



ANNUAL REPORT 2014

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Company Information

BOARD OF DIRECTORS:	Mr. Mussaid Harif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Mr. Manzar Us Salam Ms. Tehmeena Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid	CEO
AUDIT COMMITTEE:	Ms. Tehmeena Mussaid Mr. Arbab Muhammad Khan Ms. Sabah Burhan	Chairperson / Member Member Member
CHIEF FINANCIAL OFFICER:	Mr. Naveed Aleem	
COMPANY SECRETARY:	Mr. Abdul Jabbar	
AUDITORS:	Ashar Zafar & Company	Chartered Accountants
LEGAL ADVISOR :	Cornelius Lane & Mufli Advocates and Solicitors Nawa-e Waqt House, 4 Shahrah-e-Fatima Jinnah, Lahore - 54000, Pakistan	
BANKERS TO THE COMPANY:	Habib Bank Limited Allied Bank Limited Askari Bank Limited United Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited	National Bank of Pakistan NIB Bank Limited The Bank of Punjab Faysal Bank Limited Meezan Bank Limited Silk Bank Limited
MILLS:	1 km, Balloki Bhai Pheru Road, Bhai Pheru. Phone: 0494 - 512007 & 513103 & 5 Fax: 0494 - 512011 63 km, Gulshan Adda, Jamber Khurd, District, Kasur.	(Weaving unit & Power plant) (Towel Unit)
REGISTERED & HEAD OFFICE:	3rd Floor, IEP Building, 97 BD 1, Gulberg III, Lahore. E-mail: info@zephyr.com.pk Website: www.zephyr.com.pk Phone: 042-35782905-15 Fax: 042-35753202	

Notice of Annual General Meeting

Notice is hereby given that the 16th 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 Saturday, October 25, 2014, at 11:30 AM to transact the following business:

1. To confirm the minutes of the last Annual General Meeting dated October 31, 2013.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2014 together with the Directors' and Auditor's report thereon.
3. To appoint auditors for the year ending June 30, 2015 and to fix their remuneration. The present Auditors M/S Azhar Zafar & Company, 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 03, 2014

Abdul Jabbar
Company Secretary

NOTES:

1. Share transfer books of the company will remain closed from October 18, 2014 to October 25, 2014 (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 Computerized National Identity Card (CNIC) 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

Directors of Zephyr Textiles Limited ("The Company") are Pleased to present the annual report of the Company for the year ended June 30, 2014 along with the financial statements and auditors' report thereon.

Financial Performance

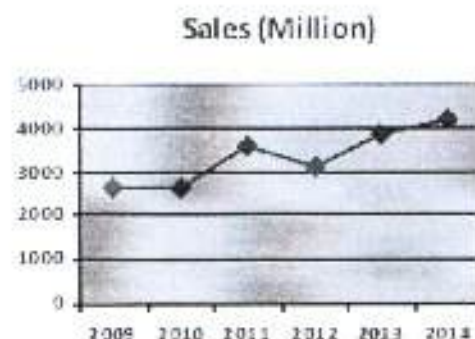
Financial and operating performance of the Company showed strong resilience despite precarious business environment in the country during the period under review. Sales revenue and gross profit of the Company recorded a significant increase of 9.33% and 12.84% respectively. Although performance indicators have improved as compared with previous year, reduced after tax profit is due to onetime other income realized in last year. Company acquired 24 pre-owned weaving machines, which helped in mitigating the effects of production loss due to severe energy crises.



Financial highlights

	2014 Rupees	2013 Rupees	Increase/ (Decrease)
Net Sale	4,199,161,232	3,840,907,094	9.33%
Gross Profit	405,352,767	359,233,736	12.84%
EBITDA	256,308,681	269,859,534	(5.02%)
Depreciation	167,459,038	147,075,088	13.86%
Finance Cost	193,112,234	236,683,809	(18.41%)
Pre-tax Profit	88,849,643	122,784,446	(27.64%)
After tax Profit	63,453,852	114,260,897	(44.47%)

The increase in sales revenue and gross profit is mainly attributable to company's focus on the marketing of value added products. Our long-term relations with our customers that are based on supplying high quality products paid off. Pakistan was granted GSP Plus status, which helped in boosting the sales. Full advantage could not be realized due to shortage of energy and a sharp strengthening of Rupee value during second quarter of the year, which dealt a serious blow to the export potential.



The Company continued its efforts to keep the plant and equipment in good health. Investment of PKR 75.8 Million in the BMR of fixed assets was managed from internal generation.

Finance cost decreased by 18.41% (June 2013: PKR 236.684 million, June 2014: PKR 193.112 million) in the current year compared to the corresponding year. This decrease is due to charging PKR 117.178 million mark up last year on loans availed from The Bank Of Punjab (BOP) for pending three years which was not recorded earlier in lieu of recovery suit filed by the BOP. The Company managed to reduce its long term debt by Rs.194.655 million through operations and better working capital management. The earnings per share of the company is PKR 1.07 in 2014 as compared to PKR 1.93 in 2013.

The fabric manufacturing facilities were running at 94 % efficiency as compared to 93% of last years and are capable of producing wide range of apparel and home furnishing fabrics. The sales quantity has increased to 14.73 million meters in 2014 as compared to 13.97 million meters in 2013.

General market review and future prospects

Pakistan's textile industry despite being the backbone of the economy is completely neglected by the government. In particular industry located in Punjab is being treated very unfairly due to serious shortage of power and gas. The increase of 80% in power tariffs and imposition of Gas Infrastructure Development Cess (GIDC) was a shock for the industry. In face of intense regional competition and slow market conditions, it is hard to pass on these cost increases to our customers. State Bank has reduced Export Refinance rate from 9.40 % to 7.50 %, which will have positive impact on value added export industry.

China's huge stockpiles of cotton have made the trade nervous and prices have seen a downward spiral. Textile products are going through a slow cycle and hopefully the demand will rebound by second quarter of current year.

Working Capital Management

The Company's liquidity and short term financial position slightly improved further in the current year. Our current and quick ratio stayed at 0.77 and 0.226 respectively, up from 0.73 and 0.203 respectively from the previous year. It is clear evidence of prudent working capital financial management despite the financing requirements of bigger sales volume this year.

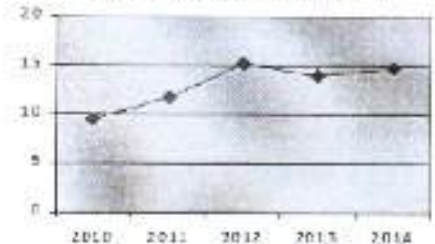
Capital Structure

Leverage of the Company also recorded slight improvement as well from 1.86 last year to 1.63 as at June 30, 2014 which depicts the management's commitment to improve Company's capital structure.

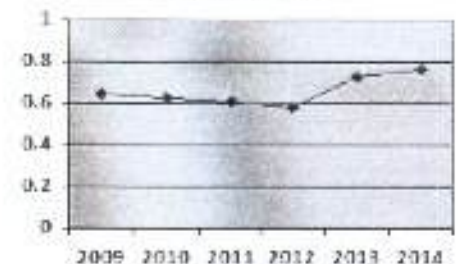
Earning Per Share (Rs.)



Fabric Sale (Million Mtr's)



Current Ratio



Leverage



Contribution to National Exchequer and Economy

During the year Company contributed an amount of PKR 36.16 million towards national exchequer by way of income tax. The Company is also acting as withholding agent for FBR. The Company contributed through earnings of foreign exchange amounting to US \$ 13.49 million. As explained in value addition statement, total value addition made to the economy was Rs. 4,211.41 million during the year.

Energy Availability and Cost

The rising cost and un-availability of the energy, i.e electricity and gas shortage is a major threat to manufacturing industry. This risk if unmitigated can render us unfit to compete in the international markets.

Information Technology

The information technology, with all its hardware and software capabilities, has become the integral part of the company. The IT infrastructure is being strengthened to cater much needed impetus to all our business segments. Our MIS department revamped the General Ledger module to meet the growing need of the company for better control of costs and information flow.

Corporate Matters

The Board of Directors was comprised of seven members including CEO. One director of the Company Mr. Gauhar Abdul Hai resigned from its office on April 22, 2014. This casual vacancy was duly filled in stipulated time period by appointing Ms. Sarah Mussaid as director of the Company till the next elections due on August 16, 2015.

Compliance of Corporate and Financial Reporting Framework

We are committed to good corporate governance and do comply with the requirements of Code of Corporate Governance included in the listing regulations of Karachi and Lahore Stock Exchanges. The statement of compliance with the COG is also enclosed.

Board Committees

Audit Committee

The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors. Composition of the committee is as follows:

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

Human Resource & Remuneration (HR&R) Committee

The Human Resource & Remuneration Committee is performing its duties in line with its terms of reference as determined by the Board of Directors. Composition of the Committee is as follows:

Mr. Burhan Muhammad Khan	Chairman/Member
Mr. Manzar Us Salam	Member
Ms. Sarah Mussaid	Member

Meetings of the Board of Directors

During the year under review, four meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Sr. No.	Name of Director	No. of Meetings Attended
1.	Mr. Mussaid Hanif	4
2.	Mr. Burhan Muhammad Khan	4
3.	Mr. Arbab Muhammad Khan	4
4.	Mr. Gauhar Abdul Hai	3
5.	Mr. Manzar Us Salam	4
6.	Ms. Tehniyat Mussaid	4
7.	Ms. Sabah Burhan	4
8.	Ms. Sarah Mussaid	1

Directors' Statement

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting framework:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Auditors

The present auditors of the Company M/s Azhar Zafar & Company, Chartered Accountants have completed the annual audit for the year ended June 30, 2014, and have issued an unqualified audit report. The existing auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2015.

The Board has recommended the appointment of M/s Azhar Zafar & Company, Chartered Accountants as auditors for the next year according to the recommendation of Audit Committee, subject to approval of the shareholders in the AGM.

