

(REVIEWED)

**ACCOUNTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2011**



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Company Information

Board of Directors: Mr. Mussaid Hanif Chairman / Chief Executive Officer
Mr. Burhan Muhammad Khan
Mr. Arbab Muhammad Khan
Mr. Gauhar Abdul Hai
Mr. Manzar ul Islam
Ms. Tehniyat Mussaid
Ms. Sabah Burhan

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

Company Secretary: Mr. Naveed Aleem

Chief Financial Officer: Mr. Gauhar Abdul Hai

Auditors: Anjum Asim Shahid Rahman
Chartered Accountants

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
Bank AL Habib Limited

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

Mills: Weaving Unit
1 Km, Balloki Bhai Pheru Road
Bhai Pheru.
Phone : 0494 - 512007-9
Fax : 0494 - 512010

Towel Unit
63 km, Gulshan Adda,
Jumber Khurd, District Kasur.

Directors' Report to the Members

Operating Financial Results

Company's net profit in this half year has shown increase 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 reduced in this half year due to 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.

Second quarter of the half year ended December 31, 2011 showed slightly better operational 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 10% production losses due to load shedding of electricity and gas and also rise in fuel and power costs which was 20% higher than corresponding period. Prices of grey fabric as well as towel dropped this period due to declining trend in yarn prices as compared to corresponding period in which fabric and towel prices climbed higher than yarn prices and better margin for the company at the end. Gross profit reduced by Rs.58.77 million which is a decline of 28.13% in gross profit over corresponding period last year. (Dec 2011 : 10.37% and Dec 2010 : 11.30%)

Financial Highlights	Quarter ended 31-12-2011	Quarter ended 30-09-2011	Total	Quarter ended 31-12-2010	Quarter ended 30-09-2010	Total
Net Sales	228,552,004	718,777,569	1,447,329,573	895,024,037	954,117,562	1,849,141,599
Gross Profit	79,953,311	70,200,544	150,153,855	114,136,717	94,791,459	208,928,176
Pre-tax Profit	40,794,780	6,306,754	47,101,534	17,584,858	13,315,030	30,899,888
After-tax Profit	35,882,282	1,549,722	37,432,004	6,654,153	11,134,586	17,788,739
Gross Profit (%)	10.97%	9.77%	10.37%	12.75%	9.93%	11.30%
After-tax Profit (%)	4.93%	0.22%	2.59%	0.74%	1.17%	0.96%
Earning per Share	0.60	0.03	0.63	0.11	0.19	0.30

In spite of worst economic conditions prevailing in international market and in the country, the company managed to repay its liability amounting to Rs.168.306 million against short and long term loans.

General Market Review and Future Prospects

In this half year, textile industry generally registered a dismal performance. There are no signs of betterment in the operating economic conditions. The main hazard affecting the industry is gas and electricity short fall. However, our company is fully prepared and taking all adequate measures to cope the emerging challenges by exploring alternate energy solutions.

Fabric Weaving

Weaving division's performance showed decline in comparison to the corresponding half year. Less quantity sold as well as competitive prices resulted in decreased revenue. Our strategy to retain our valuable customers, sometimes at low margins, also 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, cost per meter increased by 10% leaving the margins very narrow. Some of the customers had decided to wait further as these price levels were very high for them. The increased net profit in the current half year is mainly due to other income of Rs.34.9 million.

Towel

Global economic conditions remained grim in this half year. The Euro crisis in Europe and the continued recession in the US slowed down the consumption of textile products, as purchasing power of the customers in both these regions took a hit and demand for textiles decreased. Despite the fact our company managed to retain its customers in international market but the order process was little bit slow. Towel side has also suffered production losses due to massive power shut downs. The prices of towel remained competitive despite of huge increase in fuel and power costs.

Corporate

The Board of Directors had decided to pay cash dividend to the minority share holders of the company in its 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 non payment of such dividend from honorable Lahore High Court. Which hearing is due on March 13, 2012.

