2,239,346)
Purchase of short term investments		**-**	(45,791,027)
Sale proceeds from short term investments		**4,073,758**	43,435,252
Net cash used in investing activities	**(B)**	**(48,304,894)**	(192,023,838)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term borrowings - secured		**(122,090,147)**	231,268,827
Liabilities against assets subject to finance lease		**(745,376)**	431,611
Long term financing		**(32,176,643)**	(106,932,417)
Net cash used in financing activities	**(C)**	**(155,012,166)**	124,768,021
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(A+B+C)**	**26,459,516**	(57,362,685)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,464,460**	59,827,144
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**28,923,976**	2,464,460

- The annexed notes from 1 to 40 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2009

Description	Share Capital	Accumulated Profit/ (Loss)	Total
	Rupees		
Balance as at July 01, 2007	594,287,290	58,990,561	653,277,851
Loss for the year	-	(198,158,951)	(198,158,951)
Balance as at June 30, 2008	594,287,290	(139,168,390)	455,118,900
Loss for the year	-	(150,997,067)	(150,997,067)
Current year incremental depreciation - net of tax	-	26,527,281	26,527,281
Balance as at June 30, 2009	**594,287,290**	**(263,638,177)**	**330,649,113**

- The annexed notes from 1 to 40 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 2009

1 STATUS AND NATURE OF BUSINESS

1.1 Zephyr Textiles Limited (the "Company") was incorporated in Pakistan on February 26, 1999 as a private limited Company under the Companies Ordinance, 1984. Subsequently on October 04, 2004 it was converted into a public limited Company. The Company is principally engaged in the manufacturing, dying and trading of woven cloth which also includes towels. The registered office of the Company is situated at 3rd Floor IEP Building, 97 B/D-1, Gulberg III, Lahore. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges in Pakistan.

1.2 During the year the Company has incurred loss amounting to Rs. 150.997 million as compared to loss of Rs. 198.158 million for the previous year thereby resulting in accumulated loss of Rs. 263.638 million. As at the year end, the Company's current liabilities exceeded its current assets by Rs. 641.538 million (2008: 638.962 million). Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and availability of adequate working capital through continued support from:

a) the principal lenders of the Company,
b) the sponsors of the Company.

These financial statements have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of adequate working capital from its lenders and sponsors.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified by:
- revaluation of certain items of property, plant and equipment
- recognition of certain employee benefits at present value

3.2 Initial application of a standard or an interpretation

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The application of IFRIC 14 did not affect the Company's financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- Revised IAS 1— Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).
- Revised IAS 23— Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 Financial Instruments: (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- Amendment to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2010).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual and second annual improvements projects. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pak Rupees have been rounded to nearest Rupees.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are recognized in the period in which the estimate is revised and in any future periods affected. Following are the significant estimates and judgments made by the management:

Property, plant and equipment
The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in the estimates in the future years might affect the carrying amount of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Staff retirement benefits
Certain actuarial assumptions have been adopted as disclosed in note 5.1 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Income taxes
The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Stock in trade and store and spares
The Company's management reviews the net realizable value (NRV) and impairment of stock in trade and stores and spares to access any diminution in the respecting carrying values and whenever required provisions for NRV impairment is made. The difference is provision, if any is recognized in the future period.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined Benefit Plan
The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provisions are made to cover the obligation under the scheme on the basis of actuarial valuations and are charged to income.

The latest actuarial valuation has been carried out as at June 30, 2009, under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

-	Discount rate	12%
-	Expected rate of salary increase in future	11%
-	Average expected remaining working life time of employees	4 years

Actuarial gains and losses related to employees defined benefit plans, exceeding ten percent of the present value of defined benefit obligations as at start of the financial year are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan, otherwise the actuarial gains and losses are not recognized.

The amount recognized in the balance sheet represents the present value of defined benefits obligation adjusted for un-recognized actuarial gains / losses and un-recognized past service cost.

5.2 Property, plant and equipment

- Owned assets
Property, plant and equipment except, buildings on free - hold land and plant and machinery are stated at cost less accumulated depreciation and impairment, if any. Free - hold land, buildings on free - hold land and plant and machinery are stated at revalued amounts. Capital work in progress is stated at cost less impairment, if any.

Cost of property, plant and equipment consists of historical cost, borrowing costs pertaining to the erection / construction period and other directly attributable costs of bringing the assets to their working condition or for commencement of commercial production.

Depreciation on all the items of property, plant and equipment except for free - hold land is charged to income applying the reducing balance method at the rates specified in note 16.
Depreciation on additions to property, plant and equipment is charged from the month in which asset become available for use, while on disposals depreciation is charged up to the month of disposal.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated (loss) / profit.

Gain / loss on disposal of property, plant and equipment are credited or charged to income in the year of disposal. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

- Leased assets

Assets held under finance leases are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of related obligations under the lease less finance cost allocated to future payments are shown as liability. The finance cost is calculated at the interest rate implicit in the lease and are charged to income currently.

Depreciation on additions to leased assets is now charged from the month in which the leased assets is acquired, capitalized or commencement of commercial production while no depreciation is charged for the month in which leased assets is disposed off.

Assets acquired under finance lease are depreciated over the useful life of the assets applying reducing balance method. Depreciation of leased assets is charged to income currently.

5.3 Stores, spares and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost comprising invoice value plus other charges paid thereon.

5.4 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value except waste which is valued at net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Cost of major components of stock in trade is determined as follows:-

Raw material

- At weighted average cost

Work in process and finished goods

- At prime cost plus appropriate production overheads determined on weighted average basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

5.5 Financial instruments

Financial assets and liabilities are recognized when the Company becomes the party to the contractual provisions of the instruments. Any gain or loss on de -recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

5.6 Loans and advances

These are stated at cost which represents the fair value of the consideration less impairment, if any.

5.7 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Known bad debts are written off as incurred.

5.8 Trade and other payables

Creditors relating to trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.10 Borrowing costs

Finance costs are accounted for on accrual basis to the extent of the amount remaining unpaid.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when incurred, whereas all other borrowing costs are expensed out in the period of occurrence.

5.11 Foreign currency translation

Transactions in foreign currency are recorded in Pak Rupee at the rate of exchange prevailing on the transaction date. All the assets and liabilities in foreign currencies are translated at exchange rates ruling on the balance sheet date. Exchange differences are dealt with through profit and loss account.

