



Zephyr Textiles Limited

ANNUAL REPORT 2015

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BOARD OF DIRECTORS:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Ms. Tehniyat Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid Mr. Naveed Aleem	CEO
AUDIT COMMITTEE:	Ms. Tehniyat Mussaid Mr. Arbab Muhammad Khan Ms. Sabah Burhan	Chairperson/Member Member Member
CHIEF FINANCIAL OFFICER:	Mr. Naveed Aleem	
COMPANY SECRETARY:	Mr. Abdul Jabbar	
AUDITORS:	Azhar Zafar & Company	Chartered Accountants
LEGAL ADVISOR:	Cornelius Lane & Mufti Advocate 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 - 512007-9, 513103-5 Fax : 0494 - 512011 63 km, Gulshan Adda, Jumber Khurd, District Kasur.	Weaving unit & Power plant) (Towel Unit)
REGISTERED & HEAD OFFICE:	3rd Floor, IEP Building, 97 B/D-I, Gulberg III, Lahore. E-mail: info@zephyr.com.pk Website: www.zephyr.com.pk Phone : 042 35782905 - 15 Fax : 042 35753202	

Note: Zephyr's Company Information & Financial Statements are also available at the above website.

Notice is hereby given that the 17th 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 31, 2015, at 11:30 AM to transact the following business:

- To confirm the minutes of the last Extra Ordinary Annual General Meeting dated August 17, 2015.
- To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2015 together with the Directors' and Auditor's report thereon.
- To appoint auditors for the year ending June 30, 2016 and to fix their remuneration. The present Auditors M/S Azhar Zafar & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
- To transact any other business with the permission of the Chair.

By Order of the Board

Abdul Jabbar
Company Secretary

Lahore:
October 09, 2015

NOTES:

• **BOOK CLOSURE NOTICE:**

Share transfer books of the company will remain closed from October 24, 2015 to October 31, 2015 (both days inclusive) and no transfer will be accepted during this period.

- 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.
- 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.
- In case of proxy for an 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.
- Shareholders are requested to notify any change in their addresses immediately.

The Directors of Zephyr Textiles Limited ("The Company") are pleased to present the Annual Report of the Company for the year ended June 30, 2015 along with the financial statements and auditors' report thereon.

Financial review

Financial performance

The financial results depict satisfactory performance of the Company during the fiscal year ended June 30, 2015. However, gross profit of the Company decreased as compared to the last year because:

1. the Company was unable to operate on 100% production capacity due to non/short availability of energy.
2. higher cost of inputs excluding raw material.
3. severe competition in international and local markets.
4. sluggish textile market due to depressed cotton price.
5. strengthening of Pak Rupee against USD.

The noticeable increase in net profit is only due to notional income incorporated from restructuring with National Bank Of Pakistan as per IAS 39.

Financial highlights	2015	2014
Net sales	3,756,906,768	4,199,161,232
Gross Profit	327,863,603	405,352,767
EBITDA	380,971,500	256,308,681
Depreciation	155,458,285	167,459,038
Finance Cost	166,340,523	193,112,234
Pre-tax profit	225,513,215	88,849,643
After tax profit	203,066,742	63,453,852

Net sales decreased by 10.53% whereas gross profit decreased by 19.12% as compared to corresponding period. EBITDA increased by 48.64%, pre-tax and after tax profits are increased by 153.81% and 220.05% respectively. Finance cost decreased by 7.17% as compared to the corresponding period ended June 30, 2014.

Sales revenue and production decreased owing to depressed market conditions and shortage of electricity and gas. Grey fabric business faced a strenuous time during the period under review. The Company produced 23.1 million linear meters of fabric as compared to 24.9 million linear meters last year. Similarly, sales quantity limited to 22.8 million linear meters as compared to 24.4 million linear meters in last year. Towel production slightly increased from 2,287 tons to 2,386 tons.

Gross profit reduced mainly due to severe production losses and increased conversion cost like wages, fuel and power. The increasing cost of production resulting from Pakistan's energy crisis has been the textile industry's primary setback. Although, there was positive adjustments in terms of Fuel Price Adjustment due to reduced fuel prices in the International market, the benefit of the same was not reaped due to levy of additional taxes and surcharges. FC-Surcharge (Financing Cost Surcharge) and TR-Surcharge (Tariff Rationalization Surcharge) levied in LESCO bills from June, 2015. Similarly, stay against GIDC (Gas Infrastructure Development Cess) vacated by the Supreme Court of Pakistan in favour of SNGPL and the industry had to bear its cost and cash outflow. This deteriorated the profitability and especially cash flow of the entire textile industry leaving it in liquidity crunch.

Finance cost decreased by 7.17% as compared to last year because of long term loans' regular repayments and restructuring with the National Bank Of Pakistan. The Company paid Rs.100 million as an upfront to the restructuring agreement which reduced long term principal. All pending mark up was calculated on cost of funds at around 7% and converted to non-serviceable long term loan, which significantly improved current ratio. The Company also successfully negotiated reduced pricing for the remaining payment period.

Extra ordinary other income represents the notional income incorporated from mark up free loan repayable in 28 quarterly installments as an outcome of restructuring with National Bank of Pakistan. High pre-tax and after tax profits are for the same reasons.

Current and future perspective

Historically the textile industry in Pakistan has always been one of the most competitive producers of textile raw materials. Pakistan has enjoyed this position unchallenged for many decades, owing to the cheap cotton, modern equipment and a trained and reasonably efficient work force. This competitive advantage has eroded over the last two years. The main reasons for this loss in competitive advantage are rising cost of labour and energy, coupled with an unfavorable and unrealistic exchange rate of the Pak rupee VS the US Dollar, and other western currencies.

This scenario has put the Export oriented Pakistan Textile Industry at a disadvantage with some of our traditional competitors like China, India, Bangladesh, Indonesia, in some instances even Turkish Mills have been able to compete with Pakistani producers. This is mainly because almost all the countries named above have applied significant devaluation to their exchange rate. While the management hopes that our financial mavens in Islamabad will address this anomaly in the short term, lack of global competitiveness will remain a major cause for concern in the current period and near future.

Last year the company had started a line of men's' wear fabric for the local market under the Zebrands division. The initial results are quite encouraging. This division is earmarked to grow 100% in the current year with further growth planned over the next three years.

The addition of 4 jacquard terry looms in the year under review have started to bear dividends, and we have been able to secure high value orders for jacquard towels. Despite the erosion of competitive advantage the company was able to post a modest increase in Towel sales. With focus on Jacquards, yarn dyes, and kitchen towels the company is expecting to post a healthy growth in the coming period.

To achieve all this the company is planning to invest rupees 120 to 150 million in additional equipment in the areas of terry weaving, terry finishing, yarn dyeing and automated stitching. All this will be complemented with rupees 40 to 50 million in civil construction for machinery and warehousing. Another rupees 15 to 20 million is earmarked for worker's housing construction.

Working capital management

There is significant improvement in Company's current and quick ratios as compared to corresponding period. Current and quick ratios increased at 1.26 and 0.37 from 0.77 and 0.231 respectively. There is significant improvement in current and quick ratio because of converting short term finances into long term in the restructuring agreement with National Bank Of Pakistan. The Company is also in negotiations with National Bank of Pakistan for a new working capital line of Rs. 220 million as per restructuring agreement. This new working capital line will definitely capacitate the Company to enhance its business operations with full zeal and zest.

Capital structure

Leverage of the Company also recorded significant improvement from 1.63 last year to 1.16 as at June 30, 2015. The management of the Company is enthusiastic to increase share holders' wealth with its proactive approach.

Non financial review

Quality, customer's satisfaction, employee's development and professional standards are Company's key areas where management has taken necessary measures to improve them. The Company is currently producing and supplying the high quality products which ensures maximum satisfaction to the customers. The Company is maintain highly satisfactory relationship with all stake holders. The Company has formed various committees which are responsible for the effective monitoring of key areas.

Corporate matters

Mr. Manzar Us Salam, Company director resigned from his office on December 31, 2014. This casual vacancy was duly filled in by appointing Mr. Naveed Aleem as director of the Company till the next elections which was conducted on August 17, 2015. Ms. Nuzhat Kamran was appointed as an independent director in place of Mr. Naveed Aleem on August 17, 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 CCG 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 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
Ms. Nuzhat Kamran	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 directors	No. of meetings attended
1.	Mr. Mussaid Hanif	4
2.	Mr. Burhan Muhammad Khan	4
3.	Mr. Arbab Muhammad Khan	4
4.	Mr. Manzar Us Salam	2
5.	Ms. Tehniyat Mussaid	4
6.	Ms. Sabah Burhan	4
7.	Ms. Sarah Mussaid	4
8.	Mr. Naveed Aleem	1
9.	Ms. Nuzhat Kamran	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, 2015, 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, 2016.

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.