Contingencies

The Auditors in their report to the members have drawn attention that The Bank of Punjab filed a suit against the Company for recovery of its financing and mark up aggregating Rs.494,400,675 whereas the liabilities recorded in the Company's books against the above account is Rs. 485,145,080, which is being contested by the Company and the Company has not provided any mark up / cost of funds on the outstanding amount as also stated in notes 7.4 and 9.11 to the accounts. 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.

Acknowledgement

The Board commends about loyalty and efforts of the management.

For and on behalf of the Board of Directors



MUSSAID HANIF
Director/Chief Executive Officer

Lahore
February 28, 2012

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ZEPHYR TEXTILES LIMITED** ("the Company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement 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 periods ended December 31, 2011 and December 31, 2010 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, 2011.

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 7.4 and 9.11 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. 153.379 million as of December 31, 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 808.887 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: Asim Iftikhar
Date: February 28, 2012
Lahore

Condensed Interim Balance Sheet (Un-Audited)

as at December 31, 2011

	Note	Un-Audited December 31, 2011 Rupees	Audited June 30, 2011 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 capital	6	594,287,290	594,287,290
Accumulated loss		(153,378,713)	(192,134,103)
		440,908,577	402,153,187
Surplus on revaluation of property, plant and equipment		245,373,531	260,174,449
		686,282,108	662,327,636
NON CURRENT LIABILITIES			
Long-term financing	7	187,019,308	262,255,151
Deferred liabilities		130,149,836	131,123,864
		317,169,144	393,379,015
CURRENT LIABILITIES			
Trade and other payables	8	255,880,858	249,272,470
Accrued mark-up		238,402,911	219,921,681
Short term borrowings - secured		1,032,767,983	1,138,419,555
Current portion of long term financing	7	543,986,818	531,406,378
		2,071,038,570	2,139,020,084
CONTINGENCIES AND COMMITMENTS			
	9		
		3,074,489,822	3,194,726,735
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	10	1,809,334,234	1,817,842,520
Capital work in progress	11	-	79,329,118
Long term deposits		3,004,447	3,004,447
		1,812,338,681	1,900,176,085
CURRENT ASSETS			
Stores, spare parts and loose tools		92,561,679	71,333,611
Stock in trade		770,084,221	670,970,091
Trade debts		246,603,335	299,836,293
Loans and advances		30,944,767	60,368,819
Trade deposits and short term prepayments		71,153,064	86,644,119
Other receivables		22,727,054	24,332,519
Investments	12	3,582,629	59,321,164
Cash and bank balances		24,494,392	21,744,034
		1,262,151,141	1,294,550,650
		3,074,489,822	3,194,726,735

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-Audited) for the half year ended December 31, 2011

	Note	Un-Audited Half Year ended Dec. 31, 2011 Rupees	Un-Audited Half Year ended Dec. 31, 2010 Rupees	Un-Audited Quarter ended Dec. 31, 2011 Rupees	Un-Audited Quarter ended Dec. 31, 2010 Rupees
Sales - net		1,447,329,573	1,849,141,599	728,552,004	895,024,037
Cost of goods sold	13	1,297,175,718	1,640,213,423	648,598,693	780,887,320
Gross profit		150,153,855	208,928,176	79,953,311	114,136,717
Other operating income		34,900,713	3,469,776	31,947,192	1,963,852
Distribution cost		27,461,536	35,117,086	16,207,993	16,013,155
Administrative expenses		20,026,615	13,837,217	11,720,310	7,526,299
Other operating expenses		3,131,073	707,271	2,665,104	265,735
		50,619,224	49,661,574	30,593,407	23,805,189
Finance cost		87,333,810	131,836,491	40,512,317	74,710,522
Profit before taxation		47,101,534	30,899,888	40,794,780	17,584,858
Provision for taxation		(9,669,530)	(13,111,149)	(4,912,498)	(10,930,705)
Profit after taxation		37,432,004	17,788,739	35,882,282	6,654,153
Earnings per share -basic & diluted	14	0.63	0.30	0.60	0.11

