



Zephyr Textiles Limited

ACCOUNTS FOR THE 1st QUARTER ENDED
SEPTEMBER 30, 2015

Directors' Report to the Members

Directors of Zephyr Textiles Limited are pleased to present the un-audited interim financial statements for the first quarter ended September 30, 2015. These interim financial statements are presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and financial results

During the quarter ended September 30, 2015, your company earned a gross profit of Rs.76.625 million on sales of Rs.876.242 million compared to gross profit of Rs.88.162 million on sales of Rs.989.041 million for the corresponding period of previous financial year. Gross margin slightly reduced to 8.74% in current period from 8.91% in corresponding period last year. The profit after taxation increased to Rs.6.735 million as compared to Rs.2.613 million in corresponding period last year. The Company earned low sales revenue by 11.40% as compared to the corresponding period due to sluggish textile market.

Labor cost increased by Rs.11.840 million (19.48%), i.e. from Rs.60.770 million to Rs.72.610 million during July to September 2015. This sharp increase in labor cost is mainly due to implementation of minimum wage enforced by Govt. of the Punjab. The Company managed to reduce its financial cost burden by 24.53%. Financial cost incorporated at Rs.35.182 million as compared to Rs.46.615 million in corresponding period.

Description	Rupees 2015	Rupees 2014
Sales - net	876,241,845	989,041,279
Gross Profit	76,625,334	88,162,819
Operating Profit for the period	47,249,340	55,321,056
Financial charges	35,182,097	46,615,372
Profit for the period before taxation	12,067,243	8,705,684
Taxation current	(5,332,128)	(6,092,516)
Profit for the period after taxation	6,735,115	2,613,168
Earnings Per Share	0.11	0.04

The company managed to repay the outstanding long-term debt amounting to Rs.15 million and outstanding financial charges amounting to Rs.32.395 million to the lenders of the company. The increased labor costs and shortages of gas and electricity severely affected the productivity and consequently competitiveness in the international market.

Current and future outlook

Textile industry in Pakistan remained under pressure during first quarter of current financial period which was expected and discussed in annual report for June, 2015. Energy crisis, higher wages and diminishing global and local demands have played vital role in decreasing the Company's turnover.

Pakistan is losing its competitiveness to the neighboring countries because of rapid increase in wages and excessive taxes. Shortages of energy have been a serious problem for the industry for the last few years. The advantage of steep decline of oil prices in the world market was not passed on to the industry due the inefficiency of the state owned power distribution companies. The industry has been protesting against this unfair treatment by the government but so far there is no visible solution.

Despite all these hurdles, the Company is committed to enhance its revenues by investing in the production of value added products.

The directors would like to record their appreciation for the continued commitment and hard work being carried out by the employees of the Company.

For and on behalf of the Board of Directors



MUSSAID HANIF
Chief Executive

Lahore
October 27, 2015

Balance Sheet

As at September 30, 2015 (Un-Audited)

	Note	Un-Audited September 30, 2015 (Rupees)	Audited June 30, 2015 (Rupees)
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital			
62,500,000			
ordinary shares of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up share capital			
59,428,729			
ordinary shares of Rs. 10 each		594,287,290	594,287,290
UNAPPROPRIATED PROFIT/ ACCUMULATED (LOSS)		266,596,566	253,296,752
		860,883,856	847,584,042
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
		384,197,783	390,762,482
LONG TERM LOANS		646,765,279	676,848,872
DEFERRED LIABILITIES		232,679,794	232,579,728
CURRENT LIABILITIES			
Short term finances - Secured		593,275,208	604,897,441
Current portion of long term liabilities		177,055,526	151,587,487
Creditors, accrued and other liabilities		360,397,449	356,313,161
Accrued mark up		6,004,204	4,563,592
		1,136,732,387	1,117,361,681
CONTIGENCIES AND COMMITMENTS	4	-	-
		3,261,259,099	3,265,136,805
ASSETS			
NON CURRENT ASSETS			
Property plant & equipment	5	1,823,520,017	1,836,218,128
Capital work in progress		-	10,864,816
		1,823,520,017	1,847,082,944
Long term advances and deposits		7,872,686	7,872,686
CURRENT ASSETS			
Stores, spares and loose tools		106,883,782	108,392,442
Stock in trade		725,618,330	714,910,914
Trade debts		413,368,693	372,657,546
Loans and advances		31,864,402	41,117,557
Trade deposits, prepayments and balances with statutory authorities		87,726,586	113,523,224
Other receivables		20,856,688	20,876,283
Short term investment		9,548,287	1,526,653
Cash and bank balances		33,999,628	37,176,556
		1,429,866,396	1,410,181,175
		3,261,259,099	3,265,136,805

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR

Profit and Loss Account

for the 1st Quarter ended September 30, 2015 (Un-Audited)