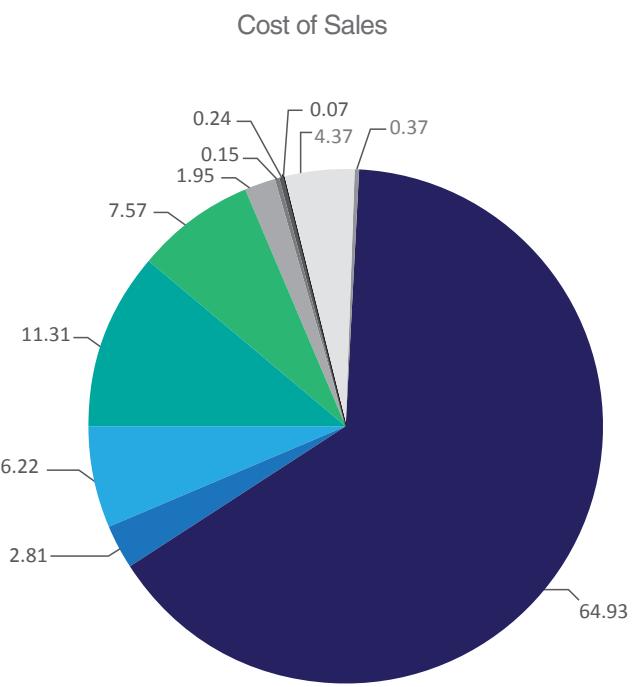
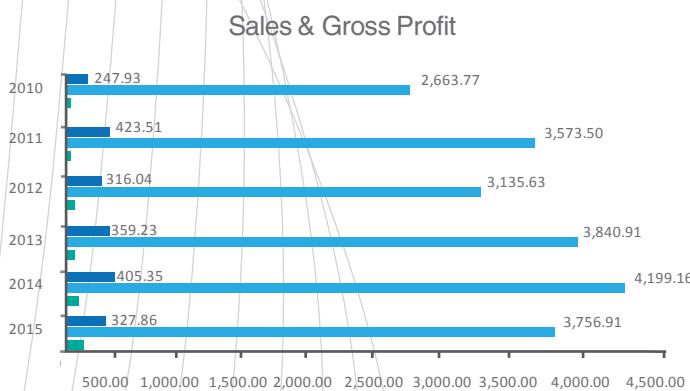
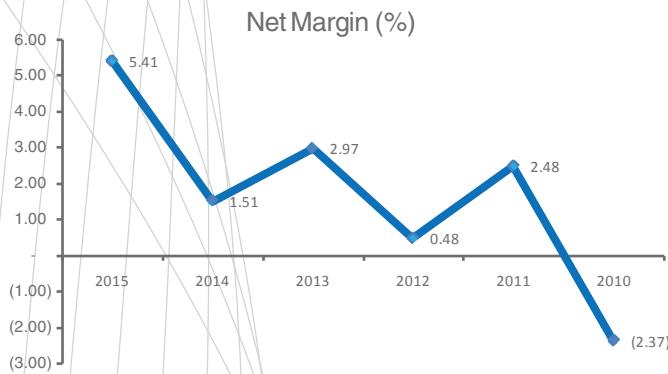
For and on behalf of the Board of Directors



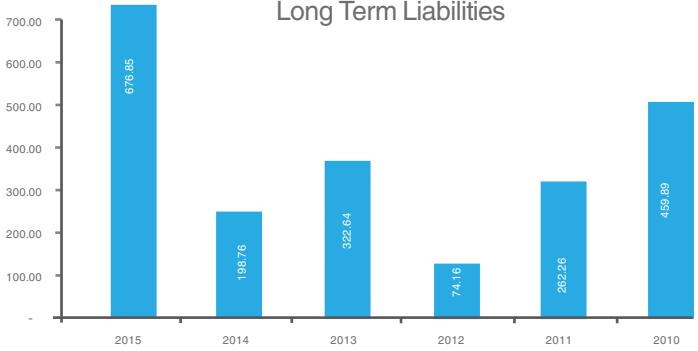
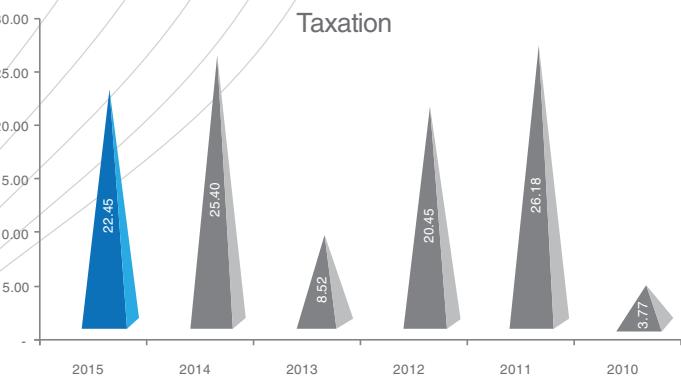
Mussaid Hanif
Chief Executive

Lahore
September 15, 2015

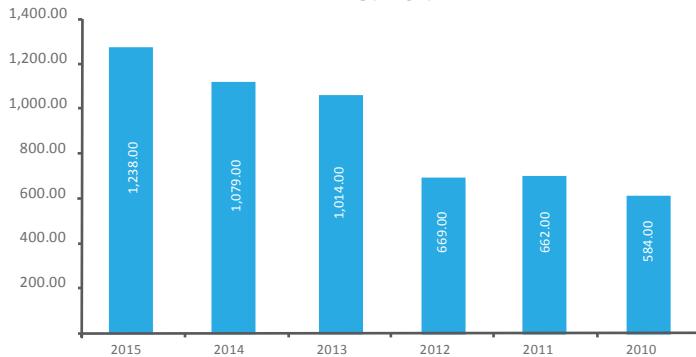
Graphical Representation



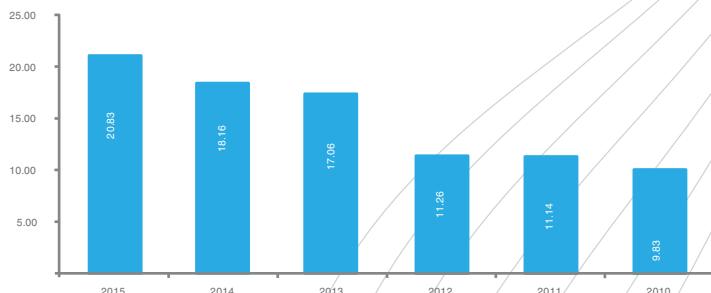
Raw material	64.93
Stores consumed	6.21
Fuel and power	11.31
Salaries, wages and other benefits	7.57
Travelling & Conveyance	0.07
Depreciation	4.37
Insurance	0.15
Other production overheads	0.37
Packing Sizing and lubricants consumed	0.24



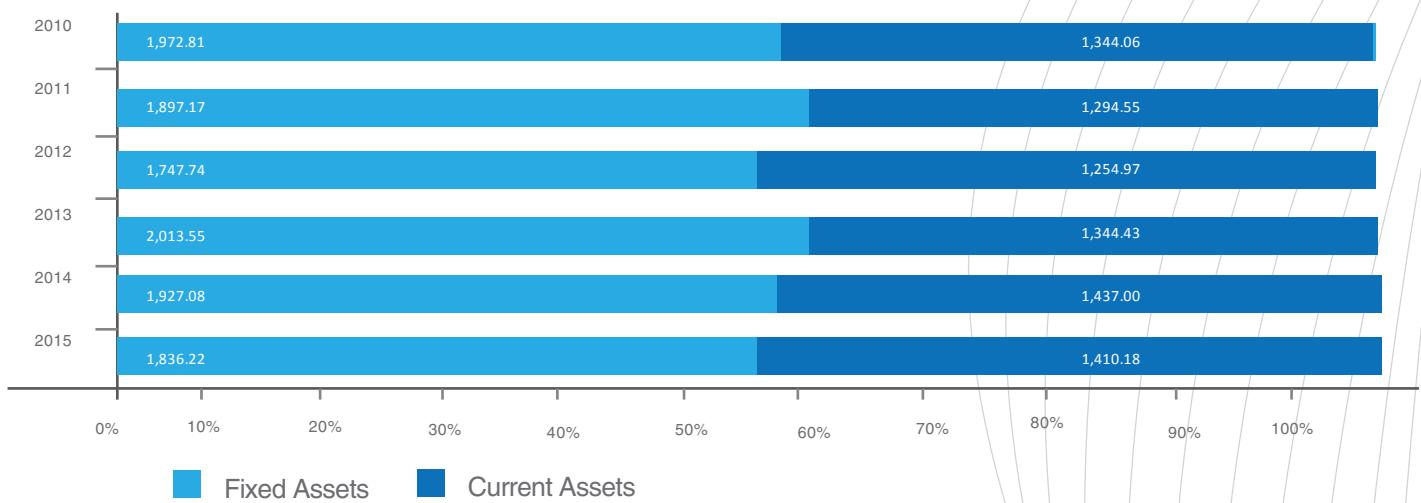
Net worth



Break up value per share (Rs.)



Total Assets

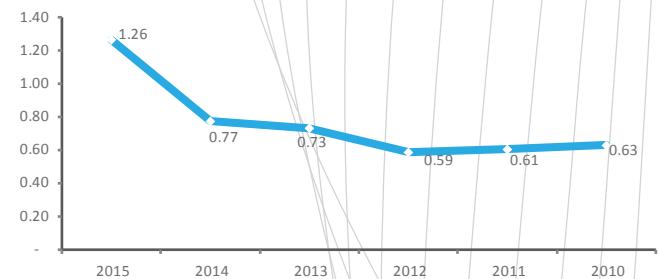


■ Fixed Assets ■ Current Assets

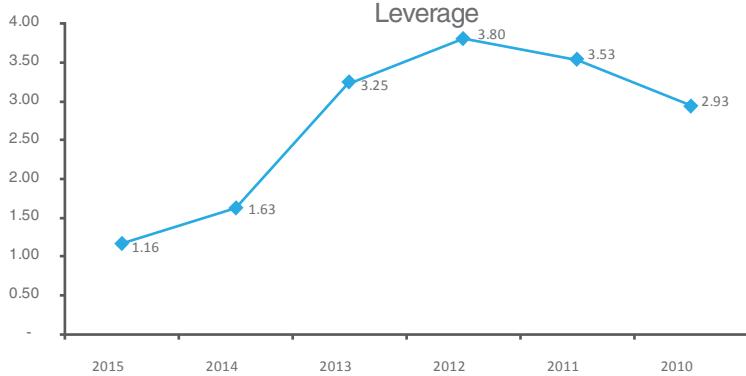
Earning Per Share (Rs.)