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income (Un-Audited)

for the half year ended December 31, 2011

	For the half year ended		For the quarter ended	
	Dec. 31, 2011 Rupees	Dec. 31, 2010 Rupees	Dec. 31, 2011 Rupees	Dec. 31, 2010 Rupees
Profit after taxation	37,432,004	17,788,739	35,882,282	6,654,153
Other comprehensive Income	-	-	-	-
Total comprehensive Income for the period	37,432,004	17,788,739	35,882,282	6,654,153

The annexed notes 1 to 17 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, 2011

	Note	Un-Audited Half Year ended Dec. 31, 2011 Rupees	Un-Audited Half Year ended Dec. 31, 2010 Rupees
Net cash from operating activities	15	132,844,109	96,878,901
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		17,000,000	800,000
Purchase of property, plant and equipment		(7,840,949)	(33,415,428)
Capital (loss)/gain from short term investments		(738,534)	509,915
Dividend and other income received		29,792,707	118,643
Net cash used in investing activities		38,213,224	(31,986,870)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net payment of short term borrowings - secured		(105,651,572)	(135,822,862)
Repayment of long term financing		(62,655,403)	72,982,886
Net cash used in financing activities		(168,306,975)	(62,839,976)
Net increase in cash and cash equivalents		2,750,357	2,052,055
Cash and cash equivalents at beginning of year		21,744,034	7,969,177
Cash and cash equivalents at end of year		24,494,392	10,021,233

The annexed notes 1 to 17 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, 2011

	Share capital	Accumulated loss	Total
	Rupees		
Balance as at July 01, 2010	594,287,290	(302,633,449)	291,653,841
Total comprehensive income for the period	-	17,788,739	17,788,739
Current period incremental depreciation - net of tax	-	10,148,006	10,148,006
Balance as at December 31, 2010	594,287,290	(274,696,704)	319,590,586
Total comprehensive income for the period	-	70,859,217	70,859,217
Transfer of surplus on revaluation on disposal of property, plant and equipment.	-	1,886,918	1,886,918
Current period incremental depreciation - net of tax	-	9,816,466	9,816,466
Balance as at July 01, 2011	594,287,290	(192,134,103)	402,153,187
Total comprehensive income for the period	-	37,432,004	37,432,004
Transfer of surplus on revaluation on disposal of property, plant and 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 ended June 30, 2011	-	(8,656,298)	(8,656,298)
Balance as at December 31, 2011	594,287,290	(153,378,713)	440,908,577

The annexed notes 1 to 17 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, 2011

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 shares of the Company are listed on the Lahore and Karachi Stock Exchanges of Pakistan. 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.

1.1 As at December 31, 2011, the Company has accumulated losses of Rs. 153.379 million. In addition, as at the period end, the Company's current liabilities exceeded its current assets by Rs. 808.887 million. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and availability of adequate working capital through continued support from:

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

These condensed interim 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 and availability of adequate working capital from its lenders and sponsors.

The condensed interim 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, 2011 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, 2011.

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, 2011.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, 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 JUDGMENTS

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, 2011.

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, 2011.