For and on behalf of the Board of Directors



Mussaid Hanif
Chief Executive

Lahore
September 20, 2014

Key Operating and Financial Data of Last Six Years

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009
PROFIT AND LOSS						
Sales	4,199,161	3,849,907	3,135,629	3,573,505	2,663,771	2,601,772
Cost of Sales	3,794,808	3,481,673	2,819,320	2,149,998	2,415,837	2,327,132
Gross Profit	405,353	368,234	316,309	423,507	247,934	274,640
Operating Profit plus other income	281,962	359,468	231,462	331,858	220,676	197,598
Financial & Other charges	193,112	238,684	196,080	217,027	280,064	333,589
Taxation	25,396	8,524	20,462	26,183	3,775	(4,994)
Net Profit after tax	63,454	114,261	14,929	88,648	(63,154)	(150,897)
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	65,509	131,341	165,554	102,134	302,633	263,638
Surplus on revaluation of fixed assets	419,572	451,216	239,867	260,174	292,733	316,891
Net worth	1,079,368	1,014,163	668,600	662,325	584,387	647,540
Long Term Liabilities	198,760	322,844	74,156	282,255	459,893	694,155
Deferred liabilities	236,179	246,895	125,860	131,124	139,156	149,118
Current Liabilities	1,867,645	1,836,415	2,137,103	2,139,020	2,136,482	1,837,371
Total Liabilities	2,292,584	2,405,955	2,337,119	2,532,399	2,735,541	2,680,646
Total Equity & Liabilities	3,371,962	3,420,119	3,005,720	3,194,728	3,319,928	3,328,186
Fixed Assets	1,927,075	2,018,546	1,747,743	1,897,172	1,972,905	2,129,639
Capital Work in Progress	-	58,840	-	-	-	-
Long Term Deposits	7,873	3,299	3,004	3,004	3,006	2,712
Current Assets	1,437,004	1,344,433	1,254,973	1,294,551	1,344,057	1,195,835
Total Assets	3,371,962	3,420,119	3,005,720	3,194,728	3,319,928	3,328,186
INVESTOR INFORMATION						
Break up value per share (Rs.)	18.16	17.07	11.25	11.14	9.83	10.90
Bonus/Cash dividend (Rs. In '000)	-	-	-	1	-	-
Earning Per Share (Rs.)	1.07	1.92	0.25	1.49	(1.06)	(2.54)
Return on Equity (%)	5.88	11.27	2.23	13.35	(10.81)	(23.32)
Return on Assets (%)	1.88	3.34	0.50	2.77	(1.90)	(4.54)
FINANCIAL RATIOS						
Gross Margin (%)	9.65	9.35	10.08	11.85	9.31	10.36
Net Margin (%)	1.51	2.97	0.48	2.45	(3.37)	(5.80)
Current Ratio	0.77	0.73	0.59	0.61	0.63	0.65
Leverage	1.63	1.85	2.98	3.25	3.80	3.53
Long Term Debt : Equity	33:77	54:46	63:47	54:46	58:42	54:46

Horizontal Analysis (Rupees in Million)

	2014	Variance vs Last Year Increase/ (Decrease)	2013	Variance vs Last Year Increase/ (Decrease)	2012	Variance vs Last Year Increase/ (Decrease)	2011	Variance vs Last Year Increase/ (Decrease)	2010
Operating Results									
Sales - net	4,199.16	9.33	3,840.81	22.49	3,136.63	(12.25)	3,573.60	34.15	2,668.77
Cost of sales	3,793.81	8.97	3,481.67	23.45	2,819.69	(19.49)	3,150.00	30.39	2,415.84
Gross Profit	405.36	2.84	359.23	15.37	316.94	(25.36)	423.61	78.81	247.93
Distribution cost	76.66	(3.97)	79.98	10.51	71.56	(5.11)	83.27	(3.14)	85.92
Administrative expenses	52.18	(16.54)	82.52	19.17	52.47	(56.73)	33.45	5.92	31.60
Other operating expenses	8.80	22.36	5.56	(58.16)	3.52	(59.65)	8.68	(100.19)	2.96
Financial cost	193.11	(18.41)	236.68	20.71	196.08	(9.56)	217.03	(22.51)	280.05
Other operating income	12.35	81.69	147.40	233.08	42.06	214.29	13.87	(78.37)	63.22
Profit/(Loss) before taxation	88.86	27.60	122.78	217.03	35.38	(89.19)	114.83	(293.39)	(59.38)
Provision for taxation	25.40	(97.95)	8.52	(55.32)	20.45	(21.89)	28.18	(93.61)	3.77
Profit/(Loss) for the year	63.46	(141.17)	114.26	(65.36)	14.93	(91.00)	86.65	(240.37)	(63.15)
Balance Sheet									
NON-CURRENT ASSETS									
Property, plant and equipment	1,927.08	(4.29)	2,013.55	15.21	1,747.74	(3.56)	1,817.84	(7.99)	1,971.66
Capital work in progress	-	(183.00)	58.84	-	-	(190.00)	79.33	(679.18)	1.13
Long term deposits	7.87	(38.67)	3.20	9.81	3.00	-	3.00	(2.00)	3.07
TOTAL NON-CURRENT ASSETS	1,934.95	(36.78)	2,075.68	18.66	1,760.76	(9.56)	1,900.18	(3.83)	1,975.87
CURRENT ASSETS									
Stores, spare parts and loose tools	107.73	3.70	105.10	10.53	95.08	(3.29)	71.93	(9.85)	71.93
Stock in trade	732.05	2.24	679.16	(7.10)	721.98	7.51	670.97	8.96	627.30
Trade debts	336.29	2.72	329.32	(2.89)	247.81	(17.35)	299.84	(5.50)	317.27
Loans and advances	26.10	(35.58)	43.62	22.62	35.58	(41.07)	60.37	(84.68)	170.91
Trade deposits and short term prepayments	124.62	24.40	100.16	44.19	69.47	(9.82)	86.64	17.07	74.01
Other receivables	14.84	(5.22)	12.77	(22.71)	16.52	(32.69)	24.33	(85.07)	71.72
Investments	10.64	(73.60)	40.31	(29.63)	67.28	(3.43)	59.32	(101.48)	2.86
Cash and bank balances	80.73	87.88	42.97	(92.81)	11.84	(46.63)	21.74	(72.86)	7.97
TOTAL CURRENT ASSETS	1,437.00	6.89	1,344.43	7.13	1,264.97	(8.03)	1,294.55	(3.68)	1,344.06
TOTAL ASSETS	3,371.95	(3.41)	3,420.12	(3.79)	3,065.72	(6.99)	3,194.73	(3.73)	3,319.93
CURRENT LIABILITIES									
Trade and other payables	502.33	8.23	279.34	(28.55)	217.29	(2.83)	249.27	(35.30)	374.84
Accrued mark-up	243.93	22.16	199.70	(4.57)	209.27	(4.84)	219.92	56.57	140.46
Short term borrowings	954.37	(9.58)	963.81	(7.81)	1,036.48	(8.95)	1,138.42	(11.32)	1,283.69
Current portion of long term financing	357.02	(9.29)	383.67	(41.61)	674.06	26.81	631.41	57.45	337.50
TOTAL CURRENT LIABILITIES	1,857.64	1.6	1,836.42	(14.87)	2,137.10	(6.09)	2,139.02	0.12	2,136.49
WORKING CAPITAL	(420.64)	(14.00)	(491.98)	(44.23)	(882.13)	4.46	(844.47)	6.67	(792.44)
TOTAL CAPITAL EMPLOYED	1,514.31	(4.38)	1,583.70	(22.32)	868.62	(7.72)	1,065.71	(10.79)	1,183.44
NON-CURRENT LIABILITIES									
Long term financing	198.76	(35.40)	323.64	(35.89)	74.16	(71.72)	262.26	(49.07)	459.89
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	236.18	(4.74)	246.90	96.17	125.86	(4.01)	131.12	(5.77)	139.16
TOTAL NON-CURRENT LIABILITIES	434.94	(23.63)	569.64	(64.75)	300.02	(49.15)	393.38	(34.33)	599.05
NET WORTH	1,079.37	6.43	1,014.16	(51.69)	668.60	0.95	662.33	(3.34)	584.39
NET WORTH REPRESENTED BY									
Issued, subscribed and paid up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated loss	66.61	(336.02)	(31.34)	(81.87)	(165.55)	(13.89)	(192.13)	(36.51)	(302.63)
Surplus on revaluation of property, plant and equipment	419.67	(7.01)	451.22	(8.11)	239.87	(7.81)	260.17	(11.12)	292.73
TOTAL LIABILITIES	3,371.95	(3.41)	3,420.12	(3.79)	3,065.72	(6.99)	3,194.73	(3.73)	3,319.93

Vertical Analysis (Rupees in Million)

	2014	%	2013	%	2012	%	2011	%	2010	%
Operating Results										
Sales - net	4,189.16	100.00	3,840.91	100.00	3,136.93	100.00	3,573.50	100.00	2,663.77	100.00
Cost of sales	3,793.81	90.36	3,481.67	90.63	2,819.59	89.92	3,150.00	88.15	2,416.84	90.69
Gross Profit	495.35	9.66	359.23	9.35	316.04	10.09	423.61	11.85	247.93	9.31
Distribution cost	76.65	1.83	79.98	2.06	71.56	2.28	63.27	1.77	65.92	2.49
Administrative expenses	52.16	1.24	62.52	1.63	52.47	1.67	33.49	0.94	31.60	1.19
Other operating expenses	6.80	0.16	5.56	0.14	3.52	0.11	8.58	0.24	2.96	0.11
Financial cost	198.11	4.73	236.68	6.16	196.08	6.25	217.83	6.07	280.06	10.51
Other operating income	12.25	0.29	147.40	3.84	42.56	1.35	13.67	0.38	63.22	2.37
Profit/(Loss) before taxation	88.85	2.12	122.78	3.20	35.38	1.13	114.98	3.21	(59.38)	(2.23)
Provision for taxation	25.49	0.60	8.62	0.22	20.45	0.65	26.18	0.73	8.77	0.33
Profit/(Loss) for the year	63.35	1.51	114.26	2.97	14.93	0.48	88.85	2.48	(68.15)	(2.56)
Balance Sheet										
NON-CURRENT ASSETS										
Property, plant and equipment	1,927.08	67.16	2,013.55	58.87	1,747.74	58.15	1,817.84	64.90	1,871.66	59.39
Capital work in progress	-	-	58.84	1.72	-	-	79.23	2.48	1.16	0.03
Long term deposits	7.87	0.23	3.39	0.10	3.00	0.10	3.00	0.09	3.07	0.09
TOTAL NON-CURRENT ASSETS	1,934.95	67.38	2,075.89	60.69	1,750.75	58.25	1,900.18	67.48	1,976.87	69.52
CURRENT ASSETS										
Stores, spare parts and loose tools	107.73	3.19	106.10	3.07	95.09	3.16	71.93	3.23	71.93	2.17
Stock in trade	732.05	21.71	670.15	19.56	721.59	24.00	670.97	21.00	627.80	18.99
Trade debts	338.29	10.03	329.32	9.63	247.81	8.24	299.84	9.38	317.27	9.58
Loans and advances	28.10	0.83	43.82	1.28	35.58	1.18	60.37	1.99	178.91	6.15
Trade deposits and short term prepayments	124.62	3.73	100.18	2.93	69.47	2.31	86.64	2.71	74.01	2.23
Other receivables	14.84	0.44	12.77	0.37	19.33	0.65	24.33	0.78	71.72	2.18
Investments	10.64	0.32	40.91	1.19	67.28	2.27	59.92	1.88	2.95	0.09
Cash and bank balances	80.73	2.39	42.97	1.26	11.84	0.39	21.74	0.69	7.97	0.24
TOTAL CURRENT ASSETS	1,437.90	42.62	1,344.43	39.31	1,254.97	41.76	1,294.55	40.52	1,344.06	40.48
TOTAL ASSETS	3,371.95	100.00	3,420.12	100.00	3,005.72	100.00	3,194.73	100.00	3,319.93	100.00
CURRENT LIABILITIES										
Trade and other payables	302.33	9.57	279.84	8.17	217.29	7.23	249.27	7.80	374.84	11.29
Accrued markup	243.93	7.23	199.70	5.84	209.27	6.96	219.92	6.88	140.46	4.23
Short term borrowings	954.37	28.29	969.81	28.19	1,026.38	34.18	1,198.42	35.63	1,283.69	38.67
Current portion of long term financing	357.02	10.60	398.67	11.51	674.06	22.43	531.41	16.63	337.60	10.17
TOTAL CURRENT LIABILITIES	1,857.64	55.09	1,836.42	53.69	2,137.10	71.10	2,139.03	66.95	2,136.49	64.36
WORKING CAPITAL	(420.64)	(12.47)	(491.99)	(14.38)	(982.13)	(32.85)	(844.47)	(26.43)	(792.44)	(23.87)
TOTAL CAPITAL EMPLOYED	1,614.31	47.87	1,583.70	46.31	868.62	28.90	1,058.71	33.05	1,183.44	35.66
NON-CURRENT LIABILITIES										
Long term financing	199.76	5.92	322.64	9.43	74.16	2.47	282.26	8.84	459.69	13.85
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred liabilities	236.18	7.00	246.90	7.22	126.86	4.19	131.12	4.10	139.16	4.19
TOTAL NON-CURRENT LIABILITIES	434.94	12.80	569.54	16.65	200.92	6.65	393.38	12.33	599.05	18.04
NET WORTH	1,079.37	32.01	1,014.16	29.65	668.60	22.24	662.33	20.73	584.39	17.60
NET WORTH REPRESENTED BY										
Issued, subscribed and paid-up capital	594.29	17.62	594.29	17.38	594.29	19.77	594.29	18.60	594.29	17.90
Accumulated loss	63.61	1.93	(31.34)	(0.92)	(165.55)	(5.51)	(192.13)	(6.01)	(302.63)	(9.12)
Surplus on revaluation of property, plant and equipment	419.57	12.44	451.22	13.19	239.87	7.99	260.17	8.14	292.73	8.82
TOTAL LIABILITIES	3,371.95	100.00	3,420.12	100.00	3,005.72	100.00	3,194.73	100.00	3,319.93	100.00