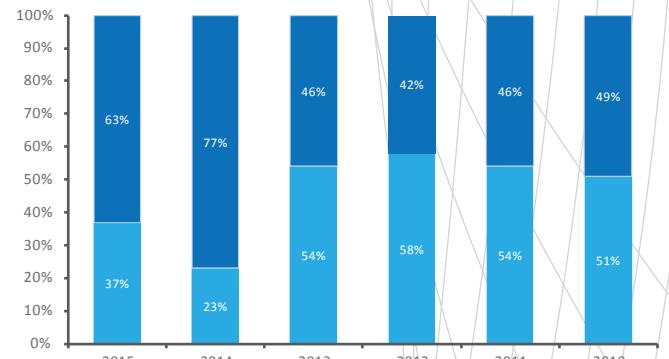
Current Ratio



Leverage



Long Term Debt : Equity



Horizontal Analysis

(Rupees in million)

	2015	Variance vs Last Year Increase/ (Decrease)	2014	Variance vs Last Year Increase/ (Decrease)	2013	Variance vs Last Year Increase/ (Decrease)	2012	Variance vs Last Year Increase/ (Decrease)	2011
OPERATING RESULTS									
Sales - net	3,756.91	(10.53)	4,199.16	9.33	3,840.91	22.49	3,135.63	(12.25)	3,573.50
Cost of sales	3,429.04	(9.61)	3,793.81	8.97	3,481.67	23.48	2,819.59	(10.49)	3,150.00
Gross Profit	327.86	(19.12)	405.35	12.84	359.23	13.67	316.04	(25.38)	423.51
Distribution cost	77.74	1.42	76.65	(3.07)	79.08	10.51	71.56	13.11	63.27
Administrative expenses	57.05	9.32	52.18	(16.54)	62.52	19.17	52.47	56.73	33.48
Other operating expenses	3.96	(41.84)	6.80	22.36	5.56	58.15	3.52	(59.02)	8.58
Financial cost	166.34	(13.86)	193.11	(18.41)	236.68	20.71	196.08	(9.65)	217.03
Other operating income	202.73	1,555.47	12.25	(91.69)	147.40	243.08	42.96	214.19	13.67
Profit/(Loss) before taxation	225.51	153.81	88.85	(27.64)	122.78	247.03	35.38	(69.19)	114.83
Provision for taxation	22.45	(11.61)	25.40	197.95	8.52	(58.32)	20.45	(21.89)	26.18
PROFIT/(LOSS) FOR THE YEAR	203.07	220.02	63.45	(44.47)	114.26	665.36	14.93	(83.16)	88.65
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,836.22	(4.71)	1,927.08	(4.29)	2,013.55	15.21	1,747.74	(3.86)	1,817.84
Capital/ work in progress	10.86	-	-	(100.00)	58.84	-	-	(100.00)	79.33
Long term deposits	7.87	-	7.87	138.63	3.30	9.81	3.00	-	3.00
TOTAL NON-CURRENT ASSETS	1,854.96	(4.13)	1,934.95	(6.78)	2,075.68	18.56	1,750.75	(7.86)	1,900.18
CURRENT ASSETS									
Stores, spare parts and loose tools	108.39	0.62	107.73	2.50	105.10	10.54	95.08	33.29	71.33
Stock in trade	714.91	(2.34)	732.05	9.24	670.16	(7.10)	721.38	7.51	670.97
Trade debts	372.66	10.16	338.29	2.72	329.32	32.89	247.81	(17.35)	299.84
Loans and advances	41.12	46.32	28.10	(35.58)	43.62	22.62	35.58	(41.07)	60.37
Trade deposits and short term prepayments	113.52	(8.90)	124.62	24.40	100.18	44.19	69.47	(19.82)	86.64
Other receivables	20.88	40.64	14.84	16.22	12.77	(22.71)	16.52	(32.09)	24.33
Investments	1.53	(85.66)	10.64	(73.60)	40.31	(29.63)	57.28	(3.43)	59.32
Cash and bank balances	37.18	(53.95)	80.73	87.88	42.97	262.81	11.84	(45.53)	21.74
TOTAL CURRENT ASSETS	1,410.18	(1.87)	1,437.00	6.89	1,344.43	7.13	1,254.97	(3.06)	1,294.55
TOTAL ASSETS	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12	13.79	3,005.72	(5.92)	3,194.73
CURRENT LIABILITIES									
Trade and other payables	356.31	17.86	302.33	8.23	279.34	28.55	217.29	(12.83)	249.27
Accrued/ mark-up	4.56	(98.13)	243.93	22.15	199.70	(4.57)	209.27	(4.84)	219.92
Short term borrowings	604.90	(36.62)	954.37	(0.98)	963.81	(7.01)	1,036.48	(8.95)	1,138.42
Current portion of long term financing	151.59	(57.54)	357.02	(9.29)	393.57	(41.61)	674.06	26.84	531.41
TOATL CURRENT LIABILITIES	1,117.36	(39.85)	1,857.64	1.16	1,836.42	(14.07)	2,137.10	(0.09)	2,139.02
WORKING CAPITAL	292.82	(169.61)	(420.64)	(14.50)	(491.98)	(44.23)	(882.13)	4.46	(844.47)
TOTAL CAPITAL EMPLOYED	2,147.78	41.83	1,514.31	(4.38)	1,583.70	82.32	868.62	(17.72)	1,055.71
NON-CURRENT LIABILITIES									
Long term financing	676.85	240.54	198.76	(38.40)	322.64	335.09	74.16	(71.72)	262.26
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	232.58	(1.52)	236.18	(4.34)	246.90	96.17	125.86	(4.01)	131.12
TOTAL NON-CURRENT LIABILITIES	909.43	109.09	434.94	(23.63)	569.54	184.75	200.02	(49.15)	393.38
NET WORTH	1,238.35	14.73	1,079.37	6.43	1,014.16	51.68	668.60	0.95	662.33
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated Profit / Loss	253.30	286.66	65.51	(309.02)	(31.34)	(81.07)	(165.55)	(13.83)	(192.13)
Surplus on revaluation of property, plant and equipment	390.76	(6.87)	419.57	(7.01)	451.22	88.11	239.87	(7.81)	260.17
	1,238.35	14.73	1,079.37	6.43	1,014.16	51.68	668.60	0.95	662.33
TOTAL LIABILITIES	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12	13.79	3,005.72	(5.92)	3,194.73

Vertical Analysis

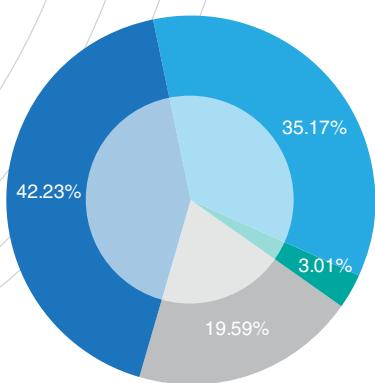
(Rupees in million)

