

A large, decorative graphic on the left side of the page consists of numerous thin, blue, curved lines that originate from a single point at the bottom and fan out towards the top, creating a sense of movement and depth.

Zephyr Textiles Limited

ANNUAL REPORT 2017

<u>Company Information</u>	03.
<u>Notice of Annual General Meeting</u>	04.
<u>Directors' Report</u>	05.
<u>Horizontal Analysis</u>	08.
<u>Vertical Analysis</u>	09.
<u>Statement of Value Addition</u>	10.
<u>Financial Highlights</u>	11.
<u>Graphical Representation</u>	12.
<u>DuPont Analysis</u>	14.
<u>Pattern of Holding of the Shares</u>	15.
<u>Statement of Compliance with the Code of Corporate Governance</u>	17.
<u>Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance</u>	19.
<u>Auditors' Report to the Members</u>	20.
<u>Balance Sheet</u>	21.
<u>Profit and Loss Account</u>	22.
<u>Statement of Comprehensive Income</u>	23.
<u>Cash Flow Statement</u>	24.
<u>Statement of Changes in Equity</u>	25.
<u>Notes to the Financial Statements</u>	26.
<u>Director's Report in Urdu</u>	56.
<u>Proxy Form</u>	
<u>Urdu Proxy Form</u>	

Contents

BOARD OF DIRECTORS:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Ms. Tehniyat Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid Ms. Nuzhat Kamran	CEO
AUDIT COMMITTEE:	Ms. Nuzhat Kamran Mr. Arbab Muhammad Khan Ms. Tehniyat Mussaid	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, Baloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512011	(Weaving unit & Power plant)
	63 km, Gulshan Adda, Jumber Khurd, District Kasur.	(Towel Unit)

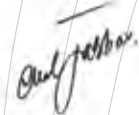
REGISTERED & HEAD OFFICE:	3rd Floor, IEP Building, 97 B/D-I, Gulberg III, Lahore. E-mail: info@zephyr.com.pk Website: www.zephyr.com.pk
	Phone : 042 35782905 - 15 Fax : 042 35753202

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

Notice is hereby given that the 19th 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 Tuesday, October 31, 2017, at 10:30 AM to transact the following business:

- To confirm the minutes of the last Annual General Meeting dated October 31, 2016.
- To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2017 together with the Directors' and Auditor's report thereon.
- To appoint auditors for the year ending June 30, 2018 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, 2017.

NOTES:

• **BOOK CLOSURE NOTICE:**

Share transfer books of the company will remain closed from October 24, 2017 to October 31, 2017 (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 natarially 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 and individual beneficial owner of CDC attested copies of beneficial owner's CNIC 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 the Company are pleased to present the audited financial statements for the year ended June 30, 2017 along with the financial statements and auditors' report thereon.

Financial and Operating Results

Financial performance

Financial performance of the Company was steady during the year ended June 30, 2017 although there was 4.66% decrease in sales revenue. The sales revenue decreased slightly due to global economic slowdown, weak exchange rates of Euro and British Pound and lower raw material prices. Gross profit increased by 8.28% as compared to the corresponding period. Gradual shifting from greige fabric to finished fabric business helped in achieving the higher gross profit. Pre-tax profit and after tax profit reduced due to loss on disposal of fixed assets and amortization of markup free loan. The overall financial and operational performance of the Company depicts growth in value added business, improved production efficiencies and better cost controls.

Description	2017	2016
Net sales	3,749,393,276	3,932,856,870
Gross Profit	430,093,402	397,214,552
EBITDA	244,937,516	283,261,357
Depreciation	155,179,845	150,931,686
Finance Cost	121,824,536	126,333,632
Pre-tax profit	89,757,671	132,329,671
After tax profit	68,927,107	107,034,539
EPS	1.16	1.80

Other operating expenses include loss on disposal of plant and machinery amounting PKR 56.33 million and finance cost includes amortization of markup free loan amounting PKR 38.08 million. These expenses deteriorated the financial results. Finance cost of the Company was at lowest in the financial year ended June 30, 2017 as compared with the last five years. The main reasons for the decrease in finance cost were improved cash flows due to increase in gross profit, availability of loans at subsidized rates and stringent financial management.

The Company invested PKR 437.110 million on account of fixed capital expenditure during the year, out of which PKR 169.457 million were financed by internal cash generation. The investments during the current financial year included replacement of old looms with new Air Jet looms from Picanol, addition of Air Jet Terry Looms and built up of additional capacity in dyeing, finishing and sewing. The process of replacement and induction of new capacity completed during the last quarter of financial year under review. The Company availed new short term finance of PKR 100 million and restructured long term loan into short term loan of PKR 107 million from The Bank of Punjab.