5.12 Revenue recognition

Export sales are accounted for on shipment basis. Exchange differences, if any, are adjusted in the period of realization except for adjustments made in accordance with note 5.11 (foreign currency translation) to the financial statements. Local sales are recorded on dispatch of goods to customers.

Export rebates are accounted for on accrual basis. Investment and interest income is recognized on time proportion basis.

Dividend income on ordinary share is recognized when the right to receive dividend has been established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

5.13 Taxation

Provision for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

Deferred taxation is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable (loss) / profit. Deferred tax liabilities are recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

5.14 Impairment

An assessment is made at the balance sheet date to determine whether there is an evidence that a particular asset or class of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between recoverable amount and the carrying amount.

5.15 Provisions

A provision is recognized in the financial statements when Company has legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

5.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amount of cash and which are subject to an insignificants risk of change in value and finances under mark-up arrangements. In the balance sheet, finance under mark-up arrangements are included in current liabilities.

5.17 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swap and cross currency swaps to cover risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Derivatives are recognized as asset when fair value is positive and as liability when fair value is negative. Any gain or loss arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

5.18 Investments

Initial measurement
Investments in securities are recognized on a trade - date basis and are initially measured at cost which is the fair value of the consideration given.

Subsequent measurement
Investments at fair value through profit or loss
These are securities, which are either acquired for generating a profit from short term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

5.19 Related party transactions
Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

5.20 Off-setting
Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2009 (Rupees)	2008 (Rupees)
51,900,883 ordinary shares of Rs. 10/- each Issued for cash	**519,008,830**	519,008,830
7,527,846 ordinary shares of Rs. 10/- each Issued as bonus shares	**75,278,460**	75,278,460
	594,287,290	594,287,290

6.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	**2009 (Rupees)**	2008 (Rupees)
Surplus arising on revaluation	**7.1**	**449,094,349**	489,905,549
Less: Deferred tax arising on surplus on revaluation		**132,202,989**	146,486,908
		316,891,360	343,418,641

	2009 (Rupees)	2008 (Rupees)
7.1 Opening surplus on revaluation	**489,905,549**	-
Surplus arising during the year	**-**	489,905,549
Incremental depreciation		
Plant and machinery	**3,107,749**	-
Building	**35,477,777**	-
	38,585,526	-
On disposal of plant and machinery	**2,225,675**	-
	40,811,201	-
Closing surplus on revaluation	**449,094,349**	489,905,549
7.2 Relating deferred tax liability on July 1	**146,486,909**	-
Deferred tax liability arising on revaluation	**-**	146,486,909
	146,486,909	146,486,909
Tax effect on incremental depreciation	**(14,283,920)**	-
Related deferred tax liability as on 30 June	**132,202,989**	146,486,909

This represents surplus over book value resulting from the revaluation of free - hold land, buildings on free - hold land and plant and machinery. The valuation was carried out by independent valuer as on June 30, 2008, considering the market value,

8. LONG TERM FINANCING-SECURED

	Note	Repayment Commence -ment	Mark up	Sanctioned Limit Rupees(M)	Number of installments	**2009 Rupees**	2008 Rupees
Demand Finance I - NBP	8.1, 8.2 and 8.3	Jul-06	SBP REF+2%	100	24 Quarterly	**45,762,514**	70,761,850
Demand Finance II- NBP	8.1, 8.2 and 8.3	Apr-07	SBP Ref+2% & Kibor+2%	200	10 semiannually	**72,177,529**	159,353,606
Demand Finance III- NBP	8.2 and 8.3	Jun-12	6 month Kibor+3%	25	6 quaterly	**20,833,335**	-
Demand Finance IV- NBP	8.2 and 8.3	Apr-12	6 month Kibor+3%	43.689	3 semiannually	**29,126,660**	-
Demand Finance V- NBP	8.2 and 8.3	Apr-10	6 month Kibor+3%	38.057	7 semiannually	**38,056,691**	-
Fixed Assets Finance- I (HBL)	8.1, 8.2 and 8.3	Aug-06	SBP REF+2%	80	8 semiannually	**40,000,000**	50,000,000
Fixed Assets Finance- II (HBL)	8.1, 8.2 and 8.3	May-07	SBP REF+2%	150	10 semiannually	**90,000,000**	105,000,000
Term loan - HBL	8.1, 8.2 and 8.3	Oct-10	1 month Kibor+ 300 BPS	25	12 quaterly	**25,000,000**	-
Term Finance - BOP	8.2 and 8.4	May-06	SBP REF+2%	100	12 semiannually	**60,199,500**	60,199,500
Term Finance - BOP	8.2 and 8.4	Dec-07	SBP REF+2%	70	8 semiannually	**57,638,298**	57,638,298
Term Finance - BOP	8.2 and 8.4	Dec-08	Kibor + 2.5%	100	8 semiannually	**100,000,000**	100,000,000
Morabaha Finance-FBL	8.1 and 8.2	June-06	SBP REF+1%Kibor + 2.5%	50	12 Quarterly	**19,388,586**	22,428,940
Term Morabaha-FBL	8.1 and 8.2	Sep-09	Kibor + 3% SBP REF+1%	27.93	12 Quarterly	**24,920,404**	27,933,584
Term Morabaha-FBL	8.2	Feb-08	Kibor + 3%	19.2	16 Quarterly	**16,800,000**	8,764,382
Demand Finance - UBL	8.1, 8.2 and 8.3	Jan-10	SBP Ref+2% & Kibor+1.5%	100	5 semiannually	**71,917,204**	1,917,204
Demand Finance - ABL	8.2 and 8.3	Sep-10	Kibor +1%	100	6 semiannually	**81,250,000**	81,250,000
						793,070,721	825,247,364
Current portion				(Note 10)		**(75,319,821)**	(143,296,618)
Overdue portion						**(23,596,054)**	
						694,154,846	681,950,746

8.1 Long term finances have been converted into State Bank of Pakistan's Long Term Finance (Export Oriented Project) Scheme during the financial year 2007.

8.2 It represents long term finances from commercial banks / financial institutions (stated above) to finance the manufacturing facilities of the Company comprised of weaving machines, towel, power generation unit and allied machineries. Markup is payable along with installment as per schedule stated above. The loans are secured against equitable mortgage charge on land, first pari passu charge on fixed assets of the Company and personal guarantees of the directors of the Company.