	2015	% of Total Value	2014	% of Total Value	2013	% of Total Value	2012	% of Total Value	2011
OPERATING RESULTS									
Sales - net	3,756.91	100.00	3,840.91	100.00	3,135.63	100.00	3,135.63	100.00	3,573.50
Cost of sales	3,429.04	91.27	3,481.67	90.65	2,819.59	89.92	2,819.59	89.92	3,150.00
Gross Profit	327.86	8.73	359.23	9.35	316.04	10.08	316.04	10.08	423.51
Distribution cost	77.74	2.07	79.08	2.06	71.56	2.28	71.56	2.28	63.27
Administrative expenses	57.05	1.52	62.52	1.63	52.47	1.67	52.47	1.67	33.48
Other operating expenses	3.96	0.11	5.56	0.14	3.52	0.11	3.52	0.11	8.58
Financial cost	166.34	4.43	236.68	6.16	196.08	6.25	196.08	6.25	217.03
Other operating income	202.73	5.40	147.40	3.84	42.96	1.37	42.96	1.37	13.67
Profit/(Loss) before taxation	225.51	6.00	122.78	3.20	35.38	1.13	35.38	1.13	114.83
Provision for taxation	22.45	0.60	8.52	0.22	20.45	0.65	20.45	0.65	26.18
PROFIT/(LOSS) FOR THE YEAR	203.07	5.41	114.26	2.97	14.93	0.48	14.93	0.48	88.65
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,836.22	56.24	2,013.55	58.87	1,747.74	58.15	1,747.74	58.15	1,817.84
Capital work in progress	10.86	0.33	58.84	1.72	-	-	-	-	79.33
Long term deposits	7.87	0.24	3.30	0.10	3.00	0.10	3.00	0.10	3.00
TOTAL NON-CURRENT ASSETS	1,854.96	56.81	2,075.68	60.69	1,750.75	58.25	1,750.75	58.25	1,900.18
CURRENT ASSETS									
Stores, spare parts and loose tools	108.39	3.32	105.10	3.07	95.08	3.16	95.08	3.16	71.33
Stock in trade	714.91	21.90	670.16	19.59	721.38	24.00	721.38	24.00	670.97
Trade debts	372.66	11.41	329.32	9.63	247.81	8.24	247.81	8.24	299.84
Loans and advances	41.12	1.26	43.62	1.28	35.58	1.18	35.58	1.18	60.37
Trade deposits and short term prepayments	113.52	3.48	100.18	2.93	69.47	2.31	69.47	2.31	86.64
Other receivables	20.88	0.64	12.77	0.37	16.52	0.55	16.52	0.55	24.33
Investments	1.53	0.05	40.31	1.18	57.28	1.91	57.28	1.91	59.32
Cash and bank balances	37.18	1.14	42.97	1.26	11.84	0.39	11.84	0.39	21.74
TOTAL CURRENT ASSETS	1,410.18	43.19	1,344.43	39.31	1,254.97	41.75	1,254.97	41.75	1,294.55
TOTAL ASSETS	3,265.14	100.00	3,420.12	100.00	3,005.72	100.00	3,005.72	100.00	3,194.73
CURRENT LIABILITIES									
Trade and other payables	356.31	10.91	279.34	8.17	217.29	7.23	217.29	7.23	249.27
Accrued mark-up	4.56	0.14	199.70	5.84	209.27	6.96	209.27	6.96	219.92
Short term borrowings	604.90	18.53	963.81	28.18	1,036.48	34.48	1,036.48	34.48	1,138.42
Current portion of long term financing	151.59	4.64	393.57	11.51	674.06	22.43	674.06	22.43	531.41
TOATL CURRENT LIABILITIES	1,117.36	34.22	1,836.42	53.69	2,137.10	71.10	2,137.10	71.10	2,139.02
WORKING CAPITAL	292.82	8.97	(491.98)	(14.38)	(882.13)	(29.35)	(882.13)	(29.35)	(844.47)
TOTAL CAPITAL EMPLOYED	2,147.78	65.78	1,583.70	46.31	868.62	28.90	868.62	28.90	1,055.71
NON-CURRENT LIABILITIES									
Long term financing	676.85	20.73	322.64	9.43	74.16	2.47	74.16	2.47	262.26
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	232.58	7.12	246.90	7.22	239.35	7.96	125.86	7.96	131.12
TOTAL NON-CURRENT LIABILITIES	909.43	27.85	569.54	16.65	313.51	10.43	200.02	10.43	393.38
NET WORTH	1,238.35	37.93	1,014.16	29.65	555.11	18.47	668.60	18.47	662.33
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	18.20	594.29	17.38	594.29	19.77	594.29	19.77	594.29
Accumulated Profit / Loss	253.30	7.76	(31.34)	(0.92)	(165.55)	(5.51)	(165.55)	(5.51)	(192.13)
Surplus on revaluation of property, plant and equipment	390.76	11.97	451.22	13.19	126.38	4.20	239.87	4.20	260.17
	1,238.35	37.93	1,014.16	29.65	555.11	18.47	668.60	18.47	662.33
TOTAL LIABILITIES	3,265.14	100.00	3,420.12	100.00	3,005.72	100.00	3,005.72	100.00	3,194.73

Statement of Value Addition

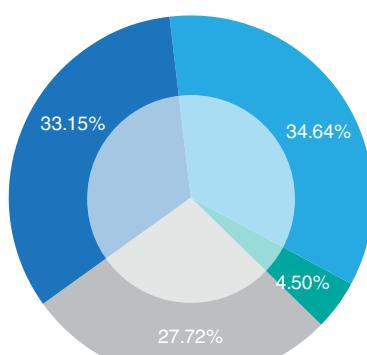
Year 2015	Year 2014
Amount Rs.	Amount Rs.
%	%
Wealth Generated	
Sales Revenue	3,756,906,768
Other Income	202,733,175
	3,959,639,943
Less:	
Material & Services	
Material & Factory Costs	3,019,064,957
Administrative Costs	25,340,512
Distribution Costs	66,317,441
	3,110,722,910
Total Wealth Generated	848,917,033
	100%
	696,654,136
	100%
Wealth Distributed	
To Employees	
Salaries & Benefits	298,528,107
	35.17%
	241,292,769
	34.64%
To Government	
Tax	22,446,474
Worker Profit Participation Fund	2,229,641
Worker Welfare Fund	847,264
	2.64%
	0.26%
	0.10%
	25,395,791
	3.65%
	4,127,192
	0.59%
	1,813,258
	0.26%
To Providers of Capital	
Dividends to Share Holders	-
Mark Up/Interest on Borrowed Funds	166,340,518
	19.59%
	193,112,234
	27.72%
To Providers for Maintenance & Expansion of Assets	
Depreciation	155,458,280
Profit Retained	203,066,749
	18.31%
	23.92%
	167,459,039
	24.04%
	63,453,853
	9.11%
Total Wealth Distributed	848,917,033
	100%
	696,654,136
	100%

Distribution of wealth 2015



- To Employees 35.17%
- To Government 3.01%
- To Providers of Capital 19.59%
- To Providers for Maintenance & Expansion of Assets 42.23%

Distribution of wealth 2014



- To Employees 34.64%
- To Government 4.50%
- To Providers of Capital 27.72%
- To Providers for Maintenance & Expansion of Assets 33.15%

Key Operating and Financial Data of Last Six Years

	June, 30 2015	June, 30 2014	June, 30 2013	June, 30 2012	June, 30 2011	June, 30 2010
	(Rupees in thousand)					
PROFIT AND LOSS						
Sales	3,756,907	4,199,161	3,840,907	3,135,629	3,573,505	2,663,771
Cost of Sales	3,429,043	3,793,808	3,481,673	2,819,589	3,149,998	2,415,837
Gross Profit	327,864	405,353	359,234	316,041	423,507	247,934
Operating Profit plus other income	391,854	281,962	359,468	231,462	331,858	220,676
Financial & Other charges	166,341	193,112	236,684	196,080	217,027	280,054
Taxation	22,446	25,396	8,524	20,452	26,183	3,775
NET PROFIT AFTER TAX	203,067	63,454	114,260	14,929	88,648	(63,154)
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	253,297	65,509	(31,341)	(165,554)	(192,134)	(302,633)
Surplus on revaluation of fixed assets	390,762	419,572	451,216	239,867	260,174	292,733
NET WORTH	1,238,347	1,079,368	1,014,163	668,600	662,328	584,387
Long Term Liabilities	676,849	198,760	322,644	74,156	262,255	459,893
Deferred liabilities	232,580	236,179	246,895	125,860	131,124	139,156
Current Liabilities	1,117,362	1,857,645	1,836,415	2,137,103	2,139,020	2,136,492
TOTAL LIABILITIES	2,026,790	2,292,584	2,405,955	2,337,119	2,532,399	2,735,541
TOTAL EQUITY & LIABILITIES	3,265,137	3,371,953	3,420,119	3,005,720	3,194,727	3,319,928
Fixed Assets	1,836,218	1,927,075	2,013,546	1,747,742	1,897,172	1,972,805
Capital Work in Progress	10,865	-	58,840	-	-	-
Long Term Deposits	7,873	7,873	3,299	3,004	3,004	3,066
Current Assets	1,410,181	1,437,004	1,344,433	1,254,973	1,294,551	1,344,057
TOTAL ASSETS	3,265,137	3,371,953	3,420,119	3,005,720	3,194,727	3,319,928
INVESTOR INFORMATION						
Break up value per share (Rs.)	20.84	18.16	17.07	11.25	11.14	9.83
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	-
Earning Per Share (Rs.)	3.42	1.07	1.92	0.25	1.49	(1.06)
Return on Equity (%)	16.40	5.88	11.27	2.23	13.38	(10.81)
Return on Assets (%)	6.22	1.88	3.34	0.50	2.77	(1.90)
FINANCIAL RATIOS						
Gross Margin (%)	8.73	9.65	9.35	10.08	11.85	9.31
Net Margin (%)	5.41	1.51	2.97	0.48	2.48	(2.37)
Current Ratio	1.26	0.77	0.73	0.59	0.61	0.63
Leverage	1.16	1.63	1.85	2.98	3.25	3.80
Long Term Debt : Equity	37:63	23:77	54:46	53:47	54:46	58:42

Pattern of Share Holding

As on June 30, 2015

Incorporation Number 0039902

The Companies Ordinance, 1984 (Section 236 (1) & 464) Form 34

Number of Shareholders	From	Shareholding	To	Total Shares held
59	1		100	878
145	101		500	77,984
77	501		1000	76,022
140	1001		5000	410,572
30	5001		10000	255,488
20	10001		15000	252,000
13	15001		20000	235,798
8	20001		25000	191,000
6	25001		30000	167,500
4	30001		35000	130,000
2	35001		40000	75,500
2	40001		45000	83,500
6	45001		50000	296,500
1	50001		55000	55,500
1	55001		60000	60,500
1	65001		70000	68,000
3	70001		75000	222,000
2	75001		80000	157,000
1	85001		90000	90,000
1	95001		100000	90,500
4	100001		105000	396,000
1	125001		130000	102,000
1	135001		140000	125,000
2	145001		150000	274,500
1	155001		160000	160,000
1	180001		185000	200,000
1	195001		200000	201,000
1	200001		205000	216,500
1	530000		535000	532,000
1	1560000		1565000	1,561,000
1	2165000		2170000	2,166,800
1	2465000		2470000	2,465,300
1	2855000		2860000	2,857,300
1	4295000		4300000	4,296,556
1	4460000		4465000	4,460,651
1	4485000		4490000	4,485,151
1	15105000		15110000	15,109,364
1	16823000		16828000	16,823,365
544				59,428,729

Categories of Shareholders

As on June 30, 2015

Shareholder's category	No.of shareholders	Share held	Percentage
1 Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	1	21,308,516	35.8556
Mr. Burhan Muhammad Khan	1	19,600,015	32.9807
Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
Ms. Sarah Mussaid	1	50,000	0.0841
Ms. Tehniyat Mussaid	1	4,026,300	6.7750
Ms. Sabah Burhan	1	2,759,300	4.6430
Mr. Naveed Aleem	1	500	0.0008
Total	7	50,601,931	85.15
2 Banks, Development Financial Institutions, Non-Banking Financial Institutions	7	4,296,556	7.23
3 General public - Local	519	4,342,741	7.31
4 General public - Foreign	6	32,501	0.05
5 Others	5	155,000	0.26
Total	537	8,826,798	14.85
GRAND TOTAL	544	59,428,729	100.00

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 Naveed Aleem
Non-Executive Directors	Arbab Muhammad Khan Tehniat 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 NBFI 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 within stipulated time period.