Form 34

Pattern of Share Holding

AS ON JUNE 30, 2014

Number of shareholders	Form	Shareholding	To	Total shares held
52	1		100	818
155	101		500	76484
78	501		1000	77199
166	1001		5000	435659
39	5001		10000	339988
20	10001		15000	247155
18	15001		20000	336439
13	20001		25000	305000
6	25001		30000	172500
1	30001		35000	31500
3	35001		40000	112000
2	40001		45000	88000
4	45001		50000	197500
1	50001		55000	52000
1	55001		60000	59500
1	60001		70000	68000
1	70001		75000	75000
1	75001		80000	78500
1	85001		90000	90000
4	95001		100000	396000
1	100001		105000	102000
1	125001		130000	129000
3	135001		140000	414500
1	145001		150000	150000
1	155001		160000	160000
1	180001		185000	185000
1	195001		200000	200000
1	200001		205000	201000
1	530001		535000	532000
1	1560001		1565000	1561000
1	2166001		2170000	2166800
1	2466001		2470000	2465300
1	2856001		2860000	2857300
1	4295001		4300000	4296556
1	4400001		4405000	4403151
1	4430001		4435000	4433151
1	151105001		15110000	15109364
1	16820001		16825000	16823365
576				69428729

Categories of Shareholders

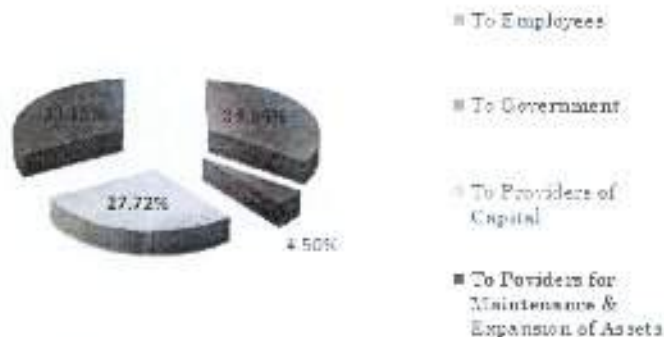
AS ON JUNE 30, 2014

Shareholder's category	No. of shareholders	Shares held	Percentage
1 Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	1	21,226,516	35.7176
Mr. Burhan Muhammad Khan	1	19,542,515	32.8840
Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
Mr. Syed Manzar Us Salam	1	97,000	0.1632
Ms. Tehriyat Mussaid	1	4,026,300	6.7750
Ms. Sakah Burhan	1	2,698,800	4.5412
Ms. Sarah Mussaid	1	50,000	0.0841
Total	7	50,498,431	84.97
2 Banks, Development Financial Institutions Non-Banking Financial Institutions	1	4,296,556	7.23
3 General public - Local	549	4,283,242	7.21
4 General public - Foreign	7	36,000	0.06
5 Others	12	314,500	0.53
Total	569	8,930,298	15.03
GRAND TOTAL	576	59,428,729	100

Statement of Value Addition

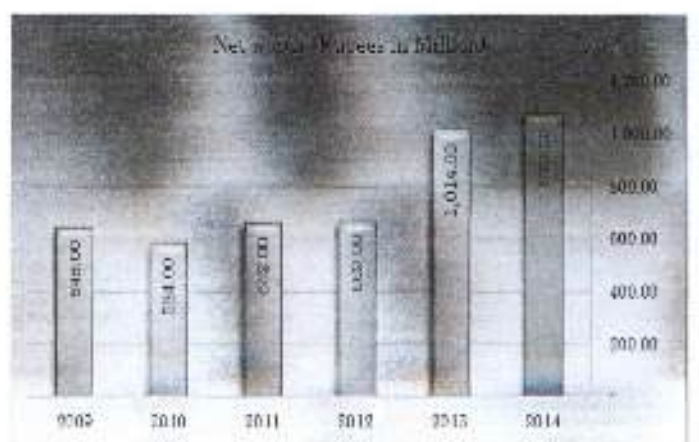
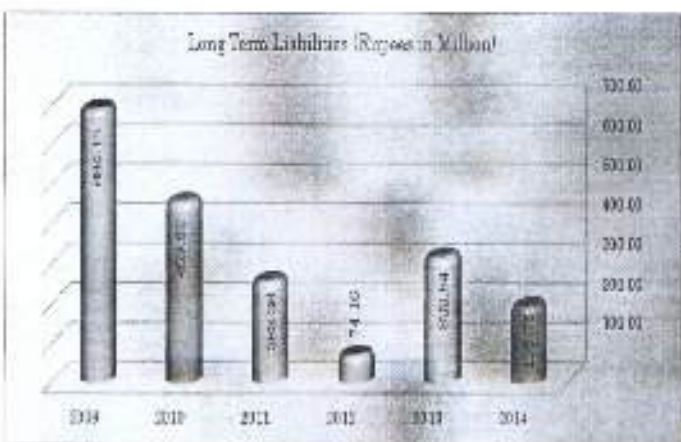
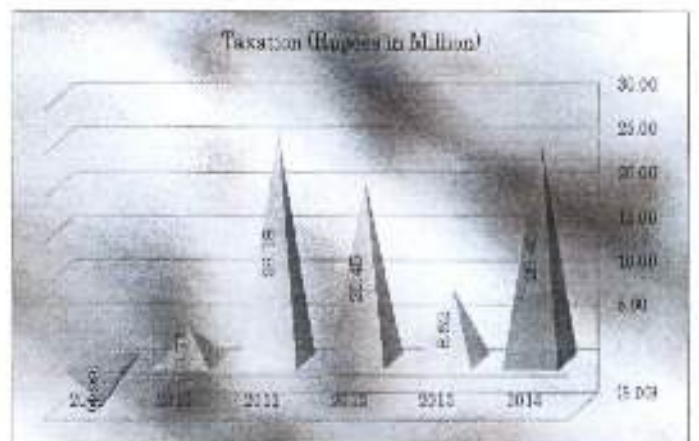
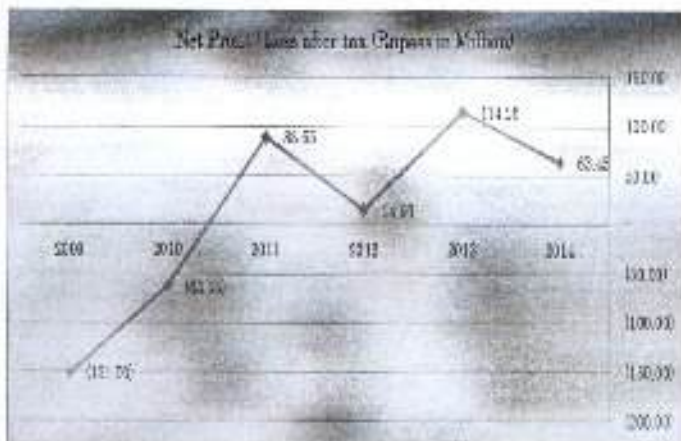
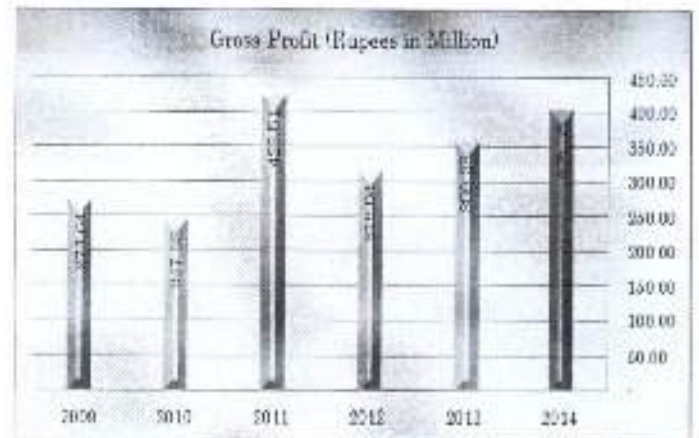
	2014		2013	
WEALTH GENERATED				
Sales Revenue	4,199,161,232		3,840,907,094	
Other Income	12,246,259		147,399,457	
	4,211,407,491		3,988,306,551	
Less:				
Material & Services				
Material & Factory Costs	3,417,109,847		3,168,896,733	-
Administrative Costs	29,932,036		40,252,299	-
Distribution Costs	67,711,173		77,078,471	-
	3,514,753,057		3,286,227,503	
	696,654,434	100	702,079,048	100
WEALTH DISTRIBUTED				
To Employees				
Salaries & Benefits	241,292,769	34.64%	195,636,705	27.85%
To Government				
Tax	25,395,791	3.65%	8,523,549	1.21%
Worker Profit Participation Fund	4,127,192	0.59%	-	0.00%
Worker Welfare Fund	1,813,258	0.26%	-	0.00%
To Providers of Capital				
Dividends to Share Holders				
Mark Up/Interest on Borrowed Funds	193,112,234	27.72%	236,683,809	33.71%
To Providers for Maintenance & Expansion of Assets				
Depreciation	167,459,038	24.04%	147,075,988	20.95%
Profit Retained	63,453,852	9.11%	114,260,897	16.27%
	696,654,434		702,079,048	

