

(REVIEWED)

**ACCOUNTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2012**



Contents

<u>Company Information</u>	<u>2</u>
<u>Directors' Report</u>	<u>3</u>
<u>Auditors' Report</u>	<u>5</u>
<u>Balance Sheet</u>	<u>6</u>
<u>Statement of Comprehensive Income</u>	<u>7</u>
<u>Cash Flow Statement</u>	<u>8</u>
<u>Statement of Changes in Equity</u>	<u>9</u>
<u>Notes to the Financial Information</u>	<u>10</u>

Company Information

Board of Directors:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Mr. Gauhar Abdul Hai Mr. Manzar Us Salam Ms. Tehniyat Mussaid Ms. Sabah Burhan	Chief Executive Officer
----------------------------	---	-------------------------

Audit Committee:	Ms. Tehniyat Mussaid Mr. Arbab Muhammad Khan Ms. Sabah Burhan	Chairperson / Member Member Member
-------------------------	---	--

Human Resource and Remuneration Committee:	Mr. Arbab Muhammad Khan Mr. Gauhar Abdul Hai Mr. Burhan Muhammad Khan	Chairman / Member Member Member
---	---	---------------------------------------

Company Secretary:	Mr. Naveed Aleem
---------------------------	------------------

Chief Financial Officer:	Mr. Gauhar Abdul Hai
---------------------------------	----------------------

Auditors:	Azhar Zafar & Co. Chartered Accountants
------------------	--

Bankers to the Company:	Habib Bank Limited National Bank of Pakistan The Bank of Punjab United Bank Limited Allied Bank Limited Faysal Bank Limited NIB Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited Standard Chartered Bank
--------------------------------	---

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

Share Registrar:	THK Associates (Pvt) Limited Ground Floor, State Life Building No. 3 Dr. Zia-ud-Din Ahmed Road, Karachi UAN: 021-111-000-322 Fax: 021 - 35655595
-------------------------	--

Registered & Head Office:	3rd Floor IEP Building, 97 B/D-1, Gulberg III, Lahore. Phone : 042 35782905-15 Fax : 042 35753202
--------------------------------------	---

Mills:	Weaving Unit 1 Km, Balloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512011
---------------	--

Directors' Report to the Members

Directors of **Zephyr Textiles Limited** are pleased to present the Review Report for the half year ended December 31, 2012.

Financial Performance

Company's gross profit in this half year has decreased as compared to the corresponding period. The primary reasons for decrease in gross profit are shortage, and increased cost of, energy. Finance cost of the company has been managed to reduce in this half year due to reduced KIBOR and repayments/settlements of certain long as well as short term loans. Although the Company has become profitable in the period under review, the impact of rising costs has forced the Company to implement better cash collection strategy to cope with its liquidity/working capital requirements.

Results of second quarter of the half year ended December 31, 2012 depicted slightly low operating performance as compared to the first quarter of the half year. Effective management planning and control provided to cater reasonable profit margins in the reported period despite heavy production losses due to load shedding of electricity and gas and also rise in fuel and power costs which was about 10% higher than corresponding period. Gross profit reduced by Rs.17.91 million which is a decline of 11.93% over corresponding period.

Financial Highlights	Half year ended 31 December		Increase/ (Decrease) %
	2012	2011	
Sales - net	1,744,325,097	1,447,329,573	20.52
Gross Profit	132,239,103	150,153,855	(11.93)
Profit before tax	22,797,755	47,101,534	(51.60)
Profit after tax	18,350,755	37,432,004	(50.98)
Gross Profit (%)	7.58%	10.37%	(26.93)
Profit after tax (%)	1.05%	2.59%	(59.32)
Earnings per share (Rs.)	0.31	0.63	(50.79)

In spite of worst economic conditions prevailing in the country, the company managed to repay its liability amounting to Rs.67.03 million against short and long term loans.