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 interim/final 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

September 15, 2015

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Zephyr Textiles Limited ("the Company") for the year ended June 30, 2015, to comply with the requirements of Listing Regulations No. 35 of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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, 2015.

Lahore
September 15, 2015

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

We have audited the annexed balance sheet of Zephyr Textiles Limited ('the Company') as at June 30, 2015 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, 2015 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
September 15, 2015

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

Balance Sheet

As at June 30, 2015

	Note	2015 (Rupees)	2014 (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		253,296,747	65,509,200
Total equity		847,584,037	659,796,490
Surplus on revaluation of property, plant and equipment	7	390,762,487	419,571,578
Liabilities			
Non-current			
Long term financing	8	676,848,872	198,760,316
Deferred liabilities	10	232,579,733	236,178,839
Total non-current liabilities		909,428,605	434,939,155
Current			
Trade and other payables	11	356,313,163	302,325,867
Accrued mark-up	12	4,563,593	243,929,877
Short term borrowings	13	604,897,441	954,372,343
Current portion of long term borrowings	9	151,587,487	357,016,428
Total current liabilities		1,117,361,684	1,857,644,515
Contingencies and commitments	14	-	-
Total liabilities		2,026,790,289	2,292,583,670
Total equity and liabilities		3,265,136,813	3,371,951,738
Assets			
Non-current			
Property, plant and equipment	15	1,836,218,130	1,927,075,074
Capital work in progress	16	10,864,816	-
Long term deposits	17	7,872,686	7,872,686
Total non-current assets		1,854,955,632	1,934,947,760
Current			
Stores, spare parts and loose tools		108,392,442	107,728,868
Stock in trade	18	714,910,914	732,051,885
Trade debts	19	372,657,546	338,288,893
Loans and advances	20	41,117,557	28,100,786
Trade deposits, prepayments and balances with statutory authorities	21	113,523,230	124,617,184
Other receivables	22	20,876,283	14,843,371
Investments	23	1,526,654	10,643,935
Cash and bank balances	24	37,176,555	80,729,056
Total current assets		1,410,181,181	1,437,003,978
Total assets		3,265,136,813	3,371,951,738

The annexed notes 1 to 42 form an integral part of these financial statements.

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CHIEF EXECUTIVE

B. Khan
DIRECTOR

Profit and Loss Account

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
Sales - net	25	3,756,906,768	4,199,161,232
Cost of sales	26	(3,429,043,159)	(3,793,808,465)
Gross profit		327,863,609	405,352,767
Distribution cost	27	(77,740,425)	(76,653,623)
Administrative expenses	28	(57,045,867)	(52,180,784)
Other operating expenses	29	(3,956,768)	(6,802,742)
Operating profit		189,120,549	269,715,618
Other operating income	30	202,733,175	12,246,259
Operating profit before finance cost		391,853,724	281,961,877
Finance cost	31	(166,340,523)	(193,112,234)
Profit before tax		225,513,201	88,849,643
Taxation	32	(22,446,473)	(25,395,791)
Profit after taxation		203,066,728	63,453,852

Earnings per share:

Basic and diluted earnings per share	33	3.42	1.07
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The annexed notes 1 to 42 form an integral part of these financial statements.

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CHIEF EXECUTIVE

R. Balaji

DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
Profit after taxation		203,066,728	63,453,852
Other comprehensive income			
Gain/(Loss) on remeasurement of staff retirement benefit plan	5.1 & 10	(832,580)	1,751,164
Total comprehensive income for the year		202,234,148	65,205,016

The annexed notes 1 to 42 form an integral part of these financial statements.

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CHIEF EXECUTIVE

R. Khan
DIRECTOR

Cash Flow Statement

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
Cash flows from operating activities			
Cash generated from operations	34	359,892,244	400,656,099
Finance cost paid		(104,263,081)	(118,177,390)
Taxes paid		(35,237,348)	(36,154,618)
Staff retirement benefits - gratuity paid		(9,476,000)	(8,211,650)
Net cash flow from operating activities		210,915,815	238,112,441
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,601,864	1,810,000
Purchase of property, plant and equipment		(76,939,214)	(23,265,972)
Long term deposits		-	(4,573,516)
Dividends, capital gains and income from investments		61,686	83,547
Short term investments		9,117,281	29,667,890
Net cash flow from investing activities		(64,158,383)	3,721,949
Cash flows from financing activities			
Availed short term borrowings - net		17,069,661	(9,438,049)
Repayment of long term financing - net		(207,379,594)	(194,634,866)
Net cash flow from financing activities		(190,309,933)	(204,072,915)
Net (decrease)/ increase in cash and cash equivalents		(43,552,501)	37,761,475
Cash and cash equivalents at beginning of the year		80,729,056	42,967,581
Cash and cash equivalents at end of the year		37,176,555	80,729,056

The annexed notes 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2015

	Share capital (Rupees)	Accumulated profit/(loss) (Rupees)	Total equity (Rupees)
Balance as at July 01, 2013	594,287,290	(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	594,287,290	65,509,200	659,796,490
Balance as at July 1, 2014	594,287,290	65,509,200	659,796,490
Total comprehensive income for the year	-	202,234,148	202,234,148
Prior year adjustments	-	(43,255,692)	(43,255,692)
Current year incremental depreciation - net of tax	-	28,809,091	28,809,091
Balance as at June 30, 2015	594,287,290	253,296,747	847,584,037

The annexed notes 1 to 42 form an integral part of these financial statements.

Amritpal

CHIEF EXECUTIVE

B. K. S.

DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2015

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, 97B/D-1, Gulberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jumber. 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under 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 5.11).

3.2 Standards, amendments or interpretations that became effective during the year

The Company has adopted the following revised standards, amendments and interpretation of IFRSs which became effective during the current year:

IFRIC 21	Levies
IAS 19	Employee contributions IAS 32 Offsetting financial assets and financial liabilities (amendment)
IAS 36	Recoverable amount for non-financial assets (amendment)
IAS 39	Novation of derivatives and continuation of hedge accounting (amendment)

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2015

3.3 Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 13	01 January 2015
IFRS 10	01 January 2015
IFRS 11	01 January 2015
IFRS 12	01 January 2015
IAS 16 & 38	01 January 2016
IAS16 & 41	01 January 2016

The Company excepts that adoption of above new standards and amendments of the standards will not affect significantly the Company's financial statements in the period of initial application.

In addition to the above, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 9	01 January 2018
IFRS 14	01 January 2016
IFRS 15	01 January 2017

3.4 Accounting convention

These accounts have been prepared under the historical cost convention, except for revaluation of freehold land, building on freehold land and plant & machinery.

3.5 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency. Figures in the financial statements have been rounded off to the nearest Rupee unless otherwise stated.

Notes to the Financial Statements

For the year ended June 30, 2015

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 respecting 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.

Notes to the Financial Statements

For the year ended June 30, 2015

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2015 are as follows:

- Discount rate	9% (2014: 12%)
- Expected rate of salary increase in future	8% (2014: 11%)
- Average expected remaining working life time of employees	7 years (2014: 6 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 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.

Notes to the Financial Statements

For the year ended June 30, 2015

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.

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 de-recognized 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, de-recognized 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 sub-categorized as under:

Notes to the Financial Statements

For the year ended June 30, 2015

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 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.

5.8 Borrowing cost

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

Notes to the Financial Statements

For the year ended June 30, 2015

5.9 Trade and other payables

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

5.10 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.

5.11 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.

5.12 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.

Notes to the Financial Statements

For the year ended June 30, 2015

5.13 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.

5.14 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.

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.

Notes to the Financial Statements

For the year ended June 30, 2015

5.15 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.

5.16 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.

5.17 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.

5.18 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.

Notes to the Financial Statements

For the year ended June 30, 2015

5.19 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.

	2015 (Number of shares)	2014 (Number of shares)	2015 (Rupees)	2014 (Rupees)
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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

	Note	2015 (Rupees)	2014 (Rupees)
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7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus arising on revaluation	7.1	570,227,424	614,549,102
Less: Deferred tax arising on surplus on revaluation	7.2	179,464,937	194,977,524
		390,762,487	419,571,578

7.1 Surplus on revaluation of property plant and equipment

Opening surplus on revaluation of property plant and equipment	614,549,102	663,233,241
Surplus arising on revaluation	-	-
	614,549,102	663,233,241
Incremental depreciation on :		
Plant and machinery	(34,148,893)	(37,944,033)
Building	(10,172,785)	(10,708,193)
	(44,321,678)	(48,652,226)
Adjustment on disposal of property, plant and equipment	-	(31,913)
	(44,321,678)	(48,684,139)
	570,227,424	614,549,102

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.