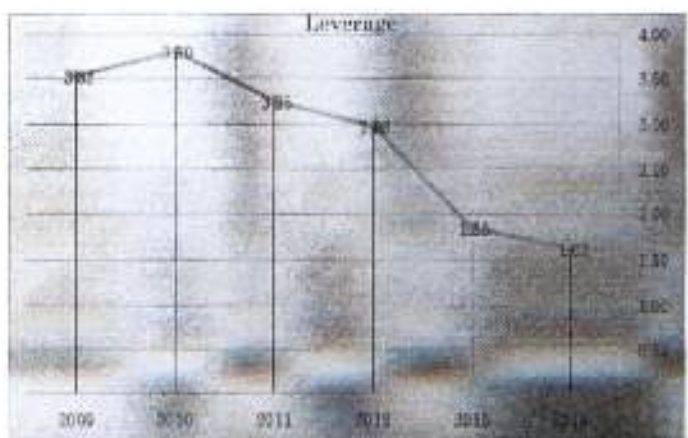
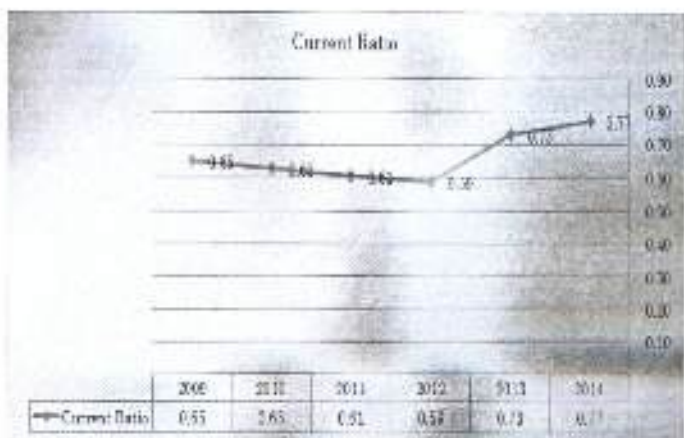
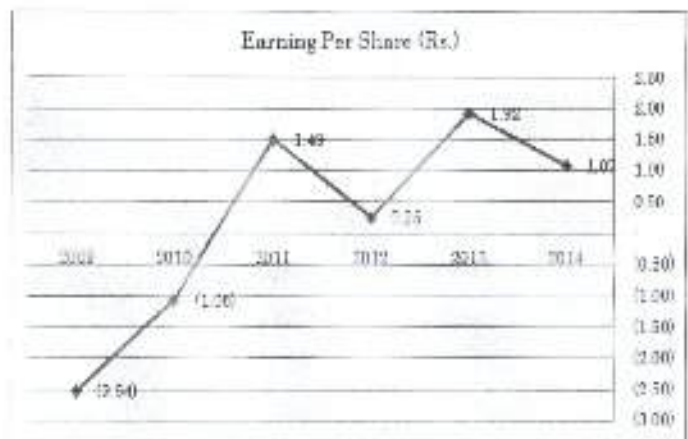
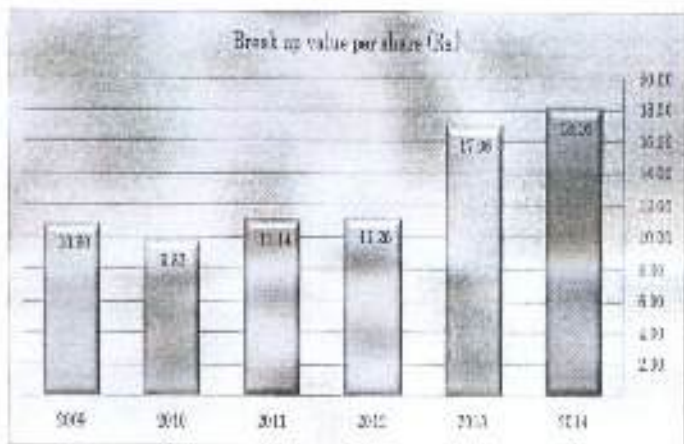
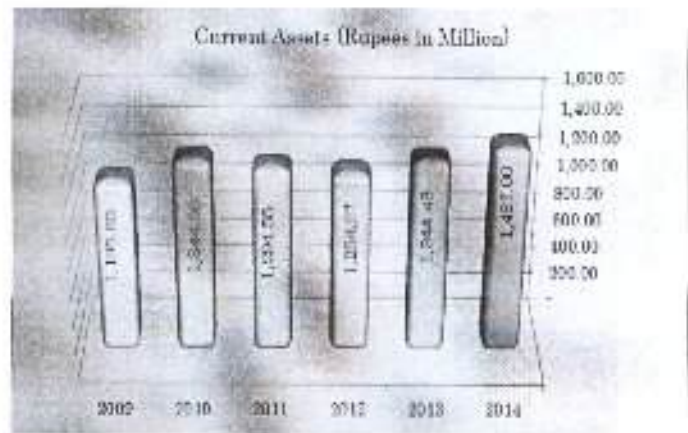
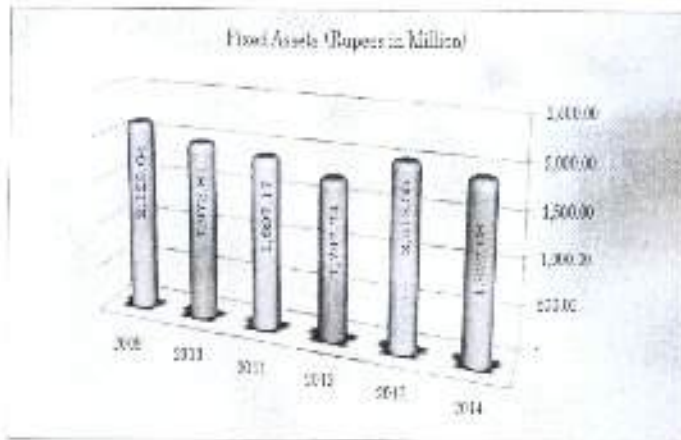
Distribution of wealth 2014



Distribution of wealth 2013







Statement of Compliance with Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulations No.35 of Listing Regulations of the Karachi Stock Exchange, Chapter XIII of Listing Regulations of the Lahore Stock Exchange and chapter XI of Listing Regulations of the Islamabad Stock Exchange 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 the CCG in the following manner:

The company encourages representation of non-executive directors and executive directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Executive Directors	Mussaid Hanif (CEO) Burhan Muhammad Khan Syed Manzoor Us Salam
Non- Executive Directors	Arbab Muhammad Khan Tehniai Mussaid Sabah Burhan Sarah Mussaid

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

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

A Casual vacancy occurred on the Board was filled up by directors on the same day.

The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

The meetings of the board were presided over by the CEO 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 notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The board arranged in-house training program for its directors during the year.

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

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

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.

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

The board has formed an audit committee. It comprises 03 members, who are non-executive directors.

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 CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.

The board has formed an HR and Remuneration committee. It comprises 03 members, of whom one is non-executive director while two are Executive directors.

The Board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP 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 ICAP.

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.

The 'closed period', prior to the announcement of inter/annual results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

Material/Price sensitive information has been disseminated among all market participants at once through stock exchange(s).

We confirm that all other material principles enshrined in the CCG have been complied with except certification of a director under Directors' Training Programme (DTP) by the end of financial year; however efforts would be made attain certification by the end of next accounting Year.

For and on behalf of the Board of Directors



Mussaid Hanif
Chief Executive

Lahore
September 20, 2014

Review Report to the Members on Statement of Compliance 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) for the year ended June 30, 2014, to comply with the Listing Regulations of the respective Stock Exchanges, 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 personnel 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their Consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 June 30, 2014.

Lahore
Dated: September 20, 2014

Azhar Zafar & Co.
Chartered Accountants
Engagement Partner: Zafar Iqbal

Auditors' Report to the Members

We have audited the annexed balance sheet of Zephyr Textiles Limited (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, 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 the 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 overall 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon 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 the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) 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, statement of comprehensive income, 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 the Company's affairs as at June 30, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore
Dated: September 20, 2014

Azhar Zafar & Co.
Chartered Accountants
Engagement Partner: Zafar Iqbal

Balance Sheet

AS AT JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
Equity and liabilities			
Share capital and reserves			
Authorized capital			
62,500,000 ordinary shares of Rs. 10/- each		625,000,000	625,000,000
Issued, subscribed and paid up share capital	6	594,287,290	594,287,290
Accumulated profit/(loss)		66,509,200	(31,340,606)
Total equity		659,796,490	562,946,784
Surplus on revaluation of property, plant and equipment	7	419,571,578	451,216,268
Liabilities			
Non-current			
Long term financing	8	198,760,316	322,644,260
Deferred liabilities	10	236,178,839	246,895,118
Total non-current liabilities		434,939,155	569,539,378
Current			
Trade and other payables	11	302,325,867	279,335,226
Accrued markup	12	243,929,877	199,695,886
Short term borrowings	13	954,372,343	963,810,362
Current portion of long term borrowings	9	357,016,428	393,573,971
Total current liabilities		1,857,644,515	1,836,415,475
Contingencies and commitments	14	-	-
Total liabilities		2,292,583,670	2,405,954,853
Total equity and liabilities		3,371,961,738	3,420,117,905
Assets			
Non-current			
Property, plant and equipment	15	1,927,075,074	2,013,545,943
Capital work in progress	16	-	58,839,841
Long term deposits	17	7,872,686	3,299,170
Total non-current assets		1,934,947,760	2,075,684,954
Current			
Stores, spare parts and loose tools		107,728,868	105,104,138
Stock in trade	18	732,051,885	670,156,815
Trade debts	19	338,288,893	329,322,119
Loans and advances	20	28,100,786	43,623,353
Trade deposits, prepayments and balances with statutory authorities	21	124,617,184	100,175,003
Other receivables	22	14,843,371	13,772,118
Investments	23	10,643,935	40,311,825
Cash and bank balances	24	60,729,056	42,967,581
Total current assets		1,437,003,978	1,344,432,951
Total assets		3,371,951,738	3,420,117,905