8.3 Loans from United Bank Limited and Allied Bank Limited have been rescheduled in September 2008. While the loan from National Bank of Pakistan was rescheduled in November 2008. The rescheduling effect of these loans was incorporated in the financial statements for the year ended June 30, 2008. During the year loan from Habib Bank Limited was also restructured in January 2009 and the effect thereof incorporated in the financial statements for the year ended June 30, 2009.

8.4 During the year management has applied for the restructuring of long term financing from The Bank of Punjab which has been principally agreed by the bank subsequent to the year end. As a result current maturity of these loans amounting to Rs. 34.400 million, 41.172 million and 50 million has not been shown under the head of "current maturity of long term liabilities".

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease Payments	**Finance charges not yet due**	**Present value of minimum lease payments**	Minimum lease Payments	Finance charges not yet due	Present value of minimum lease payments
Total liabilities	-	-	-	2,047,701	226,259	1,821,442
Not later than one year	-	-	-	854,830	151,122	703,708
Later than one year but not later than five years	-	-	-	1,192,871	75,137	1,117,734

10 CURRENT PORTION OF LONG TERM LIABILITIES

		2009 Rupees	2008 Rupees
Long term financing	(Note 8)	**98,915,875**	143,296,618
Liabilities against assets subject to finance lease	(Note 9)	**-**	703,708
		98,915,875	144,000,326

11 DEFERRED LIABILITIES

Deferred tax relating to surplus on revaluation of property, plant and equipment	(Note 7)	**132,202,989**	146,486,909
Employee retirement benefits- gratuity	(Note 11.2)	**16,914,866**	13,158,634
		149,117,855	159,645,543

The scheme provides for gratuity benefits for all of its permanent employees who attain the minimum qualifying period. Provision has been made on the basis of latest Actuarial valuation made as on June 30, 2009 using Projected Unit Credit Method.

11.1 Current cost of staff retirement:

Cost of sales	(Note 26)	**7,088,780**	5,422,982
Administration expenses	(Note 28)	**1,863,352**	1,851,023
		8,952,132	7,274,005

11.2 Movement in liability

Balance at beginning of year	**13,158,634**	9,380,479
Charge for the year	**8,952,132**	7,274,005
Benefits paid during the year	**(5,195,900)**	(3,495,850)
Balance at end of year	**16,914,866**	13,158,634

11.3 Charge for the year

	2009 Rupees	2008 Rupees
Current service cost	**7,276,717**	5,675,889
Interest cost	**1,434,356**	1,110,815
Transitional liability arising out of actuarial valuation being amortized	**487,301**	487,301
Actuarial gain	**(246,242)**	–
	8,952,132	7,274,005

11.4 The movement in the present value of defined benefit obligation

	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	**11,952,969**	11,108,152
Current service cost	**7,276,717**	5,675,889
Interest cost	**1,434,356**	1,110,815
Actuarial (gain)	**(713,386)**	(2,446,037)
Benefits paid	**(5,195,900)**	(3,495,850)
	14,754,756	11,952,969

11.6 Reconciliation

	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	**14,754,756**	11,952,969
Unrecognized actuarial gains	**2,647,410**	2,180,266
Unrecognized transitional liability	**(487,300)**	(974,601)
	16,914,866	13,158,634

11.5 Historical Information

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	14,754,756	11,952,969	11,108,152	5,011,995	2,667,060

12 TRADE AND OTHER PAYABLES

		2009 Rupees	2008 Rupees
Creditors		**189,771,875**	182,917,146
Payable to associated undertaking	(Note 12.1)	**7,895,727**	7,895,727
Accrued liabilities		**34,462,945**	17,583,863
Payable to Deutsche bank against swap arrangements		**-**	20,787,819
Fair value of derivative		**-**	8,841,248
Income tax withheld		**2,020,632**	2,807,632
Retention money payable		**405,146**	405,146
Workers' funds	(Note 12.2)	**11,173,587**	9,894,621
		245,729,912	251,133,202

12.1 The maximum aggregate amount payable to associated undertaking at the end of any month during the year was Rs.7,895,727. (2008: Rs. 7,895,727).

		2009 Rupees	2008 Rupees
12.2 Workers' funds			
Workers' profit participation fund			
Opening balance		**9,584,342**	8,444,354
Interest accrued	(Note 31)	**1,278,966**	1,139,988
		10,863,308	9,584,342
Workers' welfare fund		**310,279**	310,279
		11,173,587	9,894,621

13 MARK UP ACCRUED ON LOANS- SECURED

	2009 Rupees	2008 Rupees
Long term financing	**67,320,206**	21,291,231
Short term borrowings	**104,529,792**	45,926,483
	171,849,998	67,217,714

14 SHORT TERM BORROWINGS- SECURED

	Note	Sanctioned limit Rupees (M)	Mark up (Matching KIBOR/ LIBOR +)	Mark-up/ repayment terms	2009 Rupees	2008 Rupees
Pre - shipment	14.1, 14.2	1,290	1.25% to3.5%	Quarterly	**983,918,008**	747,538,000
Pre - shipment - Foreign currency financing	14.1, 14.2	855	1% to 1.75%	Quarterly	**-**	326,007,963
Morabaha finance	14.2	50	2.5%	Quarterly	**52,227,097**	54,212,611
Running finance	14.2	320	1% to 3.5%	Quarterly	**284,732,216**	315,208,894
					1,320,877,321	1,442,967,468

14.1 The Company has aggregate sanctioned limit of export refinance facilities of Rs.1,290 million out of which Rs.855 million is a sub limit of foreign currency financing facility. The aggregate outstanding balance at any given time of this account will remain with in sanctioned limit of Rs.1,290 million.

14.2 These facilities are secured against hypothecation of stocks, lien on confirmed export orders, pari passu charge on current assets and personal guarantees of the directors. Morabaha finance is for the purpose of raw material on short term basis.

15 CONTINGENCIES AND COMMITMENTS

15.1 The Company had earlier filed a recovery suit of Rs. 3.288 million against WAPDA which was deposited by the Company under interim order passed by the Honorable Lahore High Court on account of arrears bill claimed by WAPDA on account of ex-premises defaulter namely Pearl Fabrics Limited. The petition was decided in the favor of the Company by the learned bench of Honorable Lahore High Court and WAPDA failed to file the appeal against the order of the Honorable Lahore High Court before Honorable Supreme Court of Pakistan within stipulated time. However, it filed an appeal before Honorable Supreme Court of Pakistan for grant of relaxation for filing of appeal against the order passed by the Honorable Lahore High Court. The request for grant of relaxation filed by the WAPDA was dismissed by the Honorable Supreme Court of Pakistan on July 06, 2009.