Textile Industry Overview

The role of the textile sector has been pivotal in economic growth of Pakistan and cannot be ignored in future as well. Unfortunately, successive governments have shown little interest in the development of this sector. Our competitors like Bangladesh, Vietnam and India has gained a lot of space in the world market left by China due to rising costs of production. Despite having the European Union's Generalized System of Preference (GSP) plus status, we could not even maintain our export performance. Our industry is losing competitiveness in the International market due to energy shortage, heavy taxes and continuous increase in minimum wages. Security is another serious concern for the customers. Majority of buyers from USA and Europe avoid visiting Pakistan because of security issues. A considerable devaluation of European currencies impacted our ability to export to these countries, where as our competitors in Asia were less affected because of weakening of their currencies as well. There is persistent decline of raw material exports and a gradual uptrend in the export of value added goods which are good signs for times to come.

Future Strategies

The Company has successfully complied in accordance with its last year's future plan of modernization and expansion. This expansion and modernization was essential to capture new customers of value added products. Addition of the new assets include two Dyeing machines, a stenter machine, a warping machine, a tumbler machine, sewing machines, a long hemming machine and up gradation of 24 air jet looms and two caterpillar gas power generators. Commercial production from the above mentioned machinery started by the end of financial year under review. The complete production and revenue increase will be reflected in the coming years.

Corporate Matters

Dividend

The significant investment of the Company in BMR and expansion of production facility has forced the directors to omit dividend this year.

Directors' Training Program

One of the directors of the Company completed the Directors Training Program this year as per new CCG compliance. Two directors have exemptions and three directors have completed the compulsory Directors Training Program. The only remaining director is out of country and will comply as soon as she is available.

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 Pakistan Stock Exchanges (PSX). The statement of compliance with the CCG is also enclosed.

Board committees

Audit committee

During the year the audit committee had been reconstituted from January 2017 which comprised of three members of whom all are non-executive directors. The chairperson of the committee is an independent director. 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. Nuzhat Kamran	Chairperson/Member
Ms. Tehniyat Mussaid	Member
Mr. Arbab Muhammad Khan	Member

Human resource & remuneration committee

During the year the HR and remuneration committee had been reconstituted from January 2017 which comprised of three members of whom two are non-executive directors and the Chairperson is a non-executive director. 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:

Ms. Sabah Burhan	Chairperson/Member
Mr. Burhan Muhammad Khan	Member
Ms. Nuzhat Kamran	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.	Ms. Nuzhat Kamran	4
5.	Ms. Tehniyat Mussaid	4
6.	Ms. Sabah Burhan	4
7.	Ms. Sarah Mussaid	2

Directors' Statement

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

1. 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, 2017, 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, 2018.

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.



Mussaid Hanif
Chief Executive

Lahore
September 25, 2017



Burhan Muhammad Khan
Director

Horizontal Analysis

(Rupees in million)