Operating Performance

Both weaving and towel divisions' performance showed improvement in comparison to the corresponding half year. Excess quantity sold as well as competitive prices resulted in increased revenue. Our strategy to retain our valuable customers, sometimes at low margins, resulted in low profitability. Massive power and gas shut downs caused production losses and the company strived hard to fulfill its production deadlines for its customers. Due to production losses, unit cost increased, leaving the margins very narrow.

Global economic conditions remained stagnant during this half year. Despite the facts stated above, our company managed to retain its customers in international market and strived for new customers. We foresee more orders from our international customers especially from China and Europe.

General Market Review and Future Prospects

Many US and European customers who have been historically sourcing out of China, have started looking at other Asian countries mainly because of inability of Chinese textile manufacturers to produce basic textiles efficiently.

It is quite evident that yarn and fabric demand from China will continue to escalate in coming months due to closure of basic textiles. Moreover labor cost in China is very high and climbing up day by day, making it unavailable to produce low value added textiles. Textile sector in Pakistan is unable to grab this opportunity fully because of domestic problems which include severe energy crisis and security issues. Textile entrepreneurs are concerned on this situation because these issues have resulted in diversion of orders to other countries. India is already making inroads into Chinese and global markets as Pakistan Textile Industry is working on reduced capacities due to acute shortage of electricity and gas.

Corporate

The Board of Directors had decided to pay cash dividend to the minority share holders of the company in its 13th annual general meeting, held on October 31, 2011 for the year ended June 30, 2011 which was to be paid within 30 days of announcement so provision has been made and duly reflected in company's first quarter and half yearly financials. The Bank Of Punjab obtained a stay order for nonpayment of such dividend from honorable Lahore High Court. The matter is still pending In honorable Lahore High Court for adjudication.

Matter of Emphasis

The Auditors in their report to the members have drawn attention to note 10.1 that The Bank of Punjab filed a suit against the Company for recovery of its financing and mark up aggregating Rs.494,400,675, which is being contested by the Company and the Company has not provided any mark up / cost of funds on the outstanding amount. Based on the legal opinion, the Company feels that, after institution of the suit, a financial institution is only entitled to cost of funds if so awarded by the court in case the suit is decided against the Company. The levy of cost of funds and the quantum thereof shall be contingent on passing of the decree and rate prescribed by the State Bank of Pakistan during the period of pendency of the claim and discharge of decree, if passed by the Bank Court.

The Auditors have also drawn attention to note 1.1 to the interim financial information, which states that the company has accumulated losses of Rs.139.293 million as of December 31, 2012 (Dec 2011 : Rs.153.379 million) and as of that date, the company's current liabilities exceeded its current assets by Rs.724.660 million (Dec 2011 : Rs.808.887 million). These conditions indicate the existence of a material uncertainty which may doubt about the company's ability to continue as a going concern. Their conclusion is not qualified in respect of this matter because of management's successful policies to cope with this situation. The company successfully managed to reduce its accumulated losses by Rs.14.086 million and working capital deficit by Rs.84.227 million in last twelve months.

Further the company is in negotiation with National Bank of Pakistan for restructuring of its debts based on cash flows of the company. The matter is at advance stages.

Acknowledgement

The Board is pleased about the efforts of the management and workers.

For and on behalf of the Board of Directors



MUSSAID HANIF
Director/Chief Executive Officer

Lahore
February 23, 2013

Independent Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **ZEPHYR TEXTILES LIMITED** ("the Company") as at December 31, 2012 and the related condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for three-month period ended December 31, 2012 and December 31, 2011 in the interim financial information have not been reviewed as we are required to review only the cumulative figures for the six-month period ended December 31, 2012.

Scope of review

We conducted our review in accordance with international standard on review engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 10.1 which explains that the bank of Punjab has filed a suit against the company for recovery of its financing which is being contested by the company and the company has not provided any markup / cost of funds on the outstanding amount. Our conclusion is not qualified in respect of this matter.