15.2 Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5,106,639 along with interest. The suit is pending before the Honorable Judge Mr. Javaid Iqbal Sheikh, Civil Judge Lahore. The company is hopeful of settlement of the case in its favour.

15.3 The Company has filed appeal before the Customs, Excise and Sales Tax Appellate Tribunal, Lahore under section 46(1) of the Sales Tax Act, 1990 for refund of sales tax aggregating Rs. 15,500,885 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order NO. 2 2007 (STGO), dated February 6, 2007 and SRO NO. 992(I)/2005 dated September 21, 2005 read with SRO No. 487(I)/2006 dated May 26, 2006. The management is of the strong view that the interpretation of referred STGO/SROs are repugnant to the parent statute and the SROs suffer from ambiguity, unreasonableness and are virtually extending unfettered and unregulated which is not permissible in law. The department has placed reliance on the provisions of SROs in a retrospective manner whereas without prejudice to the legal grounds and objections relied on by the Company, it is a well established principle of the law upheld by the Honorable Supreme Court of Pakistan, that notifications cannot be given retrospective effect to the disadvantage of the petitioner and benefits and advantages if already accrued in favor of a party shall be available to it.
In view of stated manner, the management is confident that the appeal will be decided in favor of the comppany.

	2009 Rupees	2008 Rupees
15.4 Contingencies		
Bills discounted with recourse	**116,370,197**	122,785,684
Bank guarantees issued in the ordinary course of business	**32,555,900**	32,555,900
15.5 Commitments		
Letters of credit for raw material	**18,430,136**	32,515,088

16. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	C O S T/ASSESSED VALUE				RATE %	D E P R E C I A T I O N				Net book value as at June 30, 2009
	As at July 01, 2008	Additions/ (Deletions)	Adjustme-ents/ transfers	Gross book value as at June 30, 2009		As at July 01, 2008	For the Year	Adjustme-ents/ transfers	As at June 30, 2009	
Free - hold land	144,500,000	-	-	144,500,000	-	-	-	-	-	144,500,000
Buildings on free - hold land	359,541,300	11,781,614	-	371,322,914	5	-	18,061,603	-	18,061,603	353,261,311
Link road	29,702,478	-	-	29,702,478	10	1,988,597	1,385,694	-	3,374,291	26,328,187
Non factory building	57,872,783	252,949	-	58,125,732	10	9,252,895	4,874,636	-	14,127,531	43,998,201
Plant and machinery	1,622,884,516	46,789,595	-	1,660,601,210	10	-	164,142,953	(696,791)	163,446,162	1,497,155,049
		(9,072,900)								
Furniture and fixtures	3,391,333	166,941	-	3,558,274	10	1,186,583	220,475	-	1,407,058	2,151,216
Vehicles	12,944,931	5,527,602	1,597,690	17,840,169	20	6,417,410	1,715,369	(916,978)	7,215,801	10,624,368
		(2,230,054)					-			
Electrical installation	52,353,373	283,154	-	52,636,527	10	10,412,860	4,200,548	-	14,613,408	38,023,118
Office equipment	14,720,378	982,566	-	15,624,443	10	4,444,281	1,052,773	(26,996)	5,570,058	10,154,385
		(78,500)								
	2,297,911,091	65,784,420	1,597,690	2,353,911,747		33,702,626	195,654,051	(1,640,765)	227,715,912	2,126,195,835
		(11,381,454)					-			
Leased				v						
Vehicles	5,162,148	(1,597,690)	-	3,564,458	20	2,114,365	609,552	(426,050)	2,297,867	1,266,591
	5,162,148	(1,597,690)	-	3,564,458	20	2,114,365	609,552	(426,050)	2,297,867	1,266,591
	2,303,073,239	64,186,730	1,597,690	2,357,476,205		35,816,991	196,263,603	(2,066,815)	230,013,779	2,127,462,426
		(11,381,454)					-			

DESCRIPTION	COST/ASSESSED VALUE As at July 01, 2007	Additions/ (Deletions)/ (Adjustments)	Revaluation (Adjustments)	Gross Book Value As at June 30, 2008	RATE %	DEPRECIATION As at July 01, 2007	For the Year/ adjustments on disposals	Adjustments	As at June 30, 2008	Net book Value as at June 30, 2008
Owned										
Free - hold land	35,140,976	37,987,500	71,371,524	144,500,000	-	-	-	-	-	144,500,000
Buildings on free - hold land	310,373,082	25,658,737	23,509,481	359,541,300	5	25,704,406	14,542,368	(40,246,774)	-	359,541,300
Link road	26,615,223	3,087,255	-	29,702,478	10	665,381	1,323,216	-	1,988,597	27,713,881
Non factory building	41,927,555	15,945,228	-	57,872,783	10	5,302,719	3,950,176	-	9,252,895	48,619,888
Plant and machinery	1,469,316,334	127,211,995	26,356,187	1,622,884,516	10	202,367,601	126,053,991	(328,421,592)	-	1,622,884,516
Furniture and fixtures	3,324,949	66,384	-	3,391,333	10	946,519	240,064	-	1,186,583	2,204,750
Vehicles	16,441,856	211,060 (3,707,985)	-	12,944,931	20	6,722,227	1,834,767 (2,139,584)	-	6,417,410	6,527,521
Electrical installation	48,312,680	4,040,693	-	52,353,373	10	6,061,666	4,351,194	-	10,412,860	41,940,513
Office equipment	11,914,444	2,805,933	-	14,720,377	10	3,502,217	942,064	-	4,444,281	10,276,096
	1,963,367,099	217,014,785 (3,707,985)	121,237,192	2,297,911,091		251,272,736	153,237,840 (2,139,584)	(368,668,366)	33,702,626	2,264,208,465
Leased										
Vehicles	3,516,458	1,645,690	-	5,162,148	20	1,596,423	517,942	-	2,114,365	3,047,783
	3,516,458	1,645,690	-	5,162,148		1,596,423	517,942	-	2,114,365	3,047,783
	1,966,883,557	218,660,475 (3,707,985)	121,237,192	2,303,073,239		252,869,159	153,755,782 (2,139,584)	(368,668,366)	35,816,991	2,267,256,248