	Note	Un-Audited Dec. 31, 2011 Rupees	Audited June 30, 2011 Rupees
6 SHARE CAPITAL			
Issued, Subscribed and paid-up 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 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, 2011	Audited June 30, 2011
Demand Finance I - NBP	7.1, 7.2 and 7.3	Jul-06	6 month Kibor+1.5%	100	24 Quarterly	29,093,000	29,093,000
Demand Finance II- NBP	7.1, 7.2 and 7.3	Apr-07	6 month Kibor+1.5%	200	10 Semiannually	29,124,000	29,124,000
Demand Finance V- NBP	7.1, 7.2 and 7.3	Mar-11	6 month Kibor+1.5%	206.595	16 Quarterly	147,739,729	147,739,729
Term Finance - NBP Fixed Assets Finance- I (HBL)		Mar-11	Interest free	90	16 Quarterly	59,555,542	56,039,189
Fixed Assets Finance- II (HBL)		Aug-06	SBP REF+2%	80	8 semiannually	-	22,881,100
Fixed Assets Finance- II (HBL)		May-07	SBP REF+2%	150	10 semiannually	70,500,000	75,492,000
Term Finance - BOP	7.4	May-06	SBP REF+2%	100	12 semiannually	34,398,000	34,398,000
Term Finance - BOP	7.4	Dec-07	SBP REF+2%	70	8 semiannually	24,702,126	24,702,126
Term Finance - BOP	7.4	Sep-09	Average 3 months Kibor+25bps with floor of 11% p.a	136.903	10 Quarterly	136,903,129	136,903,129
Term Finance - BOP	7.4	Sep-09	Interest free	-	13 Quarterly	61,490,601	61,490,601
Demand Finance - UBL		Jan-11	Interest free	35.96	5 semiannually	-	19,602,945
Demand Finance - ABL	7.1, 7.2 and 7.3	Apr-10	Interest free	131.25	30 monthly	45,999,999	64,695,710
Term Finance - UBL		10-Oct	5.95%	91.5	18 monthly	91,500,000	91,500,000
						731,006,126	793,661,529
Current portion						(249,849,182)	(482,016,582)
Overdue portion						(294,137,636)	(49,389,796)
						(543,986,818)	(531,406,378)
						187,019,308	262,255,151

- 7.1 Long term financing was converted into State Bank of Pakistan's Long Term Finance (Export Oriented Project) Scheme during the financial year 2007.
- 7.2 It represents long term financing from commercial banks / financial institutions (stated above) to finance the manufacturing facilities of the Company comprised of weaving machines, towel, power generation unit and allied machineries. Markup is payable along with installment as per schedule stated above. The loans are secured against equitable mortgage charge on land, first pari passu charge on property, plant and equipment of the Company and personal guarantees of the directors of the Company.
- 7.3 The loans from National Bank of Pakistan and Allied Bank Limited were rescheduled in April 2010 and May 2010 respectively. The rescheduling effect of these loans has already been incorporated in the financial statements for the year ended June 30, 2011.
- 7.4 It represents loan from The Bank of Punjab which was restructured in September 2009. The Bank of Punjab has filed a suit for the recovery of amounts due against long term loan amounting to Rs. 257,497,258, short term borrowings amounting to Rs. 200,000,000 and mark-up amounting to Rs. 36,903,417 which aggregate to Rs. 494,400,675 whereas the liabilities recorded in the Company's books against the above account Rs. 485,145,080. Based on the legal opinion, the Company has not accrued any mark-up or cost of funds on the said outstanding balances as explained in note 9.11. The whole amount is being reflected in the current liabilities.
- 7.5 The State Bank of Pakistan has fixed the refinance rate to 4.9% p.a. for the borrowers refinance for the period over three years and up to maximum period prescribed under the scheme up to 7.5 years. This scheme was applicable for loans availed up to February 28, 2005 and later up to 2007.

	Note	Un-Audited Dec. 31, 2011 Rupees	Audited June 30, 2011 Rupees
8 TRADE AND OTHER PAYABLES			
Creditors		165,334,837	170,294,953
Advances from customers		19,832,796	24,240,230
Accrued liabilities		34,138,213	29,193,988
Income tax withheld		2,753,179	3,288,128
Retention money payable		405,146	405,146
Workers' Profit Participation Funds		24,760,389	21,850,025
Dividend payable	8.1	8,656,298	-
		255,880,858	249,272,470

- 8.1 This represents the dividend payable recommended by the Directors and declared by the Company in the annual general meeting held on October 31, 2011. The Bank of Punjab (BOP) has obtained a stay order against the Company, under intimation to the Securities and Exchange Commission of Pakistan to withdraw the decision of declaring dividend by the Board of Directors.