Notes to the Financial Statements

For the year ended June 30, 2015

	2015 (Rupees)	2014 (Rupees)
7.2 Relating deferred tax liability		
Relating deferred tax liability as on July 1, 2014	194,977,524	212,016,973
Deferred tax relating to surplus arising on revaluation	-	-
Tax effect on incremental depreciation	(15,512,587)	(17,039,449)
	179,464,937	194,977,524

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	2015 (Rupees)	2014 (Rupees)
Demand Finance - I BOP	8.1	May-13	3 months Kibor	196.780	54 monthly	110,772,755	149,465,755
Demand Finance - II BOP	8.1	Oct-17	Interest free	204.379	31 monthly	105,955,124	82,390,227
Subtotal - BOP						216,727,879	231,855,982
Demand Finance - II NBP	8.1 & 8.2	Sep-15	3 months Kibor + 1%	327.502	28 Quarterly	327,501,663	205,956,761
Frozen Markup NBP	8.1 & 8.3	Sep-15	Interest free	13.747	28 Quarterly	9,448,085	-
Frozen Markup NBP	8.1 & 8.3	Sep-15	Interest free	219.977	28 Quarterly	151,181,325	70,700,000
Subtotal - NBP						488,131,073	276,656,761
Term Finance NIB	8.1 & 8.4	Sep-14	3 months Kibor + 0.75%	145	48 Monthly	121,216,568	-
Subtotal - NIB						121,216,568	-
Demand Finance - III ABL	8.1	Oct-12	6.00%	125	36 Monthly	2,360,839	47,264,001
Subtotal - ABL						2,360,839	47,264,001
Total						828,436,359	555,776,744
Current portion	9					(148,183,422)	(112,203,762)
Overdue portion	9					(3,404,065)	(244,812,666)
Total current portion						(151,587,487)	(357,016,428)
Total long term portion						676,848,872	198,760,316

- 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. These 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 National Bank of Pakistan which has been restructured on terms agreed between the parties.
- 8.3** It represents restructured loan converted from mark up payable on the facilities from National Bank of Pakistan till June 30, 2015.
- 8.4** It represents running finance facility from NIB Bank Limited converted into term finance facility during the year.

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
9 CURRENT PORTION OF LONG TERM BORROWINGS			
Current portion of long term borrowing	8	148,183,422	112,203,762
Overdue portion of long term borrowing	8	3,404,065	244,812,666
		151,587,487	357,016,428
10 DEFERRED LIABILITIES			
Deferred tax relating to surplus on revaluation of property, plant and equipment	7	179,464,937	194,977,524
Employee retirement benefits- gratuity	10.1 to 10.6	53,114,796	41,201,315
		232,579,733	236,178,839
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, 2015 using projected unit credit actuarial cost method.			
10.2 The amount recognized in the balance sheet			
Present value of defined benefit obligations		53,114,796	41,201,315
Less: Fair value of plan assets		-	-
		53,114,796	41,201,315
10.3 Charge for the year			
Current service cost		16,181,303	12,382,951
Interest cost		4,375,598	3,685,089
		20,556,901	16,068,040
10.4 Movement in liability			
Balance at beginning of year		41,201,315	34,878,145
Prior year adjustment		-	217,944
Charge for the year		20,556,901	16,068,040
Benefits paid during the year		(9,476,000)	(8,211,650)
Unrecognized actuarial (gains)/losses		832,580	(1,751,164)
		53,114,796	41,201,315
10.5 Allocation of charge for the year			
Cost of sales	26.2	16,553,179	12,752,913
Administrative expenses	28.1	2,356,980	2,016,025
Distribution Cost	27.1	1,646,742	1,299,102
		20,556,901	16,068,040

Notes to the Financial Statements

For the year ended June 30, 2015

	Year	Value (Rupees)
10.6 Historical information		
Present value of defined benefit obligation		
	2015	53,114,796
	2014	41,201,315
	2013	34,878,145
	2012	27,333,893
	2011	21,825,447

	Note	2015 (Rupees)	2014 (Rupees)
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11 TRADE AND OTHER PAYABLES

Creditors	11.1	182,408,572	216,126,706
Advances from customers		29,119,278	5,323,433
Accrued liabilities		91,252,488	41,195,994
With holding Tax		11,023,187	3,644,870
Retention money payable		500,000	500,000
Workers' funds	11.2 & 11.3	41,583,636	34,995,912
Dividend payable		426,002	538,952
		356,313,163	302,325,867

11.1 This includes amount of Rs. 7.058 million in respect of import bills payable and Rs. 0.400 million in respect of insurance claim payable.

11.2 Workers' funds

Workers' profit participation fund

Opening balance		30,528,879	23,678,643
Provision for the year		2,229,640	4,127,192
Interest on funds utilized in Company's business	31	3,510,821	2,723,044
		36,269,340	30,528,879

Workers' welfare fund

Opening balance		4,467,033	2,653,775
Provision for the year		847,263	1,813,258
		5,314,296	4,467,033
		41,583,636	34,995,912

11.3 Mark up on Workers' Profit Participation Fund has been provided @ 11.50 % per annum (2014: 11.50% per annum).

12 ACCRUED MARK-UP

Long term financing		1,846,264	100,821,455
Short term borrowings		2,717,329	143,108,422
		4,563,593	243,929,877

Notes to the Financial Statements

For the year ended June 30, 2015

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Mark-up/ Repayment terms	2015 (Rupees)	2014 (Rupees)
Pre - shipment	13.1 & 13.4	604.477	11.18% to 12.18	Quarterly	587,396,800	765,510,800
Post - shipment	13.2 & 13.4	125.000	9.12% to 9.56	Actual Realization	-	1,470,00
Running finance	13.3 & 13.4	20.000	11.18% to 11.78	Yearly	17,500,641	187,391,543
					604,897,441	954,372,343

13.1 The Company has aggregate sanctioned limits of finance against packing credit (FAPC) and export refinance facilities (ERF) of Rs. 604.477 million. The company has availed limits of finance against packing credit (FAPC) & export refinance facilities (ERF) amounting to Rs. 267 million from Habib Bank Limited, Rs. 87.477 million from Faysal Bank Limited, Rs. 50.000 million from United Bank Limited and Rs. 200 million from Bank of Punjab.

13.2 The Company has aggregate sanctioned limits of finance against foreign bill (FAFB) of Rs. 125 million. The Company has availed limits of finance against foreign bill (FAFB) amounting to Rs.100 million from Allied Bank Limited and Rs. 25 million from Faysal Bank Limited.

13.3 The Company has availed sanctioned limit of running finance of Rs. 20 million from Habib 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 guarantees of the directors.

14 CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5.107 million along with interest. The execution was filed which is still pending. The next date of hearing in the execution in September 18, 2015.

14.2 M/s. M. J. Industries has filed a suit against the Company for declaration for Rs. 0.545 million. 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. 0.545 million. The summon 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. 2.917 million. 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. LO417 for supply of fabric. According to legal confirmation status, suit is pending for framing of issues.

Notes to the Financial Statements

For the year ended June 30, 2015

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.

M/s. Sitara Textiles has filed an other suit against the Company for financial loss and loss due to breach of contract for Rs. 63.624 million. Writ petition is pending for adjudication in Honorable Lahore High Court, Lahore.

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. 31.350 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 Moria Pull 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 v/s. 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. The case is pending for adjudication.

The Company is hopeful for settlement of the above stated suits in its favor.

14.8 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate to Rs. 43.508 million (2014: 43.694 million).

14.9 Foreign bills purchased by banks amounting to Rs. 174.816 million (2014: Rs. 171.115 million).

Commitments

14.10 Contracts for capital expenditure are Rs. Nil million (2014: Rs. Nil million).

14.11 Letters of credit other than for capital expenditure are Rs. 13.414 million (2014: 2.957 million).

14.12 Outstanding foreign currency forward contracts of Rs. 276.04 million (2014: Rs. 266.657 million).

Notes to the Financial Statements

For the year ended June 30, 2015

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Depreciation for the year has been allocated as under :

Cost of sale	26	150,108,854	162,689,043
Distribution cost	27	2,674,712	2,384,998
Administrative expenses	28	2,674,712	2,384,998
		155,458,279	167,459,038

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, 2015 would have been as follows:

	Cost as at June 30, 2015	Accumulated depreciation as at June 30, 2015	Book value as at June 30, 2015	Book value as at June 30, 2014
Free - hold land	104,553,476	-	104,553,476	104,553,476
Buildings on free - hold land	360,775,899	135,030,019	225,745,880	237,627,242
Plant and machinery	1,671,570,171	998,669,975	672,900,196	747,666,884
	2,136,899,546	1,133,699,994	1,003,199,552	1,089,847,602