We draw attention to note 1.1 to the interim financial information, which states that the company has accumulated losses of Rs. 139.293 million as of December 31, 2012 and as of that date, the company's current liabilities exceeded its current assets by Rs. 724.660 million. These conditions indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

CHARTERED ACCOUNTANTS

Engagement Partner: Zafar Iqbal
Date: February 23, 2013
Lahore



Condensed Interim Balance Sheet (Un-Audited) as at December 31, 2012

	Note	Un-audited 31 December 2012	Audited June 30, 2012
----- Rupees -----			
Equity and liabilities			
Equity			
Share capital	6	594,287,290	594,287,290
Unappropriated loss		(139,292,471)	(165,553,829)
		454,994,819	428,733,461
Revaluation reserve		231,956,216	239,866,820
		686,951,035	668,600,281
Liabilities			
Long term borrowings	7	145,719,310	74,155,644
Employee benefits	8	31,576,925	27,333,893
Deferred tax liabilities		94,266,167	98,525,722
Non current liabilities		271,562,402	200,015,259
Trade and other payables	9	444,048,837	426,564,540
Short-term borrowings - Secured		909,399,284	1,036,478,913
Current portion of long term borrowings		662,549,589	674,059,921
Current liabilities		2,015,997,710	2,137,103,374
Contingencies and commitments	10	-	-
		2,974,511,147	3,005,718,914
Assets			
Property plant & equipment	11	1,680,066,633	1,747,741,937
Long term advances and deposits		3,107,263	3,004,447
Non-current assets		1,683,173,896	1,750,746,384
Stores, spares and loose tools		97,172,344	95,080,930
Stock in trade		712,198,357	721,379,609
Trade receivables		280,865,193	247,810,852
Loans and advances	12	41,936,345	35,575,359
Trade deposits, prepayments & other receivables		139,603,111	85,998,623
Short term investments		4,888,991	57,284,216
Cash and bank balances		14,672,911	11,842,941
Current assets		1,291,337,250	1,254,972,530
Total assets		2,974,511,147	3,005,718,914

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Statement of Comprehensive Income (Un-Audited)

for the half year ended December 31, 2012

	Note	Un-audited For Half Year Ended 31 December		Un-audited For Quarter Ended 31 December	
		2012	2011	2012	2011
----- Rupees -----					
Sales - net		1,744,325,097	1,447,329,573	875,556,500	728,552,004
Cost of sales	15	1,612,085,994	1,297,175,718	815,639,814	648,598,693
Gross profit		132,239,103	150,153,855	59,916,686	79,953,311
Other income		4,671,494	34,900,713	2,877,442	31,947,192
Distribution costs		32,923,350	27,461,536	17,407,303	16,207,993
Administrative		21,863,942	20,026,615	10,974,248	11,720,310
Other expenses		1,916,997	3,131,073	1,159,670	2,665,104
Finance costs		56,704,289	50,619,224	29,541,222	30,593,407
		57,408,553	87,333,810	20,952,707	40,512,317
Profit for the period before taxation		22,797,755	47,101,534	12,300,199	40,794,779
Income tax expense		4,447,000	9,669,530	2,229,552	4,912,498
Profit for the period after taxation		18,350,755	37,432,004	10,070,647	35,882,281
Other comprehensive income:		-	-	-	-
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		18,350,755	37,432,004	10,070,647	35,882,281
Earning per share - Basic & Diluted		0.31	0.63	0.17	0.60

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Cash Flow Statement (Un-Audited) for the half year ended December 31, 2012

	Note	Un-Audited Half Year Ended 31 December	
		2012 ----- Rupees -----	2011
Net cash from operating activities	16	71,049,480	132,844,109
Cash flow from investing activities			
Long term advances and deposits		(102,816)	-
Proceeds from sale of property, plant and equipment		1,902,524	17,000,000
Dividends and other income received		42,768	29,792,707
Capital Gains/(Loss) and Income/(Loss) from Investments		1,540,949	(738,534)
Acquisition of property, plant and equipment		(4,576,639)	(7,840,949)
Net cash flow from investing activities		(1,193,214)	38,213,224
Cash flow from financing activities			
Repayment of short term borrowings		(2,079,629)	(105,651,572)
Long term loans		(64,946,666)	(62,655,403)
Net cash flow from financing activities		(67,026,295)	(168,306,975)
Net increase in cash and cash equivalents		2,829,970	2,750,358
Cash and cash equivalents at the beginning of the year		11,842,941	21,744,034
Cash and cash equivalents at the end of the period		14,672,911	24,494,393