BOP has challenged the Company's right to declare dividends before repayment of its loan liabilities. The Company is contesting this position of BOP and is hopeful of settlement of the case in its favour.

9 CONTINGENCIES AND COMMITMENTS

- 9.1 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 Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.
- 9.2 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. 15,500,885 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order No. 2 2007 (STGO), dated February 6, 2007 and SRO No. 992(I)/2005 dated September 21, 2005 read with SRO No. 487(I)/2006 dated May 26, 2006. 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.
- 9.3 M/s M. J. Industries has filed a case against the Company for declaration for Rs. 544,644. The case is dismissed by the Honorable Civil Judge, Lahore. M/s M. J. Industries has filed an application for the restoration of the suit.
- 9.4 The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 544,644. The summon and notices has 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 favour.
- 9.5 The Company has filed a recovery suit against the M/s Amtex Limited for Rs. 2,916,762. The case is fixed for final order by Honorable Judge, High Court, Lahore. The Company is hopeful of settlement of the case in its favour.
- 9.6 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.
- 9.7 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.
- 9.8 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.
- 9.9 The Company has files a suit against M/s Nazeer Autos etc. for possession with permanent injunctions of property purchased by the Company, situated at Aik Moria Pull, Lahore. The case is pending for written statements and the Company is hopeful for settlement in its favour.
- 9.10 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.

9.11 The Bank of Punjab has instituted a suit for the recovery of amounts aggregating Rs. 494.400 million bearing C.O.S 8/2011. The Company has also instituted leave application in the aforesaid suit. 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 any decree which may be passed by the Court. Therefore, the Company has not accrued any cost of funds/interest on the said outstanding balance.

	Note	Un-Audited Dec. 31, 2011 Rupees	Audited June 30, 2011 Rupees
9.12 Contingencies			
Bills discounted with resource		25,436,890	135,900,252
Bank guarantees issued in the ordinary course of business		35,955,000	32,555,900
9.13 Commitments			
Letters of credit for raw material, chemical and spare parts		5,071,852	11,061,483
10 PROPERTY, PLANT AND EQUIPMENT			
Written down value - opening		1,817,842,520	1,971,655,066
Cost of additions during the period	10.1	87,170,067	43,726,820
		1,905,012,587	2,015,381,886
Disposals during the period (W.D.V)	10.2	(19,403,734)	(43,743,586)
Depreciation charge for the period		(76,274,619)	(153,795,780)
		(95,678,353)	(197,539,366)
Written down value - closing		1,809,334,234	1,817,842,520
10.1 COST OF ADDITIONS DURING THE PERIOD			
Land - freehold		1,150,000	30,275,000
Building on freehold land		12,114,869	28,489
Plant and machinery		64,902,549	8,820,509
Furniture and fittings		962,206	164,003
Vehicles		1,683,470	3,049,483
Electric installation		5,931,703	-
Office equipments		425,269	1,389,336
		87,170,067	43,726,820
10.2 COST OF DELETIONS DURING THE PERIOD			
Plant and machinery		27,534,754	41,292,819
Vehicles		-	2,450,767
		27,534,754	43,743,586
11 CAPITAL WORK IN PROGRESS			
Opening balance		79,329,118	1,150,000
Additions during the period		2,822,256	78,613,744
		82,151,374	79,763,744
Transfers to property, plant and equipment during the period		(82,151,374)	(434,626)
Closing balance		-	79,329,118