16.1 Depreciation for the year has been allocated as under :

		2009 Rupees	2008 Rupees
Cost of sales	(Note 26)	**192,665,427**	150,220,946
Distribution and selling expenses	(Note 27)	**1,700,687**	1,987,133
Administration expenses	(Note 28)	**1,897,489**	1,547,703
		196,263,603	153,755,782

16.2 Free-hold land, building on free-hold land and plant and machinery represents values subsequent to revaluation as at June 30, 2008. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2008 would have been as follows:

	Cost as at June 30, 2009	**Accumulated depreciation as at June 30, 2009**	**Book value as at June 30, 2009**
Free - hold land	73,128,476	-	73,128,476
Buildings on free - hold land	336,031,819	55,036,026	280,995,793
Plant and machinery	1,560,171,087	451,596,533	1,108,574,554
	1,969,331,382	**506,632,559**	**1,462,698,823**

16.3 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

PARTICULARS	Quantity	Cost Assessed value	Book Value	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Name and Address
Vehicles							
Shahzore LWC-2535	1	702,707	311,815	430,000	118,185	Insurance Claim	New Jubilee Insurance Co. Ltd, Mall Mansion Branch Lahore.
Honda City LWJ-1873	1	1,127,103	570,014	615,000	44,986	Negotiation	Mr. Tariq, 111-H-3 Wapda Town, Lahore.
Honda City-LEA-5169	1	1,111,627	716,579	700,000	(16,579)	Negotiation	Mr. Nadeem Ahmed Butt, H # 13-A St # 13 Touheed Park Multan Road,
Office equipment							
Laptop IBM R50e	1	78,500	51,504	15,000	(36,504)	Negotiation	Mr. Abdul Waheed, H#1 St#3 Salamat Pura G.T. Road, Lahore.
Plant and Machinery							
Air Jet Picanol Omani Looms	10	6,124,352	5,613,992	4,286,646	(1,327,346)	Negotiation	Athar Textile Traders, 2nd Floor Ashrafi Market, Brandreth Road
Boiler	1	2,237,165	2,050,735	200,000	(1,850,735)	Negotiation	Mr. Mirza Maqsood-ul-Hassan 10-Km G.T. Road More Eminabad Gujranwala.
2009 Rupees	**15**	**11,381,454**	**9,314,639**	**6,246,646**	**(3,067,993)**		
2008 Rupees		3,707,985	1,568,131	2,120,000	551,869		

17 CAPITAL WORK IN PROGRESS

DESCRIPTION	**2009**				2008			
	As at July 01, 2008	**Additions**	**Transfers / adjustments**	**As at June 30, 2009**	As at July 01, 2007	Additions	Transfers / adjustments	As at June 30, 2008
Building	**3,361,186**	**11,108,442**	**(12,292,916)**	**2,176,712**	4,331,997	20,362,095	(21,332,906)	3,361,186
Plant and machinery	**4,586,988**	**15,173,392**	**(19,760,380)**	**-**	32,607,709	45,097,487	(73,118,209)	4,456,988
Preproduction expenses	**-**	**-**	**-**	**-**	1,454,034	220,701	(1,674,735)	-
	7,948,174	**26,281,834**	**(32,053,296)**	**2,176,712**	38,393,740	65,680,283	(96,125,850)	7,948,174

		2009 Rupees	2008 Rupees
18 LONG TERM DEPOSITS			
Lease key money		**-**	963,100
Security deposits		**2,712,322**	4,046,322
		2,712,322	5,009,422
19 STOCK IN TRADE			
Raw material		**256,639,222**	237,136,566
Work in process		**63,222,319**	55,888,473
Finished goods and waste	(Note 19.1)	**288,540,078**	379,820,018
		608,401,619	672,845,057

19.1 This includes goods in transit amounting to Rs. 10,440,433 (2008: 4,961,071)

	2009 Rupees	2008 Rupees
20 TRADE DEBTS - Considered good		
Export - Secured against letters of credit	**80,563,921**	98,879,166
Local - Unsecured	**203,019,169**	214,348,676
	283,583,090	313,227,842

	2009 Rupees	2008 Rupees

21 LOANS AND ADVANCES

	2009 Rupees	2008 Rupees
Considered good		
Loan due from employees	**7,644,690**	6,690,663
Advances to:		
Suppliers against expenses	**78,320,638**	82,528,511
Suppliers against letter of credit	**18,430,136**	32,515,088
Others	**1,946,049**	5,006,031
	106,341,513	126,740,293

22 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2009 Rupees	2008 Rupees
Prepayments	**1,866,407**	2,356,129
Advance income tax	**22,122,963**	18,808,794
Margin deposits	**2,324,670**	2,324,670
Sales tax refundable	**41,974,111**	30,847,876
Export rebate receivable	**1,553,463**	698,471
Receivable from WAPDA	**3,638,650**	3,638,650
Other receivables	**39,050,499**	32,881,618
	112,530,763	91,556,208

23 SHORT TERM INVESTMENTS

	Number of shares		2009 Rupees	2008 Rupees
	2009	2008		
Investments at fair value through profit and loss - listed securities				
Pak Electron Limited	**781**	781	**19,142**	43,736
National Bank of Pakistan	**26,400**	22,000	**1,769,592**	3,245,000
Fauji Fertilizer Bin Qasim Limited	**10,000**	10,000	**869,500**	359,700
New Jubilee Life Insurance Company Limited	**48,500**	55,000	**1,843,000**	3,158,100
Pakistan Cement Company limited	**-**	75,000	**-**	510,000
JS Growth Fund Ltd (UPT Growth Fund Ltd)	**37,132**	37,132	**110,653**	475,290
Attock Refinery Limited	**111**	93	**13,852**	23,239
SAMBA (Crescent Commercial Bank Limited)	**24,500**	49,500	**73,010**	1,037,025
Dewan Farooq Spinning Mills Limited	**24,500**	24,500	**41,160**	169,295
Arif Habib Bank Limited	**1,111**	1,000	**7,766**	19,180
The Bank of Punjab	**-**	10,000	**-**	311,300
Engro Chemical Pakistan Limited	**-**	5,000	**-**	1,404,000
Fauji Fertilizer Company Limited	**-**	5,000	**-**	661,600
Dost Steel Limited	**-**	10,000	**-**	218,400
Karachi Electric Supply Company Limited	**25,000**	25,000	**66,250**	136,750
NIB Bank Limited	**-**	15,000	**-**	170,550
TRG Pakistan Limited	**100,000**	100,000	**135,000**	625,000
Sitara Peroxide Limited	**10,000**	10,000	**184,400**	543,200
Askari Bank Limited	**312**	20,250	**4,767**	813,848
Innovative Investment Bank Limited	**250**	250	**250,000**	250,000
	308,597	475,506	**5,388,092**	14,175,212