The annexed notes 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
Sales - net	25	4,199,161,232	3,540,907,094
Cost of sales	26	(3,793,808,466)	(3,481,673,358)
Gross profit		405,352,767	359,233,736
Distribution cost	27	(76,653,623)	(79,082,161)
Administrative expenses	28	(52,180,784)	(62,523,215)
Other operating expenses	29	(6,802,742)	(5,559,562)
Operating profit		269,715,618	212,068,798
Other operating income	30	12,246,259	147,399,457
Operating profit before finance cost		281,961,877	359,468,255
Finance cost	31	(193,112,234)	(236,683,809)
Profit before tax		88,849,643	122,784,446
Taxation	32	(25,395,791)	(8,523,549)
Profit after taxation		63,453,852	114,260,897
Earnings per share:			
Basic and diluted earnings per share	33	1.07	1.92

The annexed notes 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
Profit after taxation		63,453,852	114,260,897
Other comprehensive income			
Gain on remeasurement of staff retirement benefit plan	5.1 & 10	1,751,164	-
Total comprehensive income for the year		65,205,016	114,260,897

The annexed notes 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE



DIRECTOR

Cash Flow Statement

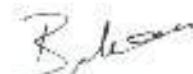
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
Cash flows from operating activities			
Cash generated from operations	34	400,656,099	381,748,401
Finance cost paid		(118,177,390)	(92,527,846)
Taxes paid		(36,154,618)	(25,096,214)
Staff retirement benefits - gratuity paid		(8,211,650)	(5,292,400)
Net cash flow from operating activities		238,112,441	258,831,942
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,810,000	2,362,524
Purchase of property, plant and equipment		(23,265,972)	(117,655,622)
Long term deposits		(4,573,516)	(294,723)
Dividends, capital gains and income from investments		83,547	917,993
Short term investments		29,667,890	16,972,391
Net cash flow from investing activities		3,721,949	(97,697,437)
Cash flows from financing activities			
Increase/(decrease) in short term borrowings - net		(9,438,049)	52,331,479
Repayment of long term financing - net		(194,634,866)	(182,341,344)
Net cash flow from financing activities		(204,072,915)	(130,009,866)
Net (decrease)/ increase in cash and cash equivalents		37,761,475	31,124,640
Cash and cash equivalents at beginning of the year		42,967,581	11,842,941
Cash and cash equivalents at end of the year		80,729,056	42,967,581

The annexed notes 1 to 41 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2014

	Share capital (Rupees)	Accumulated loss (Rupees)	Total equity (Rupees)
Balance as at July 01, 2012	584,287,290	(166,563,829)	428,733,461
Total comprehensive income for the year	-	114,260,897	114,260,897
Current year incremental depreciation - net of tax	-	19,952,426	19,952,426
Balance as at June 30, 2013	584,287,290	(31,340,506)	562,946,784
Balance as at July 1, 2013	584,287,290	(31,340,506)	562,946,784
Total comprehensive income for the year	-	65,205,016	65,205,016
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	20,743	20,743
Current year incremental depreciation - net of tax	-	31,623,947	31,623,947
Balance as at June 30, 2014	584,287,290	65,509,200	659,796,490

The annexed notes 1 to 41 form an integral part of these financial statements.


 CHIEF EXECUTIVE


 DIRECTOR

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

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, 97BD-1, Galberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jamber. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges in Pakistan.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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 except for cash flow information and the following:

- staff retirement benefits which are measured at present value of defined benefit obligation plus/less any unrecognized actuarial gains/(unrecognized actuarial losses and past service cost) (refer note 5.1);
- free hold land, buildings and plant & machinery which are measured at revalued amount (refer note 5.2); and
- financial assets and financial liabilities which are measured at fair value (refer note 5.3).

3.2 Amendments to published approved standards that are effective in current year but not relevant to the Company

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after July 01, 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

3.3 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

3.4 Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2014 or later periods: IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after January 01, 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after January 01, 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

IAS 36 (amendments) 'Impairment of Assets' (effective for annual periods beginning on or after January 01, 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact of presentation/disclosures. The Company is yet to assess the full impact of the amendments.

3.5 Functional and presentation currency

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

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:

4.1 Useful lives and residual values of 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 amounts of assets does not differ materially from the fair value.

4.2 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.

4.3 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.

4.4 Stock in trade and stores, spare parts and loose tools

The Company reviews the net realizable value (NRV) and impairment of stock in trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values and whenever required provisions for NRV impairment is made.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined benefit plan - gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Contribution is made in accordance with actuarial recommendations. Actuarial valuation is conducted by an independent actuary, annually using projected unit credit method related details of which are given in note 10 to the financial statements. The obligation at the balance sheet date is measured at the present value of the estimated future cash outflows. All contributions are charged to profit or loss for the year.

Consequent to the revision of IAS 19 'Employee Benefits' (IAS 19) which is effective for annual periods beginning on or after January 01, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains/losses) on employees' retirement benefit plan is recognized immediately in other comprehensive income and past service cost is recognized in profit and loss when they occur. Previously, the actuarial gains/losses in

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

excess of the corridor limit were recognized in profit or loss over the remaining service life of the employees where as past service cost was recognized in profit and loss on a straight line basis over the average period until the benefits become vested. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated. The adoption of above accounting policy has no effect on the cash flow statement.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2014 are as follows:-

Discount rate	12% (2013: 10.50%)
Expected rate of salary increase in future	11 % (2013 : 9.5%)
Average expected remaining working life time of employees	6 years (2013: 5 years)

5.2 Property, plant and equipment

- Owned assets

Property, plant and equipment are initially recognized at acquisition cost. Subsequently, property, plant and equipment, except for free hold land, building on free - hold land and plant & machinery are stated at cost less accumulated depreciation and impairment, if any. Free - hold land, building on free - hold land and plant & machinery are stated at revalued amounts less subsequently accumulated depreciation and impairment, if any.

Cost of property, plant and equipment consists of historical cost, borrowing costs pertaining to the erection 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 15.

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.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Gain/loss on disposal of property, plant and equipment is 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.

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.

5.3 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for 'Investment at fair value through profit or loss' which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

Investment at fair value through profit and loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held for trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are subcategorized as under:

a) Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open end mutual funds is determined using redemption price.

b) Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments- Recognition and Measurement'.

5.4 Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at lower of moving average cost, or net realizable value (NRV), while items considered obsolete are carried at nil value. Goods in transit are stated at cost comprising invoice value plus other charges paid thereon.

5.5 Stock in trade

Stock-in-trade is valued at lower of cost and net realizable value (NRV), 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.

5.6 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.7 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

5.8 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

5.9 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

5.10 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

5.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instruments. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

5.12 Capital work in progress

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. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

5.13 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

5.14 Revenue recognition

Revenue from different sources is recognized as under:

Export sales are accounted for on shipment basis. 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 shares 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. Rebate income is recognized on accrual basis.

5.15 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of 'Technical Release - 27' issued by the Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statements, except in the case of items credited or charged to equity in which case it is included in equity.

5.16 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

5.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

5.19 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

5.20 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Number of shares)	2013	2014 (Rupees)	2013 (Rupees)
6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL				
Ordinary shares of Rs. 10 each fully paid up in cash	51,900,883	51,900,883	519,008,830	519,008,830
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,527,846	7,527,846	75,278,460	75,278,460
	59,428,729	59,428,729	594,287,290	594,287,290
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT				
Surplus arising on revaluation	7.1		614,549,102	663,233,241
Less: Deferred tax arising on surplus on revaluation	7.2		194,977,524	212,016,973
			419,571,578	451,216,268
7.1 Surplus on revaluation of property plant and equipment				
Opening surplus on revaluation of property plant and equipment			663,233,241	338,392,542
Surplus arising on revaluation			-	355,536,739
			663,233,241	693,929,281
Incremental depreciation on:				
Plant and machinery			(37,944,033)	(26,017,732)
Building			(10,708,193)	(4,658,308)
			(48,652,226)	(30,696,040)
Adjustment on disposal of property, plant and equipment			(31,913)	-
			(48,684,139)	(30,696,040)
			614,549,102	663,233,241
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 March 31, 2013 considering the market value.				
7.2 Relating deferred tax liability				
Relating deferred tax liability as on July 1, 2013			212,016,973	98,526,722
Deferred tax relating to surplus arising on revaluation			-	124,234,866
Tax effect on incremental depreciation			(17,039,449)	(10,743,814)
			194,977,524	212,016,973

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

8. LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of instalments	2014 (Rupees)	2013 (Rupees)
Demand Finance - I BOP	8.1 and 8.2	May-13	3 months Kabor	196,780	54 Monthly	148,465,765	196,779,999
Demand Finance - II BOP	8.1 and 8.3	Oct-17	Interest free	204,379	31 Monthly	82,390,227	67,956,247
Subtotal - BOP						231,855,982	264,736,247
Demand Finance - I NBP	8.1	Mar-11	6 Month Kabor +1.5%	206,595	16 Quarterly	205,956,761	205,956,761
Term Finance - II NBP	8.1	Mar-11	Interest free	98,900	16 Quarterly	70,700,000	70,700,900
Subtotal - NBP						276,656,761	276,656,761
Deferred Markup HBL	8.1	Jan-13	Interest free	111,366	18 Monthly	-	90,317,600
Subtotal - HBL						-	90,317,600
Demand Finance - III ABL	8.1	Oct-12	6.30%	125,500	18 Monthly	47,264,001	94,513,623
Subtotal - ABL						47,264,001	94,513,623
Total						555,776,744	716,218,231
Current portion	9					(112,203,762)	(231,717,480)
Overdue portion	9					(244,812,666)	(161,856,491)
Total current portion						(357,016,428)	(393,573,971)
Total long term portion						198,760,316	322,644,260

- 8.1 It represents long term financing from commercial banks (stated above) and the amounts claimed by such institutions. Markup is leviable along with installment (except interest free loans) as per schedule stated above. The loans are secured against first ranking pari passu charge over current and fixed assets of the Company executed through the joint pari passu agreement with the lenders of the Company and joint memorandum of deposit of title deeds, equitable mortgage charge on land and personal guarantees of the directors of the Company.
- 8.2 It represents loan from The Bank of Punjab which has been restructured through out of court amicable settlement on terms agreed between the parties.
- 8.3 It represents restructured loan converted from mark up payable on the facilities from the Bank of Punjab till March 31, 2013. This transaction is a part of amicable out of court settlement as stated in note 8.2 above.