Notes to the Financial Statements

For the year ended June 30, 2015

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						
Honda Civic LZN - 3210	1,192,520	115,236	700,000	584,764	Negotiation	Ms. Robeena Kokab Mehmood, 11- B, Sher Pao Bridge Colony, Lahore.
Honda Civic LEA - 08 - 8651	1,597,690	358,326	1,260,000	901,674	Negotiation	Mr. Syed Waqar Hussain Naqvi, House # 307-D, DHA Phase 1, Lahore.
Suzuki Alto LEB - 12 - 7031	852,210	423,146	515,000	91,854	Negotiation	Mr. Muhammad Anwar, House # E-504, Chungi Ammar Sadou, Lahore.
Suzuki Cultus LWM - 9045	681,151	98,223	405,000	306,777	Negotiation	Mr. Altaf Hussain, Dhok Ahfiyal Dakkhana, Gujjar Khan, Rawalpindi.
Suzuki Alto LED - 5529	748,170	282,197	510,000	227,803	Negotiation	Mr. Saleem-ur- Rehman, House #91-A C Block, PCSIR Staff Colony, Lahore.
Electrical Installation						
Transformer	750,000	195,935	211,864	15,929	Negotiation	Sheraz Enterprises, E-27, A-1, Walton Road, Lahore.
2015 Rupees	5,821,741	1,473,063	3,601,864	2,128,801		
2014 Rupees	3,331,422	1,117,644	1,810,000	692,356		
					Note	2015 (Rupees)
						2014 (Rupees)

16 CAPITAL WORK IN PROGRESS

Plant and machinery		10,864,816	-
Building		-	-
	16.1	10,864,816	-

16.1 Movement in the account is as follows

Opening balance as at July 01, 2014		-	58,839,841
Addition made during the year:			
- Plant and machinery	40,645,514	10,667,901	
- Building	3,111,982	-	
	43,757,496	10,667,901	
Capitalized during the year:			
- Plant and machinery	29,780,698	69,507,742	
- Building	3,111,982	-	
	32,892,680	69,507,742	
	10,864,816	-	

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
17 LONG TERM DEPOSITS			
Security deposits - WAPDA		6,593,152	6,593,152
Other security deposits		1,279,534	1,279,534
		7,872,686	7,872,686
18 STOCK IN TRADE			
Raw material		155,647,351	174,982,116
Work in process		141,720,387	156,166,104
Finished goods and waste	18.1	417,543,176	400,903,665
		714,910,914	732,051,885
18.1	This includes goods in transit amounting to Rs. 34.833 million (2014: Rs. 17.817 million).		
19 TRADE DEBTS			
Considered good			
Export - secured against letters of credit		54,402,352	90,481,365
Local - Unsecured		318,255,194	247,807,528
		372,657,546	338,288,893
20 LOANS AND ADVANCES			
Considered good:			
Loan due from employees - interest free		11,232,602	11,409,502
Advances to:			
Suppliers		22,889,666	16,508,880
Suppliers against letters of credit		6,995,289	182,404
		41,117,557	28,100,786
21 TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES			
Prepayments		2,318,354	2,299,123
Advance income tax		1,661,586	4,383,299
Margin deposits		10,105,000	16,912,393
Sales tax refundable		90,202,771	85,649,288
Export rebate receivable		9,235,519	15,373,081
		113,523,230	124,617,184
22 OTHER RECEIVABLES			
Other receivables		20,876,283	14,843,371
		20,876,283	14,843,371

Notes to the Financial Statements

For the year ended June 30, 2015

23 SHORT TERM INVESTMENTS

	Note	2015 Number of shares/ units	2014 (Rupees)	2015 (Rupees)	2014 (Rupees)
Investment in Funds	23.1				
Atlas Money Market Fund	9	20,597	4,534	10,000,000	
Faysal Money Market Fund	8,474	-	856,250		-
	8,483	20,597	860,784	10,000,000	

Investments at fair value through profit or loss - listed securities

Pak Electron Limited	944	944	78,106	24,564
JS Growth Fund Limited	37,132	37,132	450,410	450,410
Attock Refinery Limited	11	11	2,513	2,335
Samba Bank Limited	24,500	24,500	131,075	163,170
Summit Bank Limited	1,111	1,111	3,766	3,456
	63,698	63,698	665,870	643,935

Un-quoted Securities:

Innovative Investment Bank Limited	-	250	-	-
	-	250	-	-
	72,181	84,545	1,526,654	10,643,935

23.1 Atlas Money Market Fund and Faysal Money Market Fund is an open ended money market mutual funds managed by Atlas Asset Management Company Limited and Faysal 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	2015 (Rupees)	2014 (Rupees)
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24 CASH AND BANK BALANCES

Cash in hand		662,370	773,894
Cash at banks			
- current accounts	24.1	35,894,535	79,355,998
- saving account	24.2	17,631	15,303
Cash at banks - foreign currency		602,019	583,861
		37,176,555	80,729,056

24.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 445,096 (2014: Rs.558,046).

24.2 The balances in saving accounts carry rate of profit ranging from 4% to 6% (2014: 6% to 8%).

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
25 SALES - NET			
Export		1,110,990,280	1,322,534,370
Exchange (loss)/gain		1,013,540	(1,219,779)
Total export sales		1,112,003,820	1,321,314,591
Local		2,684,915,784	2,920,989,582
Total sales		3,796,919,604	4,242,304,173
Export rebate		15,587,601	13,204,047
		3,812,507,205	4,255,508,220
Commission and claims		(50,242,958)	(49,430,017)
Trade discount		(5,357,479)	(6,916,971)
		3,756,906,768	4,199,161,232
26 COST OF SALES			
Raw material consumed	26.1	2,227,857,818	2,627,388,205
Stores, spare parts and lose tools consumed		96,420,489	99,438,446
Packing, sizing and lubricants consumed		213,459,273	263,062,249
Fuel and power		388,078,216	421,836,026
Salaries, wages and other benefits	26.2	259,869,348	214,009,575
Processing charges		66,895,373	64,215,156
Insurance		5,211,204	4,210,256
Repairs and maintenance		8,151,908	11,817,472
Traveling and conveyance		2,346,683	4,917,606
Depreciation	15.1	150,108,854	162,689,043
Other production overheads		12,837,787	3,295,278
		3,431,236,953	3,876,879,312
Adjustment of work-in-process			
Opening stock		156,166,104	131,397,506
Closing stock		(141,720,387)	(156,166,104)
		14,445,717	(24,768,598)
		3,445,682,670	3,852,110,714
Adjustment of finished goods and waste			
Opening stock		400,903,665	342,601,416
Closing stock		(417,543,176)	(400,903,665)
		(16,639,511)	(58,302,249)
		3,429,043,159	3,793,808,465

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
26.1 Raw material consumed			
Opening stock		174,982,116	196,157,893
Purchases		2,224,518,286	2,613,970,224
Return / discount on purchases		(26,634,758)	(21,110,503)
		2,197,883,528	2,592,859,721
Freight		10,639,525	13,352,707
		2,383,505,169	2,802,370,321
Closing stock		(155,647,351)	(174,982,116)
		2,227,857,818	2,627,388,205

26.2 This includes employee benefits amounting to Rs. 16.553 million (2014: Rs. 12.753 million).

27 DISTRIBUTION COST

Salaries, wages and other benefits	27.1	9,628,116	7,419,744
Traveling and conveyance		425,762	92,588
Sales promotion		485,140	375,088
Communication		4,305,810	3,045,616
Vehicles running and maintenance		813,398	1,251,726
Freight		51,748,408	52,594,639
Clearing and forwarding		3,611,594	7,561,081
Depreciation	15.1	2,674,712	2,384,998
Others		4,047,485	1,928,143
		77,740,425	76,653,623

27.1 This includes employee benefits amounting to Rs. 1.647 million (2014: Rs. 1.299 million).

28 ADMINISTRATIVE EXPENSES

Directors' remuneration		6,810,000	1,476,774
Salaries and other benefits	28.1	22,220,643	18,386,676
Traveling and conveyance		6,603,755	7,354,376
Rent, rates and taxes		2,870,358	3,900,329
Printing and stationery		1,335,457	1,422,582
Communication		2,487,553	2,496,005
Vehicle running and maintenance		3,876,938	4,488,700
Repairs and maintenance		673,619	995,999
Auditors' remuneration	28.2	880,000	812,500
Fee and subscription		1,281,606	2,019,394
Legal and professional		2,283,667	1,413,267
Electricity, gas and water		1,744,441	1,195,378
Insurance		990,209	849,898
Advertisement		36,100	41,700
Depreciation	15.1	2,674,712	2,384,998
Others		276,809	2,942,208
		57,045,867	52,180,784

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
28.1 This includes employee benefits amounting to Rs. 2.357 million (2014: Rs. 2.016 million).			
28.2 Auditors' remuneration			
Audit fee		660,000	600,000
Half yearly review		137,500	137,500
Code of corporate governance review		82,500	75,000
		880,000	812,500

29 OTHER OPERATING EXPENSES

Exchange loss		-	862,292
Loss on sale of marketable securities		203,214	-
Provision for workers' profit participation fund		2,229,640	4,127,192
Provision for workers' welfare fund		847,263	1,813,258
Others		676,651	-
		3,956,768	6,802,742

30 OTHER OPERATING INCOME

Profit on investments at fair value		1,339,966	533,895
Dividend income		61,686	83,547
Profit on bank deposits		20,485	27,310
Gain on disposal of property, plant and equipment	15.3	2,128,801	692,356
Amortization of interest free loan		183,997,305	-
Other Income - fair price shop		5,557,103	2,077,743
Others		9,627,829	8,831,408
		202,733,175	12,246,259