	Un-Audited		Audited	
	Number of shares / units		Rupees	
	Dec. 31, 2011	June 30, 2011	Dec. 31, 2011	June 30, 2011
12 INVESTMENTS				
Investment in funds				
Atlas Money Market Fund	-	1,078,866,297	-	55,774,151
Held for trading				
Investment at fair value through profit and loss - listed securities	149,298	149,298	3,332,629	3,297,013
Investment at fair value through profit and loss - listed securities	250	250	250,000	250,000
	<u>149,548</u>	<u>149,548</u>	<u>3,582,629</u>	<u>59,321,164</u>
	Un-Audited Half Year ended Dec. 31, 2011 Rupees	Un-Audited Half Year ended Dec. 31, 2010 Rupees	Un-Audited Quarter ended Dec. 31, 2011 Rupees	Un-Audited Quarter ended Dec. 31, 2010 Rupees
13 COST OF GOODS SOLD				
Raw materials consumed	988,534,662	1,400,480,543	542,014,952	758,379,864
Salaries, wages and other benefits	69,955,864	66,057,759	35,516,654	32,998,193
Factory overheads	322,148,907	294,607,801	173,977,390	109,871,243
	<u>1,380,639,433</u>	<u>1,761,146,103</u>	<u>751,508,996</u>	<u>901,249,300</u>
(Increase) /decrease in work in process				
Opening work in process	99,415,664	99,835,419	89,384,534	95,894,736
Closing work in process	(127,679,366)	(124,615,608)	(127,679,366)	(124,486,959)
Adjustment of work in process	<u>(28,263,702)</u>	<u>(24,780,189)</u>	<u>(38,294,832)</u>	<u>(28,592,223)</u>
Cost of goods manufactured	<u>1,352,375,731</u>	<u>1,736,365,914</u>	<u>713,214,164</u>	<u>872,657,077</u>
(Increase) /decrease in finished goods				
Opening stock	353,215,452	248,862,843	343,799,994	253,245,577
Closing stock	(408,415,465)	(345,015,334)	(408,415,465)	(345,015,334)
Adjustment of finished goods	<u>(55,200,013)</u>	<u>(96,152,491)</u>	<u>(64,615,471)</u>	<u>(91,769,757)</u>
	<u>1,297,175,718</u>	<u>1,640,213,423</u>	<u>648,598,693</u>	<u>780,887,320</u>
14 EARNINGS PER SHARE				
Net profit after tax	<u>37,432,004</u>	<u>17,788,739</u>	<u>35,882,282</u>	<u>6,654,153</u>
Weighted average number of ordinary shares in issue during the period	<u>59,428,729</u>	<u>59,428,729</u>	<u>59,428,729</u>	<u>59,428,729</u>
Earning per share - basic & diluted	<u>0.63</u>	<u>0.30</u>	<u>0.60</u>	<u>0.11</u>

	Un-Audited Dec. 31, 2011 Rupees	Un-Audited Dec. 31, 2010 Rupees
15 CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,101,534	30,899,888
Adjustments for:		
Depreciation on property, plant and equipment	76,274,619	82,809,182
Gain on disposal of property, plant and equipment	(1,800,836)	(473,344)
Loss / (gain) on re-measurement of short term investments	738,534	(509,916)
Dividends and other income	(29,792,707)	(118,643)
Provision for staff gratuity	5,878,218	3,929,041
Finance cost	87,333,810	131,836,491
	138,631,638	217,472,811
Operating profit before changes in working capital	185,733,172	248,372,699
Changes in working capital (Increase) /decrease in current assets		
Stores, spare parts and loose tools	(21,228,068)	1,702,727
Stock in trade	(99,114,130)	(196,930,122)
Trade debts	53,232,958	12,295,259
Loans and advances	29,424,052	35,860,714
Short term investments	55,738,535	(509,916)
Trade deposits and short term prepayments	10,683,514	54,762,431
Other receivables	1,605,465	-
	30,342,326	(92,818,907)
Increase /(decrease) in current liabilities		
Trade and other payables	(2,047,910)	29,068,022
Changes in working capital	28,294,416	(63,750,885)
Cash generated from operations	214,027,588	184,621,814
Finance cost paid	(68,852,579)	(77,534,810)
Employee benefits paid	(2,711,900)	(2,591,825)
Income taxes paid	(9,619,000)	(7,616,278)
	(81,183,479)	(87,742,913)
Net cash from operating activities	132,844,109	96,878,901

16 GENERAL

These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and rounded off to the nearest rupee.

17 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 28 February 2012 by the board of directors of the Company.


Chief Executive


Director

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