	Note	2014 (Rupees)	2013 (Rupees)
9 CURRENT PORTION OF LONG TERM BORROWINGS			
Current portion of long term borrowing	8	112,203,762	231,717,480
Overdue portion of long term borrowing	8	244,812,666	161,856,491
		357,016,428	393,573,971
10 DEFERRED LIABILITIES			
Deferred tax relating to surplus on revaluation of property plant and equipment	7	194,977,524	212,016,973
Employee retirement benefits- gratuity	10.1 to 10.5	41,201,315	34,878,145
		236,178,839	246,895,118

- 10.1 The scheme provides for gratuity benefits for all the permanent employees of the Company who attain the minimum qualifying period of one year. Provision has been made on the basis of latest actuarial valuation made as on June 30, 2014 using projected unit credit actuarial cost method.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)	
10.2	The amount recognized in the balance sheet			
	Present value of defined benefit obligations	41,201,315	34,878,145	
	Less: Fair value of plan assets	-	-	
		41,201,315	34,878,145	
10.3	Charge for the year			
	Current service cost	12,382,951	9,423,833	
	Interest cost	3,685,089	3,412,819	
		16,068,040	12,836,652	
10.4	Movement in liability			
	Balance at beginning of year	34,878,145	27,333,893	
	Prior year adjustment	217,944	-	
	Charge for the year	16,068,040	12,836,652	
	Benefits paid during the year	(8,211,650)	(5,292,400)	
	Unrecognised actuarial gain	(1,751,164)	-	
		41,201,315	34,878,145	
10.5	Allocation of charge for the year			
	Cost of sales	26.2	12,752,913	10,104,940
	Administrative expenses	28.1	2,016,025	1,754,464
	Distribution Cost	27.1	1,299,102	977,248
			16,068,040	12,836,652
10.6	Historical information			
	Present value of defined benefit obligation			
		2014	41,201,315	
		2013	34,878,145	
		2012	27,333,893	
		2011	21,825,447	
		2010	16,621,534	
11	TRADE AND OTHER PAYABLES			
	Creditors	216,126,706	163,502,438	
	Advances from customers	5,323,433	15,703,108	
	Accrued liabilities	41,196,994	63,200,823	
	With holding Tax	3,644,870	10,940,141	
	Retention money payable	500,000	1,000,000	
	Workers' funds	11.1 & 11.2	34,995,912	26,332,418
	Dividend payable	538,952	8,656,298	
		302,325,867	279,335,226	

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

		2014 (Rupees)	2013 (Rupees)
11.1	Workers' funds		
	Workers' profit participation fund		
	Opening balance	23,678,643	21,332,111
	Provision for the year	4,127,192	-
	Interest on funds utilized in Company's business	31	2,346,582
		30,528,879	23,678,643
	Workers' welfare fund		
	Opening balance	2,653,775	2,653,775
	Provision for the year	1,813,258	-
		4,467,033	2,653,775
		34,995,912	26,332,418
11.2	Mark up on Workers' Profit Participation Fund has been provided @ 11.50 % per annum (2013- 11% per annum).		
12	ACCRUED MARK-UP		
	Long term financing	100,821,455	84,910,727
	Short term borrowings	143,108,422	114,785,159
		243,929,877	199,696,886

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned Limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Mark-up/ repayment terms	2014 (Rupees)	2013 (Rupees)
Pre-shipment	13.1 & 13.4	774	9.01% to 10.38%	Quarterly	765,510,800	774,041,800
Post-shipment	13.2 & 13.4	100	9.12% to 10.24%	Actual Realization	1,470,000	-
Running finance	13.3 & 13.4	190	9.02% to 11.94%	Quarterly	187,391,543	189,768,592
					954,372,343	963,810,392

13.1 The Company has aggregate sanctioned limits of finance against packing credit (FAPC) and export refinance facilities (ERF) of Rs. 774 million. The company has availed limits of finance against packing credit (FAPC) & export refinance facilities (ERF) amounting to Rs. 236,950 million from Habib Bank Limited, Rs. 87,477 million from Faysal Bank Limited, Rs. 50,000 million from United Bank Limited, Rs. 191,469 million from Bank of Punjab and Rs. 199,665 million from National Bank of Pakistan.

13.2 The Company has aggregate sanctioned limits of finance against foreign bill (FAFB) of Rs. 100 million. The Company has availed limits of finance against foreign bill (FAFB) amounting to Rs.1,470 million from Allied Bank Limited.

13.3 The Company has aggregate sanctioned limits of running finances of Rs. 190 million. The Company has availed limits of running finances amounting to Rs.145 million from NIB Bank Limited, Rs. 20,517 million from Habib Bank Limited and Rs. 21,880 million from National Bank Limited.

13.4 These facilities are secured against first ranking pari passu charge over current assets of the Company executed through joint pari passu agreement with the lenders of the Company, hypothecation of stocks, lien on confirmed export orders and personal guarantors of the directors.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

14 CONTINGENCIES AND COMMITMENTS

- 14.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5,106,639 along with interest. The suit was decreed on April 04, 2014 and is now pending for execution.
- 14.2 M/s. M. J. Industries has filed a suit against the Company for declaration for Rs. 544,644. The case is dismissed by the Honorable Civil Judge, Lahore. M/s. M. J. Industries has filed an application for the restoration of the suit.
- The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 544,644. The summons and notices have been issued to the defendant and the case is pending due to non appearance of the defendant before the Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favor.
- 14.3 The Company has filed a recovery suit against the M/s. Amtex Limited for Rs. 2,916,762. The case is fixed for final order by Honorable Judge, High Court, Lahore. The Company is hopeful of settlement of the case in its favor.
- 14.4 M/s. Sitara Textiles has filed a suit against the Company for recovery of damages against non performance of contract no. L10417 for supply of fabric. According to legal confirmation status, suit is pending for framing of issues.
- The Company has filed a suit against M/s. Sitara Textiles Limited for financial loss, cost of sales loss, loss of business and loss due to breach of contract for Rs. 37.670 million. Company is hopeful of settlement of the case in its favor.
- 14.5 The Company has filed suit for Recovery of Rs. 34,027 Millions for unauthorized sale of shares by First Pakistan Capital Limited. The case is pending before Senior Civil Judge Lahore.
- 14.6 The Company has filed suit for Recovery along with damages of Rs. 31.35 Millions against M/s Al-Abid Silk Ltd. (Suit No. 494 of 2014) in the Sindh High Court. The case is pending before in the Sindh High Court.
- 14.7 The Company has filed a suit against old tenants for vacation of property purchased by the Company situated at Ek Maria Pall Lahore. The matter is pending for adjudication. Certain suits were filed against the Company regarding the said property which are as under:
- Muhammad Sajid (the plaintiff) has filed a suit for permanent injunctions and declaration against interfering the possession of plaintiff property by pretending that the suit property has been purchased by Zephyr Textiles Limited (the defendant) through registered sales deed bearing distavez no. 2775 dated 01-09-2010, whereas the purchased property of the defendant is separate and different from the suit property of the plaintiff. The case is pending for framing of issues.
- Sh. Zafar Iqbal Vs. M/s Zephyr Textiles Limited. Sh. Zafar Iqbal has filed a suit for cancelation of registry with respect to the said property purchased by the Company. Tax case is pending for adjudication.
- The Company is hopeful for settlement of the above stated suits in its favor.
- 14.8 Workers' Welfare Fund Ordinance, 1971 has been amended through Finance Acts 2006 & 2008. These amendments were held unconstitutional and struck down by the Honorable Lahore High Court, Lahore (HLHCL) on August 05, 2011. The decision of the Honorable Lahore High Court, Lahore has been challenged in the Supreme Court of Pakistan, which is still pending.
- Owing to the above, the management of the Company has not made provision for Workers' Welfare Fund in these financial statements.

	2014 (Rupees)	2013 (Rupees)
14.9 Contingencies		
Bills discounted with recourse	171,114,549	75,955,931
Bank guarantees issued in the ordinary course of business	43,693,500	36,140,500
	214,808,049	112,096,431
14.10 Commitments		
Letters of credit	2,956,500	2,151,652

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

15. PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - Booked	Buildings on free hold land	Refrigerator	New factory buildings	Floor and machinery	Functional fittings	Trucks	Electrical installation	Office equipment	Total
COST										
Balance as at July 31, 2012	17,69,319	384,285,391	22,77,676	66,999,000	1,779,425,721	61,19,229	37,404,761	89,996,741	29,377,292	2,472,194,020
Additions during the year	-	-	-	-	52,91,290	1,93,112	2,32,193	-	49,997	55,23,782
Deletions Adjustments	581,122	94,114,651	-	-	766,664,739	-	-	-	-	1,642,960,512
Transfer	-	-	-	-	31,775,172	-	11,264,493	-	-	43,039,665
Balance as at June 30, 2013	176,591,221	478,399,991	22,77,676	66,999,000	1,862,675,890	63,12,341	39,729,254	89,996,741	30,427,289	2,146,898,006
Additions during the year	-	-	-	16,324	25,91,287	221,360	1,544,346	1,39,122	1,117,427	32,31,813
Deletions	-	-	-	-	192,000	-	2,167,442	-	-	19,17,942
Balance as at June 30, 2014	176,591,221	478,399,991	22,77,676	83,323,324	1,895,585,148	64,63,701	41,265,804	91,387,863	31,544,736	2,224,962,698
DEPRECIATION										
Balance as at July 31, 2012	-	81,996,123	1,195,266	89,311,941	556,214,122	2,173,245	1,664,716	76,349,668	8,862,455	733,257,235
Revaluation Adjustment & accumulated depreciation allocated as follows	-	28,871,123	-	-	161,832,864	-	-	-	-	450,705,010
Depreciation expense	-	1,185,525	1,121,441	1,587,269	116,964,411	914,112	2,132,572	1,275,140	374,966	123,375,486
Balance as at June 30, 2013	-	1,103,571	2,316,707	90,899,210	735,011,407	3,087,357	3,797,288	77,624,808	9,237,421	837,963,992
Accumulated depreciation allocated as follows	-	-	-	-	2,000	-	2,237,883	-	-	4,237,883
Depreciation expense	-	23,27,197	1,772,254	2,967,189	122,240,946	2,86,511	3,973,579	1,127,247	1,127,247	127,580,958
Balance as at June 30, 2014	-	24,208,768	4,088,961	93,866,399	737,252,353	3,089,368	7,770,867	78,752,055	10,364,668	917,550,351
Written down value as at June 30, 2014	176,591,221	454,191,223	18,688,715	89,456,925	1,158,332,795	61,548,343	33,494,937	11,612,813	21,182,668	1,307,412,347
Written down value as at June 30, 2013	176,591,221	466,403,868	21,460,969	77,000,000	1,127,664,485	60,045,084	35,931,966	13,172,380	21,199,868	1,307,412,347
Ratio of depreciation	0%	5%	8%	12%	39%	10%	8%	10%	3%	