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Statement of Changes in Equity (Un-Audited)

for the half year ended December 31, 2012

	Share capital	Accumulated loss	Total
	----- Rupees -----		
Balance as at June 30, 2011	594,287,290	(192,134,103)	402,153,187
Total comprehensive income for the period	-	37,432,004	37,432,004
Transfer from revaluation reserve on disposal of property, plant & equipment	-	1,145,234	1,145,234
Current period incremental depreciation-net of tax	-	8,834,450	8,834,450
Final dividend for the period June 30, 2011	-	(8,656,298)	(8,656,298)
Net profit for the half year ended December 31, 2011	594,287,290	(153,378,713)	440,908,577
Total comprehensive loss for the period	-	(22,503,061)	(22,503,061)
Transfer from revaluation reserve on disposal of property, plant & equipment	-	1,587,736	1,587,736
Current period incremental depreciation-net of tax	-	8,740,209	8,740,209
Balance as at June 30, 2012	594,287,290	(165,553,829)	428,733,461
Net Profit for the half year ended December 31, 2012	-	18,350,755	18,350,755
Current period incremental depreciation-net of tax	-	7,910,603	7,910,603
Balance as at December 31, 2012	594,287,290	(139,292,471)	454,994,819

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


Chief Executive


Director

Notes to the Condensed Interim Financial Statements (Un-Audited)

for the half year ended December 31, 2012

1. STATUS AND ACTIVITIES

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

1.1 During the period the Company has earned profit of Rs. 18.351 million (2011: Rs. 37.432 million), however there are accumulated losses of Rs. 139.292 million (2011: Rs. 165.553 million) as at December 31, 2012, and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 724.660 million (2011: Rs. 808.887 million). The Company has also not repaid certain overdues claimed by the banks due to ongoing negotiations/litigation with banks. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and support of financial institutions by restructuring of liabilities and availability of adequate working capital from the principal lenders and sponsors of the Company.

To substantiate its going concern assumption, over the last three years the management has been successful in getting its loans restructured/settled with four banks; a restructuring arrangement has also been submitted to another bank and the Company is implementing the same. In addition, an out of court amicable settlement of the case with The Bank of Punjab is also being pursued, without prejudice to the respective contentions (refer note 10.1). These financial statements have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose, bringing its liabilities to serviceable levels upon restructuring/settlements of loans and availability of adequate working capital from its lenders and sponsors. The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

This condensed interim financial report is un-audited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial report of the Company for the half year ended December 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial report does not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2012.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012, were either considered not to be relevant to the Company's operations or did not have significant effect on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the preceding annual published financial statements of the Company for the year ended June 30, 2012.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2012.

	Un-audited 31 December 2012	Audited 30 June 2011
	----- Rupees -----	
6. 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		
51,900,883 Ordinary shares of Rs. 10 each fully paid in cash	519,008,830	519,008,830
7,527,846 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	75,278,460	75,278,460
	594,287,290	594,287,290