	Jul-Sept 2015 (Rupees)	Jul-Sept 2014 (Rupees)
SALES	876,241,845	989,041,279
COST OF SALES	799,616,511	900,878,819
GROSS PROFIT	76,625,334	88,162,460
OPERATING EXPENSES		
Distribution costs	17,113,601	21,525,341
Administrative	13,141,365	11,575,527
	30,254,966	33,100,868
	46,370,368	55,061,592
Other operating expenses	736,949	1,630,077
	45,633,419	53,431,515
OTHER OPERATING INCOME/(LOSS)	1,615,921	1,889,541
OPERATING PROFIT	47,249,340	55,321,056
FINANCE COSTS	35,182,097	46,615,372
PROFIT BEFORE TAXATION	12,067,243	8,705,684
TAXATION	5,332,128	6,092,516
PROFIT AFTER TAXATION	6,735,115	2,613,168
EARNING PER SHARE-BASIC & DILUTED	0.11	0.04

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR

Statement of Comprehensive Income

for the 1st Quarter ended September 30, 2015 (Un-Audited)

	Jul-Sept 2015 (Rupees)	Jul-Sept 2014 (Rupees)
Profit for the period after taxation	6,735,115	2,613,168
Other Comprehensive Income		
Other comprehensive income / (Loss) for the period	-	-
Total Comprehensive Income / (Loss) for the period	6,735,115	2,613,168

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



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CHIEF EXECUTIVE



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DIRECTOR

Cash Flow Statement

for the 1st Quarter ended September 30, 2015 (Un-Audited)

	Jul-Sept 2015 (Rupees)	Jul-Sept 2014 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period before taxation	12,067,243	8,705,684
Adjustments for:		
Depreciation	36,837,023	38,472,551
Gain on sale of fixed assets	-	-
Gain on re-measurement of short term investments	(17,898)	(26,223)
Dividends, capital gains & other (Income)/Loss	(4,270)	(400,000)
Provision for staff gratuity	5,241,603	4,729,299
Financial charges	35,182,097	46,615,372
	77,238,555	89,390,999
	89,305,798	98,096,683
(Increase)/Decrease in current assets		
Stores, spares and loose tools	1,508,660	15,646,186
Stock in trade	(10,707,416)	(20,797,952)
Trade debts	(40,711,147)	(80,069,196)
Loans and advances	9,253,155	(16,223,434)
Trade deposits, prepayments & other receivables	22,526,170	4,532,781
	(18,130,578)	(96,911,615)
Increase in current liabilities		
Creditors, accrued and other liabilities	13,166,864	25,874,833
Cash flow from operations	84,342,084	27,059,901
Financial charges paid	(32,394,820)	(29,449,365)
Taxes paid	(5,576,902)	(3,808,458)
Gratuity paid	(1,606,700)	(1,647,000)
	(39,578,422)	(34,904,823)
Net cash flow from operating activities	(A)	44,763,662
CASH FLOW FROM INVESTING ACTIVITIES		
Dividends received	4,270	-
Proceeds from Sale of short term investment	(8,003,736)	10,120,000
Fixed capital expenditure	(13,274,100)	(2,303,420)
Net cash flow from investing activities	(B)	(21,273,566)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	(11,622,233)	5,534,051
Long term finances - secured	(15,044,791)	(19,030,859)
Net cash flow from financing activities	(C)	(26,667,024)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(3,176,928)	(13,525,150)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	37,176,556	80,729,056
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33,999,628	67,203,906

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



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DIRECTOR

Statement of Changes in Equity

for the 1st Quarter ended September 30, 2015 (Un-Audited)

Description	Paid-Up Capital (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2014	594,287,290	65,509,200	659,796,490
Net Profit for the period	-	2,613,168	2,613,168
Current year incremental depreciation - net of tax	-	7,202,274	7,202,274
Balance as at September 30, 2014	594,287,290	75,324,642	669,611,932
Balance as at June 30, 2015	594,287,290	253,296,752	847,584,042
Net Profit for the period	-	6,735,115	6,735,115
Current year incremental depreciation - net of tax	-	6,564,699	6,564,699
Balance as at September 30, 2015	594,287,290	266,596,566	860,883,856

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


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DIRECTOR

Notes to the Accounts

for the 1st Quarter ended September 30, 2015 (Un-Audited)

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
2. These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
3. The accounting policies adopted for the preparation of the accounts are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2015.

4. Contingencies and Commitments

4.1 Commitments

Commitments against irrevocable letters of credit for import of machinery and raw material as at September 30, 2015 amounting to Rs. 4.40 (June 2015 : Rs. 13.41 million).

4.2 Others

There are no other significant activities since June 30, 2015 affecting financial statements.

5. Following is the cost of fixed assets that have been added / disposed off during the quarter ended:

	Un-audited September 30, 2015 (Rupees)	Audited June 30, 2015 (Rupees)
Additions in fixed assets	24,138,916	66,074,398
Deletions in fixed assets	-	5,821,741
Additions in capital work in Progress	10,300,055	43,757,496
Transfers from capital work in Progress	21,164,871	32,892,680

6. EARNING PER SHARE - BASIC

Profit / (loss) after tax	6,735,115	203,066,728
Weighted average number of ordinary shares	59,428,729	59,428,729
Earning / (loss) per share - basic	0.11	3.42

7. DATE OF AUTHORIZATION

These accounts have been approved by Board of Directors on October 27, 2015.

8. COMPARATIVE FIGURES

Have been rearranged/reclassified wherever necessary for the purpose of comparison.

Have been rounded off to the nearest rupee.



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DIRECTOR

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