		2009 Rupees	2008 Rupees
24	**CASH AND BANK BALANCES**		
	Cash in hand	**440,065**	398,222
	Cash at banks - current accounts	**28,483,911**	2,066,238
		28,923,976	2,464,460
25	**SALES**		
	Export	**928,963,127**	806,956,806
	Exchange gain	**15,966,731**	4,740,594
		944,929,858	811,697,400
	Local	**1,689,787,133**	1,825,289,697
		2,634,716,991	2,636,987,097
	Export rebate	**3,280,700**	2,392,286
		2,637,997,691	2,639,379,383
	Less: Commission and claim	**25,780,698**	18,093,868
	Trade discount	**10,444,504**	178,065
		2,601,772,489	2,621,107,450
26	**COST OF SALES**		
	Raw material consumed	**1,562,718,949**	1,824,950,705
	Stores consumed	**35,085,650**	20,495,988
	Packing, sizing and lubricants consumed	**129,018,223**	96,387,917
	Fuel and power	**125,696,074**	97,508,295
	Salaries, wages and other benefits	**124,896,460**	100,354,246
	Processing charges	**57,305,421**	93,963,559
	Insurance	**3,746,109**	2,059,914
	Repairs and maintenance	**2,478,703**	2,819,143
	Rent, rate and taxes	**2,961,440**	2,249,504
	Traveling and conveyance	**2,284,572**	2,066,203
	Depreciation	**192,665,427**	150,220,946
	Other production overheads	**4,329,014**	5,221,283
		2,243,186,042	2,398,297,703
	Adjustment of work-in-process		
	Opening stock	**55,888,473**	63,639,016
	Closing stock	**(63,222,319)**	(55,888,473)
		(7,333,846)	7,750,543
	Cost of goods manufactured	**2,235,852,196**	2,406,048,246
	Adjustment of finished goods and waste		
	Opening stock	**379,820,018**	348,828,215
	Closing stock	**(288,540,078)**	(379,820,018)
		91,279,940	(30,991,803)
	Cost of sales	**2,327,132,136**	2,375,056,443

			2009 Rupees	2008 Rupees
26.1	**Raw material consumed**			
	Opening stock		**237,136,566**	175,420,921
	Purchases		**1,615,667,661**	1,914,458,873
	Return / discount on purchases		**(42,277,660)**	(33,476,316)
	Net purchases		**1,573,390,001**	1,880,982,557
	Freight		**8,831,604**	5,683,793
			1,819,358,171	2,062,087,271
	Closing stock		**(256,639,222)**	(237,136,566)
	Trial run production		**-**	-
			1,562,718,949	1,824,950,705

27 DISTRIBUTION AND SELLING EXPENSES

		2009 Rupees	2008 Rupees
Salaries, wages and other benefits		**5,047,103**	4,274,791
Traveling and conveyance		**6,400,558**	4,735,626
Sales promotion		**6,508,155**	3,609,442
Communication		**4,192,580**	3,377,056
Vehicles running and maintenance		**1,127,914**	1,326,513
Freight		**42,376,680**	41,402,879
Clearing and forwarding		**2,088,129**	2,603,830
Depreciation	(Note 16.1)	**1,700,687**	1,987,133
Others		**5,151,998**	4,576,218
		74,593,804	67,893,488

28 ADMINISTRATION EXPENSES

		2009 Rupees	2008 Rupees
Directors' remuneration		**4,440,000**	3,670,000
Salaries and other benefits		**8,469,050**	8,102,209
Traveling and conveyance		**5,512,921**	3,143,254
Rent, rates and taxes		**2,667,560**	519,040
Printing and stationery		**406,718**	287,843
Communication		**1,214,239**	993,089
Vehicle running and maintenance		**2,070,412**	1,156,960
Repairs and maintenance		**685,451**	866,621
Auditors' remuneration	(Note 28.1)	**575,000**	300,000
Fee and subscription		**1,095,201**	1,285,281
Legal and professional		**611,000**	521,496
Electricity, gas and water		**773,507**	578,121
Insurance		**718,051**	119,252
Advertisement		**39,672**	60,385
Depreciation	(Note 16.1)	**1,897,489**	1,547,703
Others		**527,265**	840,217
		31,703,536	23,991,471

28.1 Auditors' remuneration

	2009 Rupees	2008 Rupees
Audit fee	**375,000**	200,000
Half yearly review	**50,000**	50,000
Code of corporate governance review	**50,000**	50,000
Tax representation and consultancy fee	**100,000**	-
	575,000	300,000

			2009 Rupees	2008 Rupees
29	**OTHER OPERATING EXPENSES**			
	Loss on sale of property, plant and equipment		**3,067,994**	-
	Loss on sale of marketable securities		**932,007**	3,020,194
	Unrealized loss on investments at fair value through profit or loss		**4,098,111**	5,570,373
			8,098,112	8,590,567
30	**OTHER OPERATING INCOME**			
	Gain on sale of property, plant and equipment	(Note 16.4)	**-**	551,869
	Dividend income		**483,385**	1,445,402
	Exchange gain		**-**	8,445,327
	Gain on termination of swap arrangement		**36,869,243**	-
	Others		**-**	5,076,851
			37,352,628	15,519,449
31	**FINANCE COSTS**			
	Lease finance charges		**646,552**	124,164
	Mark-up on long term financing		**94,924,024**	78,378,292
	Mark-up on short term borrowings		**213,603,369**	144,342,351
	Interest on workers' profit participation fund	(Note 12.4)	**1,278,966**	1,139,988
	Bank charges and others		**43,135,974**	32,793,228
	Loss on fair value adjustment of interest rate swap		**-**	8,841,248
	Loss on swap arrangements		**-**	39,922,191
	Exchange loss		**-**	40,551,186
			353,588,885	346,092,648
32	**TAXATION**			
	Provision for taxation- current		**9,289,631**	13,161,233
	Deferred		**(14,283,920)**	-
			(4,994,289)	13,161,233

32.1 Provision for income tax has been made in the accounts at the rate of 1% of export sales. The Company has not accounted for any deferred taxation as it falls under the ambit of final tax regime under section 154 of the Income Tax Ordinance, 2001.