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
31 FINANCE COST			
Mark-up on long term financing		44,350,853	45,713,763
Mark-up on short term borrowings		80,478,971	102,693,547
Interest on Workers' Profit Participation Fund	11.2	3,510,821	2,723,044
Bank charges and others		14,434,981	7,788,500
Unwinding of discount		23,564,897	34,193,380
		166,340,523	193,112,234
32 TAXATION			
Provision for taxation- current	32.1	37,959,061	42,435,240
Deferred taxation	32.2	(15,512,587)	(17,039,449)
		22,446,473	25,395,791

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		203,066,728	63,453,852
Weighted average number of ordinary shares	6	59,428,729	59,428,729
		3.42	1.07

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

Notes to the Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees)	2014 (Rupees)
34 CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		225,513,201	88,849,643
Adjustments for:			
Depreciation on property, plant and equipment	15.1	155,458,279	167,459,038
Loss/ (gain) on disposal property, plant and equipment	15.3	(2,128,801)	(692,356)
Gain on re-measurement of short term investments		(1,339,966)	(533,895)
Dividends, capital gains and income from investments		(61,686)	(246,416)
Staff retirement benefits - gratuity		20,556,901	16,068,040
Unrecognized actuarial gain		832,580	(1,533,220)
Provision for WPPF & WWF		3,076,903	5,940,450
Interest on Workers' Profit Participation Fund		3,510,821	2,723,044
Amortization of interest free loans		(183,997,305)	-
Unwinding of discount		23,564,897	34,193,384
Finance cost		139,264,805	156,195,810
Profit before working capital changes		384,250,629	468,423,522
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(663,574)	(2,624,730)
Stock in trade		17,140,971	(61,895,070)
Trade debts		(77,624,350)	(8,966,774)
Loans and advances		(13,016,771)	15,522,567
Other receivables		(6,032,912)	(2,071,253)
Trade deposits, prepayments and balances with statutory authorities		1,850,955	(30,722,804)
Increase / (decrease) in current liabilities			
Trade and other payables		53,987,296	22,990,641
Net changes in working capital		(24,358,385)	(67,767,423)
		359,892,244	400,656,099

35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing Maturity up to One year (Rupees)	Mark-up bearing Maturity after One year (Rupees)	Non mark-up bearing Maturity up to One year (Rupees)	Non mark-up bearing Maturity after One year (Rupees)	TOTAL 2015 (Rupees)	TOTAL 2014 (Rupees)
Financial Assets						
- Loans and receivables						
Long term deposits	-	-	-	7,872,686	7,872,686	7,872,686
Trade debts	-	-	372,657,546	-	372,657,546	338,288,893
Loans and advances	-	-	11,232,602	-	11,232,602	11,409,502
Trade deposits and other receivables	-	-	10,105,000	-	10,105,000	16,912,393
Cash and bank balances	619,650	-	36,556,905	-	37,176,555	80,729,056
- At fair value through profit or loss						
Investments	1,526,654	-	-	-	1,526,654	10,643,935
	2,146,304	-	430,552,053	7,872,686	440,571,043	465,856,465
Financial Liabilities						
- At amortized cost						
Long term financing	151,587,487	676,848,872	-	-	828,436,359	555,776,744
Trade and other payables	-	-	274,587,062	-	274,587,062	258,361,652
	151,587,487	676,848,872	274,587,062	-	1,103,023,421	814,138,396
On balance sheet gap	(149,441,183)	(676,848,872)	155,964,991	7,872,686	(662,452,378)	(348,281,931)
Off balance sheet items						
Bills discounted with recourse					174,815,869	171,114,549
Bank guarantees issued in the ordinary course of business					43,508,000	43,693,500
Letters of credit					13,413,794	2,956,500

Notes to the Financial Statements

For the year ended June 30, 2015

36 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing	6% to 11.69% (2014: 6% to 11.65%) per annum
Short term borrowings	6% to 12.21% (2014: 9.01% to 11.94%) 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. 440.571 million (2014: Rs. 465.856 million), the financial assets that are subject to credit risk amounted to Rs. 401.868 million (2014: Rs. 374.483 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:

	2015 (Rupees)	2014 (Rupees)
Long term deposits	7,872,686	7,872,686
Trade debts	372,657,546	338,288,893
Loans and advances	11,232,602	11,409,502
Trade deposits and other receivables	10,105,000	16,912,393
Bank balances	36,514,185	79,955,162
	438,382,019	454,438,636

Notes to the Financial Statements

For the year ended June 30, 2015

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 Al Falah Limited	PACRA	AA	A1+
Askari Bank Limited	JCR-VIS	AA	A1+
Faysal Bank Limited	PACRA	AA	A1+
	JCR-VIS	AA	A1+
Meezan Bank Limited	JCR-VIS	AA	A1+
MCB Bank Limited	PACRA	AAA	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	PACRA	AAA	A1+
Silk Bank Limited	JCR-VIS	A-	A-2
SME Bank Limited	PACRA	BB	B
Bank of Punjab	PACRA	AA-	A1+
United Bank Limited	JCR-VIS	AA+	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCR-VIS	AAA	A1+
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:

Notes to the Financial Statements

For the year ended June 30, 2015

	2015 (Rupees)	2014 (Rupees)
Foreign debtors	54,402,352	90,481,365
Foreign currency bank account	602,019	583,861
Gross balance sheet exposure	55,004,371	91,065,226
Letters of credit	13,413,794	2,956,500
	68,418,165	94,021,726

	Average rate 2015	Average rate 2014	Reporting date rate 2015	Reporting date rate 2014
Rupees per USD	101.31	102.71	101.50	98.55
Rupees per Euro	120.86	138.94	113.57	134.46
Rupees per Pound Sterling	159.50	166.37	159.59	167.79

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-15 % Change (+ -)	Impact (+ -)	30-Jun-14 % Change (+ -)	Impact (+ -)
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Effect on profit or loss

USD	10	580,732	10	6,936,973
Euro	10	4,362,051	10	5,727,104
Pound Sterling	10	497,452	10	9,167,668

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:

	2015 Effective interest rate %	2014 Effective interest rate %	2015 Carrying value in Rupees	2014 Carrying value in Rupees
Long term financing	6% to 11.69%	6% to 11.65%	828,436,359	555,776,744
Short term financing	6% to 12.21%	9.01% to 11.94%	604,897,441	954,372,343

Notes to the Financial Statements

For the year ended June 30, 2015

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 2014.

	Profit and loss 100 bps	
	Increase	decrease

As at 30 June 2015

Cash flow sensitivity-Variable rate financial liabilities	14,333,338	(14,333,338)
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As at 30 June 2014

Cash flow sensitivity-Variable rate financial liabilities	15,101,491	(15,101,491)
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The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets/ liabilities of the Company.

Past due balances

	2015 (Rupees)	2014 (Rupees)
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The aging of trade receivable at the reporting date is:

Past due 1-30 days	342,368,302	281,913,051
Past due 30-150 days	11,837,463	5,158,277
Past due 150 days	18,451,781	51,217,565
	372,657,546	338,288,893

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.

Notes to the Financial Statements

For the year ended June 30, 2015

The salient information relating to capital risk management of the Company as of June 30, 2015 and 2014 were as follows:

	2015 (Rupees)	2014 (Rupees)
Total borrowings	1,433,333,800	1,510,149,087
Cash and bank balances	(37,176,555)	(80,729,056)
	1,396,157,245	1,429,420,031
Total equity	847,584,037	659,796,490
	2,243,741,282	2,089,216,521
Gearing ratio %	62.22	68.42

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	Chief Executive	2015 Directors	Executives	Chief Executive	2014 Directors	Executives
Managerial remuneration	2,000,000	2,540,000	12,592,267	-	984,516	10,573,260
House rent allowance	800,000	1,016,000	5,036,907	-	443,032	4,757,967
Utilities	200,000	254,000	1,259,227	-	49,226	528,663
	3,000,000	3,810,000	18,888,401	-	1,476,774	15,859,890
No. of persons	1	3	22	1	2	18

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.

38 TRANSACTIONS WITH RELATED PARTIES

There were no related parties other than those as disclosed in note # 37 above.

39 PLANT CAPACITY AND PRODUCTION

	2015 (Number)	2014 (Number)
Grieg fabric unit		
No. of looms installed	251	246
No. of looms worked	251	246
Shifts per day	3	3
No. of days actually worked	365	365
Installed capacity (square meters in millions @ 50 picks)	95.51	77.4
Actual production (square meters in millions @ 50 picks)	70.5	72.9

Notes to the Financial Statements

For the year ended June 30, 2015

	2015 (Number)	2014 (Number)
Towel unit		
No. of looms installed	30	31
No. of looms worked	30	31
Shifts per day	3	3
No. of days actually worked	365	365
Installed capacity (Tons)	2700	2700
Actual production (Tons)	2386	2287

Towel dyeing and processing unit

Installed capacity (Tons)	3600	3600
Actual production (Tons)	2448	2337

39.1 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.

40 NUMBER OF EMPLOYEES

Number of employees as on June 30,	1026	1020
Average number of employees during the year	1028	1022

41 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 15, 2015.

42 FIGURES

Figures have been rounded off to the nearest Rupee.

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CHIEF EXECUTIVE

Bukhari

DIRECTOR

ZEPHYR TEXTILE LIMITED
3RD Floor IEP Building 97-B/D-1, Gulberg III, Lahore
PROXY FORM

I/ We, _____
of _____

Being a member of ZEPHYR TEXTILE 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 vote for and on my/our behalf at the 17th 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 31st, 2015 at 11:30 AM and at every adjournment thereof.

As witnessed given under my/our hand (s) this _____ day of _____ 2015.

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

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Member

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

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 sampled, 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.