Note	2014 (Rupees)	2013 (Rupees)
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15.1 Depreciation for the year has been allocated as under :

Cost of sales	26	162,689,043	142,463,150
Distribution cost	27	2,384,998	2,305,969
Administrative expenses	28	2,384,998	2,305,969
		167,459,038	147,075,088

15.2 Free-hold land, buildings on free-hold land and plant and machinery represents values subsequent to revaluation as at March 31, 2013. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2014 would have been as follows:

	Cost as at June 30, 2014	Accumulated depreciation as at June 30, 2014	Book value as at June 30, 2014	Book value as at June 30, 2013
Free - hold land	104,553,476	-	104,553,476	104,553,476
Buildings on free - hold land	360,776,899	123,148,657	237,627,242	250,133,939
Plant and machinery	1,671,570,171	923,903,287	747,666,884	830,867,828
	2,136,899,546	1,047,051,944	1,089,847,602	1,185,555,243

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

15.3 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

Particulars	Cost/ Assessed value	Book value	Sale proceed	Gain/(loss)	Mode of disposal	Name and Address
Vehicles						
Suzuki Mehran LZX - 1507	454,788	72,486	160,000	87,514	Negotiation	Muhammad Hafi, 155/2 DI, Township Lahore
Suzuki Caltas LXZ - 3718	591,054	32,969	150,000	97,081	Negotiation	Saleh Tanveer Zafar, Mataha Dakhana Khass Kasur
Shahzore Pickup LRJ - 1746	539,000	116,300	200,000	84,610	Negotiation	Munawar Khan, Mahmood Abad Kachi Abadi, Begun Para Lahore
Toyota Corolla LE - 5029	1,682,640	790,954	1,200,000	179,046	Negotiation	Ahsan Abbas, 32 G, Model Town Lahore
Plant and Machinery						
Compressor	163,945	155,945	100,000	53,945	Negotiation	Superior Technology, 2A- 3, Shimla Complex, 11- Durand Road Lahore
2014 Rupees	3,381,422	1,117,644	1,810,000	692,356		
2013 Rupees	3,071,605	1,471,422	2,362,524	889,102		

	2014 (Rupees)	2013 (Rupees)
16 CAPITAL WORK IN PROGRESS		
Opening Balance	58,839,841	-
Additions during the period	10,667,901	94,127,202
Transfers/adjustments during the period	(69,507,742)	(35,287,361)
	-	58,839,841
17 LONG TERM DEPOSITS		
Security deposits - WAPDA	6,593,152	2,149,972
Other security deposits	1,279,534	1,149,198
	7,872,686	3,299,170
18 STOCK IN TRADE		
Raw material	174,982,116	196,157,893
Work in process	156,166,104	131,397,506
Finished goods and waste	18.1	400,903,665
	732,051,885	670,156,815

18.1 This includes goods in transit amounting to Rs. 17.817 million (2013: Rs. 13.032 million).

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees)	2013 (Rupees)
19 TRADE DEBTS		
Considered good:		
Export - Secured against letters of credit	90,481,365	90,018,211
Local - Unsecured	247,807,528	239,303,908
	338,288,893	329,322,119
20 LOANS AND ADVANCES		
Considered good:		
Loan due from employees	11,409,602	16,771,774
Advances to:		
Suppliers	16,508,880	24,699,927
Suppliers against letters of credit	182,404	2,151,652
	28,100,786	43,623,353
21 TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES		
Prepayments	2,299,123	2,850,384
Advance income tax	4,383,299	10,663,921
Margin deposits	16,912,393	8,402,393
Sales tax refundable	85,649,288	65,634,949
Export rebate receivable	15,373,081	12,623,365
	124,617,184	100,175,002
22 OTHER RECEIVABLES		
Other receivables	14,843,371	12,772,118
	14,843,371	12,772,118

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	Number of shares/ units		2014	2013
		2014	2013	(Rupees)	(Rupees)
23 SHORT TERM INVESTMENTS					
Investment in Funds					
Atlas Money Market Fund	23.1	20,597	20,487	10,000,000	10,288,388
Faysal Money Market Fund		-	247,806	-	25,325,705
		20,597	268,292	10,000,000	35,614,093
Investments at fair value through profit or loss - listed securities					
Pak Electron Limited		944	944	24,564	15,229
Fauji Fertilizer Bin Qasim Limited			10,000	-	375,400
New Jubilee Life Insurance Company Limited			41,000	-	3,771,998
JS Growth Fund Limited		37,132	37,132	450,410	450,410
Attock Refinery Limited		11	111	2,335	19,153
Samba Bank Limited		24,500	24,500	163,170	62,965
Summit Bank Limited		1,111	1,111	3,456	2,577
		63,698	114,798	643,935	4,697,732
Un-quoted Securities:					
Innovative Investment Bank Limited		250	250	-	-
		250	250	-	-
		84,545	383,340	10,643,935	40,311,825

23.1 Atlas Money Market Fund is an open ended money market mutual fund managed by Atlas Asset Management Company Limited. The said investment is valued at fair value and any gain or loss resulting from fair value adjustment is charged to profit or loss.

	Note	2014	2013
		(Rupees)	(Rupees)
24 CASH AND BANK BALANCES			
Cash in hand		773,894	400,393
Cash at banks			
- current accounts	24.1	79,355,998	41,968,715
- saving account		15,303	15,303
Cash at banks - foreign currency		583,861	583,170
		80,729,056	42,967,581

24.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 558,046 (2013: Rs. 8.135 million).

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
25 SALES - NET			
Export		1,322,534,370	1,254,099,012
Exchange (loss)/gain		(1,219,779)	11,876,293
Total export sales		1,321,314,591	1,265,975,305
Local		2,920,989,582	2,599,333,615
Total sales		4,242,304,173	3,865,308,920
Export rebate		13,204,047	11,426,328
		4,255,508,220	3,876,735,248
Commission and claims		(49,430,017)	(28,786,574)
Trade discount		(6,916,971)	(7,041,580)
		4,199,161,232	3,840,907,094
26 COST OF SALES			
Raw material consumed	26.1	2,627,388,205	2,499,813,437
Stores, spare parts and loose tools consumed		99,438,446	67,218,092
Packing, sizing and lubricants consumed		263,062,249	211,538,166
Fuel and power		421,836,026	264,716,578
Salaries, wages and other benefits	26.2	214,009,575	170,313,475
Processing charges		64,215,156	63,696,020
Insurance		4,210,256	3,797,779
Repairs and maintenance		11,817,472	9,681,479
Traveling and conveyance		4,917,606	3,790,050
Depreciation	15.1	162,689,043	142,463,150
Other production overheads		3,295,278	3,322,958
		3,876,879,312	3,440,351,174
Adjustment of work-in-process			
Opening stock		131,397,506	130,531,403
Closing stock		(156,166,104)	(131,397,506)
		(24,768,598)	(86,866,103)
		3,852,110,714	3,439,485,071
Adjustment of finished goods and waste			
Opening stock		342,601,416	384,789,703
Closing stock		(400,903,665)	(342,601,416)
		(58,302,249)	42,188,287
		3,793,808,465	3,481,673,358

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees)	2013 (Rupees)
26.1 Raw material consumed		
Opening stock	196,157,893	206,058,503
Purchases	2,613,970,224	2,516,633,812
Return / discount on purchases	(21,110,503)	(43,443,248)
	2,592,859,721	2,473,190,564
Freight	13,352,707	16,722,263
	2,802,370,321	2,695,971,330
Closing stock	(174,982,116)	(196,157,893)
	2,627,388,205	2,499,813,437

26.2 This includes employee benefits amounting to Rs. 12.753 million (2013: Rs. 10.105 million).

27 DISTRIBUTION COST

Salaries, wages and other benefits	27.1	7,419,744	5,257,283
Traveling and conveyance		92,588	493,021
Sales promotion		375,088	347,414
Communication		3,045,616	2,153,181
Vehicles running and maintenance		1,251,726	1,021,698
Freight		52,594,639	58,011,356
Clearing and forwarding		7,561,081	7,471,675
Depreciation	15.1	2,384,998	2,305,969
Others		1,928,143	2,020,564
		76,653,623	79,082,161

27.1 This includes employee benefits amounting to Rs. 1.299 million (2013: Rs. 0.977 million).

28 ADMINISTRATIVE EXPENSES

Directors' remuneration		1,476,774	4,080,000
Salaries and other benefits	28.1	18,386,676	15,884,947
Traveling and conveyance		7,354,376	6,741,614
Rent, rates and taxes		3,900,329	3,003,725
Printing and stationery		1,422,582	1,347,801
Communication		2,496,005	3,104,316
Vehicle running and maintenance		4,488,700	3,812,149
Repairs and maintenance		995,999	1,206,352
Auditors' remuneration	28.2	812,500	800,000
Fee and subscription		2,019,394	2,200,114
Legal and professional		1,413,267	5,059,090
Electricity, gas and water		1,195,378	527,030
Insurance		849,898	774,441
Advertisement		41,700	124,050
Depreciation	15.1	2,384,998	2,305,969
Debtors written off		-	11,141,161
Others		2,942,208	410,456
		62,180,784	62,523,215

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

28.1 This includes employee benefits amounting to Rs. 2,016 million (2013: Rs.1,754 million).

	Note	2014 (Rupees)	2013 (Rupees)
28.2 Auditors' remuneration			
Audit fee		600,000	600,000
Half yearly review		137,500	125,000
Code of corporate governance review		75,000	75,000
		812,500	800,000
29 OTHER OPERATING EXPENSES			
Exchange loss		862,292	5,559,562
Provision for workers' profit participation fund		4,127,192	-
Provision for workers' welfare fund		1,813,258	-
		6,802,742	5,559,562
30 OTHER OPERATING INCOME			
Profit on investments at fair value		533,895	1,817,304
Dividend income		83,547	79,928
Profit on bank deposits		27,310	871,426
Gain on disposal of property, plant and equipment	15.3	692,356	889,102
Amortization of interest free loan	30.1	-	137,709,608
Other Income - fair price shop		2,077,743	2,144,929
Others		8,831,408	3,887,160
		12,246,259	147,399,457
30.1 Amortization of interest free loan			
Carrying value of interest free loan		153,090,227	218,967,844
Present value adjustment		(34,193,384)	(5,460,473)
		118,896,843	213,507,371
Interest charged to profit and loss		34,193,384	5,460,473
Current portion shown under current liabilities		(70,700,000)	(146,933,500)
		82,390,227	72,034,344