7 LONG TERM FINANCING

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	Un-audited Dec 31, 2012	Audited June 30, 2012
Demand Finance- NBP	7.4		6 month Kibor+1.5%	206.595	16 Quarterly	203,956,729	203,956,729
Term Finance - NBP		Mar-11	Interest free	90	16 Quarterly	70,700,000	70,700,000
Term Finance- HBL		Aug-06	1 month kibar+1%	87	16 Monthly	-	23,800,000
Deferred Markup-HBL	7.3	Jan-13	Interest free	97.138	18 monthly	88,204,981	88,204,980
Fixed Assets Finance- II (HBL)	7.1, and 7.3	Sep-11	SBP REF+2%	150	16 Monthly	10,000,000	15,000,000
Term Finance - BOP	7.1, and 7.2	May-06	SBP REF+2%	100	12 semiannually	34,398,000	34,398,000
Term Finance - BOP	7.1, and 7.2	Dec-07	SBP REF+2%	70	8 semiannually	24,702,126	24,702,126
Term Finance - BOP	7.1, and 7.2	Sep-09	Average 3 months Kibor +25 bps with floor of 11% p.a	136.903	10 Quarterly	136,903,129	136,903,129
Term Finance - BOP	7.1, and 7.2	Sep-09	Interest free	-	13 Quarterly	61,490,601	61,490,601
Demand Finance - ABL	7.1	Apr-10	Interest free	131.25	30 monthly	114,583,333	13,130,000
Term Finance - UBL		10-Oct	5.95%	91.5	18 monthly	63,330,000	75,930,000
Current portion of long term borrowings						808,268,899	748,215,565
						(662,549,589)	(674,059,921)
Long term portion						145,719,310	74,155,644

7.1 It represents long term financing from commercial banks (stated above) and the amounts claimed by such institutions. Markup is leviable with installment as per schedule stated above. The loans are secured against first ranking pari passu charge over 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. In addition demand finance from ABL and term finance from UBL are also secured against first ranking pari passu charge over current assets of the company executed through joint pari passu agreement with the lenders.

7.2 It represents loans from the Bank of Punjab who has filed a suit for the recovery of the said amounts along with other balances aggregating Rs. 494.4 million in the honorable Lahore High Court. Leave to defend has been granted to the company by the honorable Lahore High Court, Lahore and the matter is pending for adjudication. Details of the suit in note 10.1. The whole amount is being reflected in current liabilities.

7.3 Long term loans (fixed asset finance-I & II) obtained from Habib bank limited were converted into a term loan in September 2011 with an aggregate sanction limit of Rs. 87,000,000.

Further, the markup payable on entire facilities from HBL until December 31, 2012 has been deferred by the bank and shall be repayable upon full and final repayments of long term financing, i.e. commencing from January, 2013.

7.4 The company is in negotiation with National Bank of Pakistan for restructuring of its overdue liabilities and the matter is at advance stage.

	Un-audited 31 December 2012	Audited 30 June 2011
----- Rupees -----		
8 EMPLOYEE BENEFITS		
Balance sheet liability at the beginning of the year	27,333,899	21,663,266
Amount recognized during the year	6,418,326	11,471,431
Amount paid during the year	(2,175,300)	(5,800,804)
Present value of defined benefit obligation	31,576,925	27,333,893
9 TRADE AND OTHER PAYABLES		
Creditors	139,946,140	127,283,543
Advances from customers	7,962,554	22,351,447
Accrued liabilities	35,563,026	32,002,863
Accrued mark-up / interest on long term loans	88,691,054	88,108,133
Accrued mark-up / interest on short term finances	131,890,825	121,161,554
Tax deducted at source	5,170,146	2,009,670
Retention money payable	1,000,000	1,005,146
Dividend Payable	8,656,298	8,656,298
Workers' Profit Participation Fund	25,168,795	23,985,886
	444,048,837	426,564,540

10 CONTINGENCIES AND COMMITMENTS

10.1 The Bank of Punjab has instituted a suit for the recovery of amounts aggregating Rs. 494.400 million (long term loans Rs. 257,493,856, short term borrowings Rs. 200,000,000, markup Rs. 36,906,819) bearing C.O.S 8/2011. The Company had also instituted leave application in the aforesaid suit which was decided in its favour and the Company is allowed to defend the suit unconditionally. Resultantly issues have been framed on which parties are to lead evidence. In the meanwhile, BOP has filed an application seeking permission to withdraw the suit and refile the same. The Company has filed reply of the application claiming that the same is not maintainable. The matter is pending for adjudication. Based on the legal opinion, the Company has not accrued any markup /cost of funds on the said outstanding balance as the Company feels that, after institution of the suit, a financial institution is not entitled to the same and is only entitled to cost of funds if so awarded by the Court in any decree which may be passed by the Court. An out of court amicable settlement of the case with The Bank of Punjab is also being pursued, without prejudice to the respective contentions.