33	**LOSS PER SHARE - BASIC AND DILUTED**		
	Loss attributable to ordinary shareholders	**(150,997,067)**	(198,158,951)
	Weighted average number of ordinary shares	**59,428,729**	59,428,729
	Earning per share - basic and diluted	**(2.54)**	(3.33)

33.1 There is no dilutive effect on the basic earning per share.

34 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non mark-up bearing			
	Maturity upto one year Rupees	Maturity after one year Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Total 2009 Rupees	Total 2008 Rupees
Financial Assets						
Long term deposits	-	-	-	**2,712,322**	**2,712,322**	4,046,322
Trade debts	-	**-**	**283,583,090**	**-**	**283,583,090**	313,227,842
Loans and advances	-	-	**7,644,690**	**-**	**7,644,690**	6,690,663
Trade deposits and other receivables	-	**-**	**42,928,632**	**-**	**42,928,632**	35,904,759
Investments	-	**-**	**5,388,092**	**-**	**5,388,092**	14,175,212
Cash and bank balances	-	-	**28,923,976**	**-**	**28,923,976**	2,464,460
	-	**-**	**368,468,480**	**2,712,322**	**371,180,802**	376,509,258
Financial Liabilities						
Long term financing	**98,915,875**	**694,154,846**	**-**	**-**	**793,070,721**	825,247,364
Liabilities against assets subject to finance lease	**-**	**-**	**-**	**-**	**-**	1,821,442
Trade and other payables	**11,173,587**	**-**	**234,556,325**	**-**	**245,729,912**	248,325,570
Mark up accrued on loans	-	**-**	**171,849,998**	**-**	**171,849,998**	67,217,714
Short term borrowings	**1,320,877,321**	**-**	**-**	**-**	**1,320,877,321**	1,442,967,468
	1,430,966,783	**694,154,846**	**406,406,323**	**-**	**2,531,527,952**	2,585,579,558
On balance sheet gap	**(1,430,966,783)**	**(694,154,846)**	**(37,937,843)**	**2,712,322**	**(2,160,347,150)**	(2,209,070,300)

	2009 Rupees	2008 Rupees
Off balance sheet items		
Bills discounted with recourse	**116,370,197**	122,785,684
Bank guarantees issued in the ordinary course of business	**32,555,900**	32,555,900
Letters of credit for raw material	**18,430,136**	32,515,088

35 FINANCIAL RISK MANAGEMENT

EFFECTIVE INTREST RATES

Financial liabilities

Long term financing	6% to 18% per annum
Short term borrowings	12% to 19% per annum

35.1 Financial risk factors

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk (Currency risk, Other price risk and Interest rate risk)

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Concentration and management of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 371 million (2008: Rs. 376.509 million), the financial assets that are subject to credit risk amounted to Rs. 365.138 million (2008: Rs.361.935 million).

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration risk.

The Company monitors the credit quality of the financial assets with reference to the historical performance of such assets and available external credit ratings. The carrying value of financial assets which are neither past due nor impaired are as under:

Long term deposits	**2,712,322**	4,046,322
Trade debts	**283,583,090**	313,327,842
Loans and advances	**7,644,690**	6,690,663
Trade deposits and other receivables	**42,928,632**	35,904,759
Bank balances	**28,483,911**	2,066,238
	365,352,645	361,935,824

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	**Rating agency**	**Long term Rating**	**Short term Rating**
Bank Alfalah Limited	PACRA	AA	A1+
Askari Bank Limited	PACRA	AA	A1+
Citi Bank N.A	S & P	A1	A1
Deutsche Bank	S & P	A+	A1-
Dubai Islamic Bank Pakistan Limited	JCRVIS	A	A2
Faysal Bank Limited	JCRVIS	AA	A1+
Meezan Bank Limited	JCRVIS	A	A1
MCB Bank Limited	PACRA	AA+	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	JCRVIS	AAA	A1+
Royal Bank of Scotland Limited	PACRA	AA	A1+
Silk Bank Limited	JCRVIS	A-	A3
SME Bank Limited	JCRVIS	BBB	A3
The Bank of Punjab	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCRVIS	AA+	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCRVIS	AA+	A1+

Liquidity risk management

Liquidity risk reflects Company's inability in raising funds to meet commitments. The management closely monitors Company's liquidity and cash flow position to ensure adequate liquidity and manage the assets keeping in view the liquidity position.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates.
The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars and Euro is as follows:

	2009	2008
Cash at bank-USD		
Foreign debtors-USD		
Foreign debtors-Euro		
The following significant exchange rate has been applied:		
Rupees per USD		
Average rate	78.89	62.76
Reporting date rate	80.92	68.18
Rupees per Euro		
Average rate	107.99	93.32
Reporting date rate	114.82	107.45

As at June 30, 2009 had the exchange of USD and Euro depreciated or appreciated against the currency with all other variables held constant, the change in post tax profit/(loss), mainly as a result of foreign exchange gain/ loss on translation of foreign currency denominated payables, would have been as follows:

Currency	**30-Jun-09**		**30-Jun-08**	
	% Change	**Impact**	**% Change**	**Impact**
USD	10	1,033,718	10	1,391,061
Euro	10	161,882	10	97,943

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate.
At the reporting date the variable interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009	**2008**	**2009**	**2008**
Variable rate instruments	**Effective interest rate %**		**Carrying value in Rupees**	
Long term financing	**6%-18%**	6%-16.38%	**793,070,721**	825,951,072
Short term borrowings	**12%-19%**	11.29%-17.69%	**1,320,877,321**	1,442,967,468

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss 100 bp	
	Increase	**Decrease**
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	21,139,480	(21,139,480)
As at 30 June 2008		
Cash flow sensitivity-Variable rate financial liabilities	22,689,185	(22,689,185)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

Past Due Balances

No provision for doubtful debt has been made during the year for local and foreign customers.