This represented the interest free loans payable to National Bank of Pakistan (NBP) amounting to Rs. 70,700 million payable in 16 quarterly installments commencing from March 2011 and loan payable to Bank of Punjab (BOP) amounting to Rs. 82,390 million payable in 31 monthly installments commencing from October 2017. These loans have been discounted using the weighted average interest rate of 15.32% and 11.53% respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
31 FINANCE COST			
Mark-up on long term financing		45,713,763	99,416,223
Mark-up on short term borrowings		102,693,547	122,990,383
Interest on Workers' Profit Participation Fund	11.1	2,723,044	2,346,532
Bank charges and others		7,788,500	6,471,198
Unwinding of discount		34,193,380	5,460,473
		193,112,234	236,683,809
32 TAXATION			
Provision for taxation current	32.1	42,435,240	19,267,163
Deferred taxation	32.2	(17,039,449)	(10,743,614)
		25,395,791	8,523,549
32.1	The Company is under the ambit of final tax up to the extent of export sales under Section 169 of Income Tax Ordinance 2001. Provision for income tax is made accordingly. Income tax provision for income which is not subject to final tax under Section 169 of Income Tax Ordinance, 2001 has been calculated in accordance with Section 113 of the Income Tax Ordinance, 2001. No provision for deferred tax has been charged except as explained in note 10.		
32.2	This represents deferred tax associated with surplus on revaluation of property, plant and equipment transferred to retained earnings on account of incremental depreciation.		
32.3	Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.		
33 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earnings attributable to ordinary shareholders		63,453,852	114,260,897
Weighted average number of ordinary shares	6	59,428,729	59,428,729
		1.07	1.92
33.1	There is no dilutive effect on the basic earning per share.		

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

34 CASH FLOW FROM OPERATING ACTIVITIES

Profit for the year before taxation		88,849,643	123,784,446
Adjustments for:			
Depreciation on property, plant and equipment	15.1	167,459,038	147,075,088
Loss/(gain) on disposal property, plant and equipment	15.3	(692,356)	(889,102)
Gain on re-measurement of short term investments		(533,895)	(1,817,304)
Dividends, capital gains and income from investments		(246,416)	(917,993)
Staff retirement benefits - gratuity		16,068,040	12,836,652
Unrecognized actuarial gain		(1,533,220)	-
Debtors written off		-	11,141,161
Provision for WPPF & WWF		5,940,460	-
Interest on Workers' Profit Participation Fund		2,723,044	2,346,532
Amortization of interest free loans		-	(137,709,606)
Unwinding of discount		34,193,384	5,460,473
Finance cost		156,195,810	228,876,804
Profit before working capital changes		468,423,522	389,187,149
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(2,624,730)	(10,023,208)
Stock in trade		(61,895,070)	51,222,794
Trade debts		(8,966,774)	(81,511,267)
Loans and advances		15,522,567	(8,047,994)
Other receivables		(2,071,253)	3,751,946
Trade deposits, prepayments and balances with statutory authorities		(30,722,804)	(24,871,392)
Increase / (decrease) in current liabilities			
Trade and other payables		22,990,641	62,040,373
Net changes in working capital		(67,767,423)	(7,438,748)
		400,656,099	381,748,401

35 FINANCIAL ASSETS AND LIABILITIES

	Mark up bearing		Non mark up bearing		TOTAL 2014 (Rupees)	TOTAL 2013 (Rupees)
	Maturity up to one year (Rupees)	Maturity after one year (Rupees)	Maturity up to one year (Rupees)	Maturity after one year (Rupees)		
Financial Assets						
- Loans and receivables						
Long term deposits	-	-	-	7,573,686	7,573,686	5,259,170
Trade debts	-	-	888,288,893	-	888,288,893	398,028,319
Loans and advances	-	-	11,409,602	-	11,409,602	16,771,774
Trade deposits and other receivables	-	-	16,512,398	-	16,512,398	8,402,828
Other and bank balances	16,363	-	80,718,753	-	80,735,116	42,867,281
- At fair value through profit or loss						
Investments	10,648,935	-	-	-	10,648,935	40,311,325
	16,659,258		495,412,146	447,329,541	485,859,465	441,071,958
Financial Liabilities						
- At amortised cost						
Long term financing	327,016,428	198,760,318	-	-	525,776,746	716,215,331
Trade and other payables	-	-	258,361,512	-	258,361,512	291,350,539
	327,016,428	198,760,318	258,361,512		814,138,856	1,007,565,870
On balance sheet gap	(546,387,199)	(198,760,318)	(188,962,864)	7,573,686	(134,851,831)	(301,302,985)

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 (Rupees)	2013 (Rupees)
Off balance sheet items			
Bills discounted with recourse		171,114,549	75,955,931
Bank guarantees issued in the ordinary course of business		43,693,500	36,140,500
Letters of credit		2,956,500	2,151,652

36 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing 6% to 11.65% (2013: 6.95% to 13.56%) per annum

Short term borrowings 9.01% to 11.94% (2013: 9.50% to 14.10%) per annum

36.1 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. 465,856 million (2013: Rs. 441,075 million), the financial assets that are subject to credit risk amounted to Rs. 374,483 million (2013: Rs. 357,795 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	7,872,686	3,299,170
Trade debts	338,288,893	329,322,119
Loans and advances	11,409,502	16,771,774
Trade deposits and other receivables	16,912,393	8,402,393
Bank balances	79,955,162	42,567,188
	454,438,636	400,362,644

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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

	Rating agency	Long term Rating	Short term Rating
Bank Alfalah Limited	PACRA	AA	A1+
Askari Bank Limited	PACRA	AA	A1+
Faysal Bank Limited	PACRA	AA	A1+
Meezan Bank Limited	JCR-VIS	AA	A-1+
MCB Bank Limited	PACRA	AAA	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	JCR-VIS	AAA	A-1+
Silk Bank Limited	JCR-VIS	A-	A-2
SME Bank Limited	PACRA	BBB-	A3
Bank of Punjab	PACRA	AA-	A1+
United Bank Limited	JCR-VIS	AA+	A-1+
Suneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Allied Bank Limited	PACRA	AA+	A1+
NIB Bank Limited	PACRA	AA-	A1+
Bank Al Habib Limited	PACRA	AA+	A1+

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as the Company has obtained short term borrowings from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments. In addition, the Company uses different methods including restructuring and rescheduling of existing loan facilities which assists it in monitoring cash flow requirements. Therefore, the management envisages that sufficient financial resources will be available for the continuing operations of the Company.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to market risk on account of foreign currency balances, interest bearing borrowings, investments and foreign currency receivables.

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, Pound Sterling and Euro is as follows:

	2014 (Rupees)	2013 (Rupees)
Foreign debtors	90,481,865	90,018,211
Foreign currency bank account	583,861	583,170
Gross balance sheet exposure	91,065,226	90,601,381
Letters of credit	2,956,500	2,151,652
Net exposure	94,021,726	92,753,033

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

	Average rate		Reporting date rate	
	2014	2013	2014	2013
Rupees per USD	102.71	96.24	98.55	98.60
Rupees per Euro	138.94	123.80	134.46	128.85
Rupees per Pound Sterling	166.37	150.87	167.79	150.57

As at reporting date, had the exchange of USD, Euro and Pound Sterling depreciated or appreciated by 10% 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:

	30 Jun 14		30 Jun 13	
	% Change (+ -)	Impact (+ -)	% Change (+ -)	Impact (+ -)
Effect on profit or loss				
USD	10	6,936,973	10	5,916,814
Euro	10	5,727,104	10	4,653,691
Pound Sterling	10	9,167,668	10	9,803,940

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

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:

	2014		2013	
	Effective interest rate %		Effective interest rate %	
Long term financing	6% to 11.65%	5.95% to 13.50%	555,776,744	716,218,231
Short term financing	9.01% to 11.94%	9.50% to 14.10%	954,372,343	963,810,392

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 2013.

	Profit and loss 100 bp	
	Increase	decrease
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial liabilities	15,101,491	(15,101,491)
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial liabilities	16,800,286	(16,800,286)

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

Past due balances

	2014 (Rupees)	2013 (Rupees)
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	281,913,051	262,663,825
Past due 30-150 days	5,158,277	7,314,106
Past due 150 days	51,217,565	59,344,188
	338,288,893	329,322,119

36.2 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 business.

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.

The salient information relating to capital risk management of the Company as of June 30, 2014 and 2013 were as follows:

	2014 (Rupees)	2013 (Rupees)
Total borrowings	1,510,149,087	1,680,028,623
Cash and bank balances	(80,729,056)	(42,967,581)
	1,429,420,031	1,637,061,042
Total equity	659,796,490	562,946,784
	2,089,216,521	2,200,007,826
Gearing ratio %	68.42	74.41

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	-	984,516	10,573,260	800,004	1,872,000	8,244,120
House rent allowance	-	443,032	4,757,967	360,000	835,200	3,708,000
Utilities	-	49,326	528,663	39,996	172,800	407,880
	-	1,476,774	15,859,890	1,200,000	2,880,000	12,360,000
No. of persons	1	2	18	1	3	16

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

- 37.1 Some of the Directors and the Executives are provided with free use of Company cars as per rules.
 37.2 No meeting fee was paid to the Directors for attending the meetings of the Board.
 37.3 Gratuity expense related to Directors is classified under note 28.

	2014 (Number)	2013 (Number)
38 PLANT CAPACITY AND PRODUCTION		
Grieg fabric unit		
No. of looms installed	246	222
No. of looms worked	246	222
Shifts per day	3	3
No. of days actually worked	365	365
Rated capacity (Square Meters in millions)	77.4	75.5
Actual production (Square Meters in millions)	72.9	69.9
Towel unit		
No. of looms installed	31	31
No. of looms worked	31	31
Shifts per day	3	3
No. of days actually worked	365	365
Rated capacity (Tons)	2700	2700
Actual production (Tons)	2287	2240
Towel dyeing and processing unit		
Rated capacity (Tons)	3600	3600
Actual production (Tons)	2337	1734
38.1 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.		

39 NUMBER OF EMPLOYEES

Number of employees at the year end	1020	935
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40 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 20, 2014.

41 FIGURES

Figures have been rounded off to the nearest Rupee.


 CHIEF EXECUTIVE


 DIRECTOR



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 16th Annual General Meeting
of the Company to be held at its Registered Office, 3rd Floor IEP building 97-B/D-1 Gulberg III, Lahore on October 25, 2014
at 11:30 AM and at every adjournment thereof.

As witnessed given under my / our hand(s) this _____ day of _____ 2014

1. Witness: _____
Signature: _____
Name: _____
Address: _____

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Member

2. Witness: _____
Signature: _____
Name: _____
Address: _____

Shares held _____
Shareholders' _____
CDC A/s # _____
CNIC No.

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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 / Passport 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.