Further The Bank of Punjab has also obtained a stay order regarding payment of dividend declared by the Company until the repayment of its loans.

10.2 The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal, Lahore under section 46(1) of the Sales Tax Act, 1990 for refund of sales tax aggregating Rs. 15,500,884 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order NO. 2 2007 (STGO), dated February 6, 2007 and SRO NO. 992(I)/2005 dated September 21, 2005 read with SRO No. 487(I)/2006 dated May 26, 2006. In this regard the Federal Board of Revenue through its letter

number C. No. 3 (10) STM/2007 dated 13th January, 2010 issued directions to ensure that all cases on which the said SRO was applied retrospectively should be processed prospectively, as instructed by the High Court and approved by the Supreme Court of Pakistan, thus the cases pertaining to the period before the said SRO shall remain entitled to the refund and the same should be issued to them without any further delay.

Now, in compliance of implementation of the order of Apex Court and further directions/ instructions issued by the Board wide letter C. No. 3(10) STM/ 2007 dated January 13, 2010 and even No. letter dated November 05, 2010, an amount of Rs. 14,651,187 is sanctioned as against the claim of the Company under section 10 of the Sales Tax Act, 1990. RPO has been issued in this respect.

- 10.3** The Company had preferred appeal before the Commissioner (Appeals) II, Lahore assailing the ex-parte order passed in terms of Section 161/205 of the Income Tax Ordinance, 2001. The order had burdened the Company with the tax demand of Rs. 44.180 million. The Commissioner has set aside the order for denovo proceedings.

- 10.4** 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 favour.

- 10.5** Zephyr Textiles Limited V/s (i) The Federation of Pakistan (ii) Water and Power Development Authority (WAPDA) (iii) National Electrical Power Regulatory Authority (NEPRA) (iv) Lahore Electricity Supply Company Limited (LESCO) (v) Gujranwala Electricity Supply Company Limited (GEPCO) (vi) Revenue Officer concerned LESCO (vii) Revenue Officer concerned GEPCO.

Writ petition under article 199 of The Constitution of The Islamic Republic of Pakistan 1973, regarding retrospective recovery of fuel adjustment surcharge in the electricity bills. Upto December 31, 2012 the Company has deferred the payment of Rs. 19,933,568 with respect to fuel adjustment surcharge on electricity bills. The case is pending with the Honourable Islamabad High Court.

- 10.6** The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5,106,639 along with interest. The suit is pending before the Honourable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.

- 10.7** M/s. M. J. Industries has filed a suit against the Company for declaration for Rs. 544,644. The case is dismissed by the Honourable Civil Judge, Lahore. M/s. M. J. Industries has filed an application for the restoration of the suit.

The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 544,644. The summon and notices have been issued to the defendant and the case is pending due to non appearance of the defendant before the Honourable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.

10.8 The Company has filed a recovery suit against the M/s. Amtex Limited for Rs. 2,916,762. The case is fixed for final order by Honourable Judge, high Court, Lahore. The Company is hopeful of settlement of the case in its favour.

10.9 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.

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. 37.67 million. Company is hopeful of settlement of the case in its favour.

10.10 Workers' Welfare Fund Ordinance, 1971 has been amended through Finance Acts 2006 and 2008. These amendments were held unconstitutional and struck down by the Honorable Lahore High Court, Lahore (HLHC) on August 05, 2011. The decision of the HLHC has been challenged in the Supreme Court of Pakistan, which is still pending decision.

Owing to the above, the management of the Company has not made provision for Workers' Welfare Fund in these financial statements.