	2009 Rupees	2008 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	**189,626,499**	254,680,942
Past due 30-150 days	**43,924,547**	24,663,909
Past due 150 days	**50,032,044**	33,992,990
	283,583,090	313,337,842

35.2 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares,as the case may be.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves" and net debt.

	2009 Rupees	2008 Rupees
Total borrowings	**2,113,948,042**	2,268,918,540
Less: cash and bank balances	**28,923,976**	2,464,460
Net debt	**2,085,024,066**	2,266,454,080
Total equity	**330,649,113**	455,118,900
Total capital	**2,415,673,179**	2,721,572,980
Gearing ratio %	**86.31**	83.28

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	**800,004**	**2,090,323**	**3,553,548**	800,004	1,567,738	2,354,839
House rent allowance	**360,000**	**940,645**	**1,5999,097**	360,000	705,484	1,059,677
Utilities	**39,996**	**209,032**	**355,355**	39,996	196,778	235,484
Rupees	**1,200,000**	**3,240,000**	**5,508,000**	1,200,000	2,470,000	3,650,000
No. of persons	**1**	**4**	**6**	1	4	6

36.1 Some of the directors and the executives are provided with free use of Company cars as per rules.

36.2 No meeting fee was paid to the directors for attending the meetings of the board.

36.3 Gratuity expense related to directors is classified under note 28.

		2009	2008

37 PLANT CAPACITY AND PRODUCTION

		2009	2008
Greige fabric unit			
No. of looms installed		**226**	224
No. of looms worked		**226**	224
Shifts per day		**3**	3
No. of days actually worked		**365**	364
Rated capacity	(Square Meters in millions)	**74.5**	74
Actual production	(Square Meters in millions)	**73.5**	73
Towel unit			
No. of looms installed		**31**	**31**
No. of looms worked		**31**	**26**
Shifts per day		**3**	**3**
No. of days actually worked		**365**	**364**
Rated capacity	(Tons)	**2700**	**2700**
Actual production	(Tons)	**1766**	**1660**
Towel dyeing and processing unit			
Rated capacity	(Tons)	**2,400**	12,400
Actual production	(Tons)	**1614**	1293

37.1 It is difficult to determine precisely the production capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

38 RELATED PARTIES DISCLOSURE

he related parties comprise associated undertaking, companies where directors also held directorship, directors and key management personnel. Transactions with associated undertakings and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 36, are as follows:

	2009 Rupees	2008 Rupees
Associated undertaking		
Agentex	**-**	37,987,500

39 NUMBER OF EMPLOYEES

	2009	2008
Number of employees at the year end	**960**	1155

40 AUTHORIZATION OF FINANCIAL STATEMENTS

- These accounts were approved by the board of directors on 9th October 2009.

DIRECTOR

CHIEF EXECUTIVE

Form 34

Pattern of Share Holding as on June 30, 2009

Number of shareholders	Shareholding From	Shareholding To	Total Shares held
3	1	100	52
158	101	500	78748
91	501	1000	90367
187	1001	5000	570798
59	5001	10000	515000
21	10001	15000	265500
14	15001	20000	264000
11	20001	25000	266000
7	25001	30000	202000
1	30001	35000	35000
1	35001	40000	35500
3	45001	50000	150000
1	50001	55000	54500
2	55001	60000	118000
1	65001	70000	68000
1	75001	80000	80000
1	85001	90000	90000
3	95001	100000	300000
1	100001	105000	102000
1	110001	115000	115000
1	125001	130000	127000
2	135001	140000	277000
1	150001	155000	152000
1	165001	170000	169500
2	195001	200000	400000
1	210001	215000	212500
1	245001	250000	250000
1	720001	725000	723552
1	1620001	1625000	1622083
1	2165001	2170000	2166800
1	2465001	2470000	2465300
1	2855001	2860000	2857300
1	3520001	3525000	3523500
1	3820001	3825000	3822698
1	5325001	5330000	5326302
1	15105001	15110000	15109364
1	16820001	16825000	16823365
586			**59,428,729**

Categories of Shareholders as on June 30, 2009

	Shareholder's category	No. of shareholders	Share held	Percentage
1	**Directors, Chief Executive Officer and their spouses and minor children**			
	Mr. Mussaid Hanif	1	16,823,365	28.3085
	Mr. Burhan Muhammad Khan	1	15,109,364	25.4243
	Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
	Mr. Gauhar Abdul Hai	1	20,000	0.0337
	Mr. Syed Manzar ul Islam	1	3,000	0.0050
	Ms. Tehniyat Mussaid	1	2,465,300	4.1483
	Ms. Sabah Burhan	1	2,166,800	3.6460
	Total	**7**	**39,445,129**	**66.3738**
2	**Banks, Development Financial Institutions, Non-Banking Financial Institutions**	6	4,563,551	7.6790
3	**General public -** Local	557	6,201,132	10.4346
4	**General public -** Foreign	3	12,000	0.0202
5	**Others**	13	9,206,917	15.4924
	Total	**579**	**19,983,600**	**33.6262**
	GRAND TOTAL	**586**	**59,428,729**	**100.000**

ZEPHYR TEXTILES LIMITED

3rd Floor IEP Building, 97-B/D-1, Gulberg III, Lahore

PROXY FORM

I/We, ______________________________

Of ______________________________

being a member of **ZEPHYR TEXTILES LTD.** hereby appoint

____

(NAME)

of ______________________________ another member of the Company

or failing him / her ______________________________

(NAME)

of ______________________________ another member of the Company

(being member of the Company) as my/our proxy to attend and vote for and on my/our behalf at the 11th Annual General Meeting of the Company to be held at its Registered Office, 3rd Floor IEP Building 97-B/D-I Gulberg III, Lahore on October 31,2009 at 11:00 AM and at every adjournment thereof.

As witnessed given under my/our hand(s) this ____________ day of ________ 2009.

Affix Revenue stamps of Rs. 5/-

1. Witness:

   Signature: ______________

   Name: ______________

   Address: ______________

____
Signature of Member

2. Witness:

   Signature: ______________

   Name: ______________

   Address: ______________

Shares held ______________

Shareholders' Folio No. ______________

CDC A/c # ______________

NIC No. | | | | | | | | | | | | | |

NOTES:

1. Proxies, in order to effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their national identity Cards/ Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.