	Note	Un-audited 31 December 2012	Audited 30 June 2011
		----- Rupees -----	
11. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value		1,747,741,937	1,817,842,520
Additions during the period / year	11.1	4,576,639	103,204,853
Net book value of assets disposed off during the period / year	11.2	(1,332,282)	(19,543,416)
Depreciation charge for the period / year		(70,919,656)	(153,762,020)
Closing written down value		1,680,066,638	1,747,741,937
11.1 Cost of additions			
Land - freehold		-	1,150,000
Building on freehold land		-	12,114,869
Plant and machinery		2,314,092	74,085,329
Furniture and fixtures		-	1,055,086
Vehicles		2,035,960	7,070,880
Electric installation		-	5,931,703
Office equipments		226,587	1,796,986
		4,576,639	103,204,853

	Un-audited 31 December 2012	Audited 30 June 2011
	----- Rupees -----	
11.2 Net book value of deletions		
Plant and machinery	1,107,437	19,403,734
Vehicles	224,845	139,682
	1,332,282	19,543,416
12. LOANS AND ADVANCES		
Advances - unsecured but considered good:		
- To suppliers	27,275,399	20,841,964
- To employees	7,485,157	7,438,796
- To others	1,872,419	-
	36,632,975	28,280,760
Advance against consumable machinery parts and land	5,303,369	7,294,599
	41,936,345	35,575,359
13. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES		
Prepayments	2,256,721	2,236,358
Advance income tax	3,621,535	4,834,870
Margin deposits	68,780,501	15,890,029
Sales tax refundable	45,802,910	37,655,438
SED	654,912	654,912
Export rebate receivable	7,806,064	8,202,952
Other receivables	10,680,468	16,524,064
	139,603,111	85,998,623
14. SHORT TERM INVESTMENTS		
Investment at fair value through profit and loss account - Listed securities	4,837,454	3,668,889
Investment in funds	51,537	53,615,327
	4,888,991	57,284,216

	Un-audited For the half year ended 31 December	
	2012	2011
	----- Rupees -----	
15. COST OF SALES		
Raw materials consumed	1,167,103,243	988,534,662
Salaries, wages and other benefits	85,831,085	69,955,864
Production overheads	347,761,178	322,148,907
	1,600,695,506	1,380,639,433
(Increase) / decrease in work-in-progress		
Opening stock	130,531,403	99,415,664
Closing stock	(127,896,958)	(127,679,366)
Adjustment of work-in-process (Increase) / decrease in finished goods	2,634,445	(28,263,702)
Opening stock	384,789,703	353,215,452
Closing stock	(376,033,660)	(408,415,465)
Adjustment of finished goods	8,756,043	(55,200,013)
	1,612,085,994	1,297,175,718
16. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before taxation	22,797,755	47,101,534
Adjustments for:		
- Depreciation	70,919,656	76,274,619
- Gain on sale of property, plant and equipment	(570,242)	(1,800,836)
- Change in fair value of short term investment	(1,168,566)	738,534
- Investment income	(1,244,945)	(29,792,707)
- Finance cost	57,408,553	87,333,810
	148,142,211	179,854,954
Changes in:		
- Stores, spares and loose tools	(2,091,414)	(21,228,068)
- Inventories	9,181,253	(99,114,130)
- Trade receivables	(33,054,341)	53,232,958
- Loans and advances	(6,360,986)	29,424,052
- Short Term Investments	52,395,225	55,738,535
- Trade deposits and prepayments	(52,855,355)	10,683,514
- Provision for employee benefits	6,418,326	5,878,218
- Other receivables	(1,962,468)	1,605,465
- Creditors, accrued and other liabilities	6,172,106	(2,047,910)
Cash generated from operations	125,984,558	214,027,588
Interest paid	(46,096,362)	(68,852,579)
Taxes paid	(6,663,417)	(9,619,000)
Gratuity paid	(2,175,300)	(2,711,900)
Net cash flow from operating activities	71,049,480	132,844,109

17. GENERAL

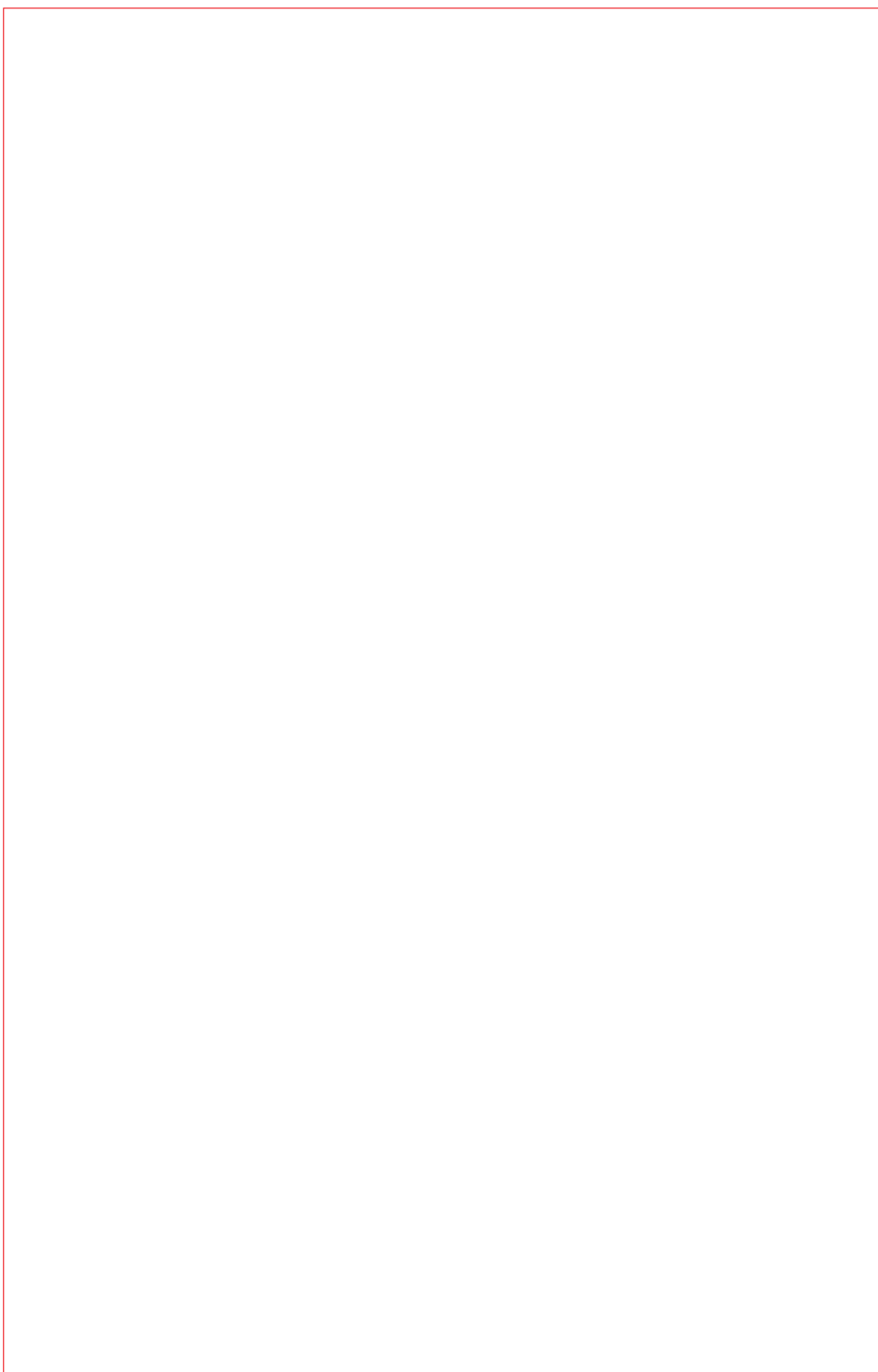
Corresponding figures have been re-arranged / re-grouped, wherever necessary for the purpose of comparison. However, no significant re-arrangement have been made.

18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 23, February 2013 by the board of directors of the company.


Chief Executive


Director





BOOK POST
PRINTED MATTER

if undelivered please return to



3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore.
Tel: 042 - 35782905 Fax: 042 - 35753202