	2017	Variance vs Last Year Increase/ (Decrease)	2016	Variance vs Last Year Increase/ (Decrease)	2015	Variance vs Last Year Increase/ (Decrease)	2014	Variance vs Last Year Increase/ (Decrease)	2013
OPERATING RESULTS									
Sales - net	3,749.39	(4.66)	3,932.86	4.68	3,756.91	(10.53)	4,199.16	9.33	3,840.91
Cost of sales	3,319.30	(6.12)	3,535.64	3.11	3,429.04	(9.61)	3,793.81	8.97	3,481.67
Gross Profit	430.09	8.28	397.21	21.15	327.86	(19.12)	405.35	12.84	359.23
Distribution cost	92.38	25.03	73.89	(4.95)	77.74	1.42	76.65	(3.08)	79.08
Administrative expenses	65.16	2.64	63.49	11.29	57.05	9.33	52.18	(16.54)	62.52
Other operating expenses	63.32	424.17	12.08	205.29	3.96	(41.83)	6.80	22.36	5.56
Financial cost	121.82	(3.57)	126.33	(24.05)	166.34	(13.86)	193.11	(18.41)	236.68
Other operating income	2.35	(78.44)	10.91	(94.62)	202.73	1,554.96	12.25	(91.69)	147.40
Profit/(Loss) before taxation	89.76	(32.17)	132.33	(41.32)	225.51	153.81	88.85	(27.64)	122.78
Provision for taxation	20.83	(17.65)	25.30	12.69	22.45	(11.61)	25.40	197.95	8.52
PROFIT/(LOSS) FOR THE YEAR	68.93	(35.60)	107.03	(47.29)	203.07	220.04	63.45	(44.47)	114.26
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,995.53	11.02	1,797.52	(2.11)	1,836.22	(4.72)	1,927.08	(4.29)	2,013.55
Capital work in progress	9.70	100.00	-	(100)	10.86	-	-	(100.00)	58.84
Long term deposits	19.29	146.55	7.82	(0.64)	7.87	0.03	7.87	138.54	3.30
TOTAL NON-CURRENT ASSETS	2,024.52	12.14	1,805.34	(2.67)	1,854.96	(4.13)	1,934.95	(6.78)	2,075.68
CURRENT ASSETS									
Stores, spare parts and loose tools	134.87	20.14	112.26	3.57	108.39	0.61	107.73	2.50	105.10
Stock in trade	904.90	16.75	775.09	8.42	714.91	(2.34)	732.05	9.24	670.16
Trade debts	350.24	(21.60)	446.75	19.88	372.66	10.16	338.29	2.72	329.32
Loans and advances	33.28	(5.87)	35.36	(14.01)	41.12	46.33	28.10	(35.58)	43.62
Trade deposits and short term prepayments	196.86	30.64	150.68	32.73	113.52	(8.90)	124.62	24.40	100.18
Other receivables	33.76	24.64	27.09	29.76	20.88	40.68	14.84	16.19	12.77
Investments	1.68	5.08	1.60	4.73	1.53	(85.65)	10.64	(73.61)	40.31
Cash and bank balances	49.89	(22.99)	64.79	74.26	37.18	(53.95)	80.73	87.89	42.97
TOTAL CURRENT ASSETS	1,705.48	5.69	1,613.61	14.43	1,410.18	(1.87)	1,437.00	6.89	1,344.43
TOTAL ASSETS	3,730.00	9.10	3,418.94	4.71	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12
CURRENT LIABILITIES									
Trade and other payables	366.56	(5.41)	387.54	8.76	356.31	17.86	302.33	8.23	279.34
Accrued mark-up	15.84	10.59	14.32	213.83	4.56	(98.13)	243.93	22.15	199.70
Short term borrowings	981.62	38.18	710.42	17.44	604.90	(36.62)	954.37	(0.98)	963.81
Current portion of long term financing	199.70	13.24	176.35	16.34	151.59	(57.54)	357.02	(9.29)	393.57
TOTAL CURRENT LIABILITIES	1,563.72	21.35	1,288.63	15.33	1,117.36	(39.85)	1,857.64	1.16	1,836.42
WORKING CAPITAL	141.76	(56.38)	324.98	10.98	292.82	(169.61)	(420.64)	(14.50)	(491.98)
TOTAL CAPITAL EMPLOYED	2,166.28	1.69	2,130.31	(0.81)	2,147.78	41.83	1,514.31	(4.38)	1,583.70
NON-CURRENT LIABILITIES									
Long term financing	544.32	(4.58)	570.45	(15.72)	676.85	240.54	198.76	(38.40)	322.64
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	225.13	(2.80)	231.62	(0.41)	232.58	(1.52)	236.18	(4.34)	246.90
TOTAL NON-CURRENT LIABILITIES	769.45	(4.07)	802.07	(11.81)	909.43	109.09	434.94	(23.63)	569.54
NET WORTH	1,396.83	5.16	1,328.25	7.26	1,238.35	14.73	1,079.37	6.43	1,014.16
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated Profit / Loss	468.97	26.85	369.71	45.96	253.30	286.65	65.51	(309.03)	(31.34)
Surplus on revaluation of property, plant and equipment	333.57	(8.42)	364.25	(6.79)	390.76	(6.87)	419.57	(7.01)	451.22
TOTAL NET WORTH	1,396.83	5.16	1,328.25	7.26	1,238.35	14.73	1,079.37	6.43	1,014.16
TOTAL LIABILITIES	3,730.00	9.10	3,418.94	4.71	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12

Vertical Analysis

(Rupees in million)

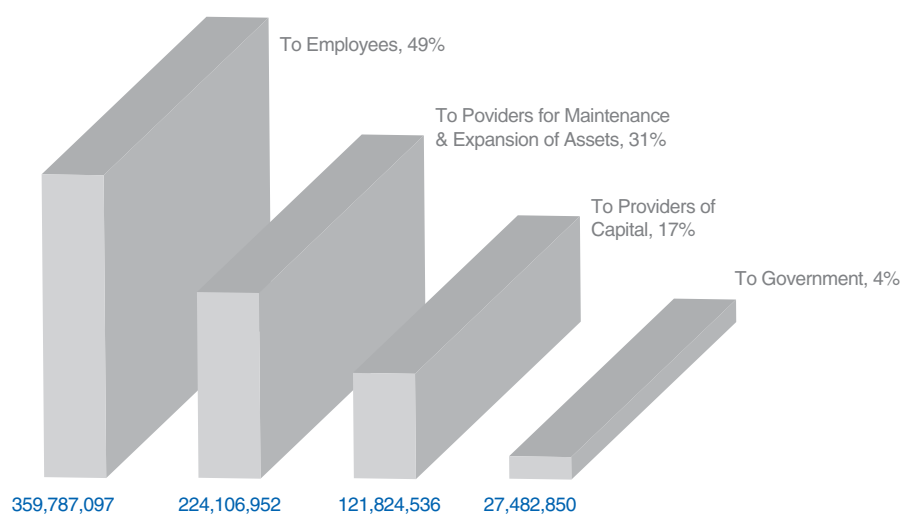
	2017	% of Total Value	2016	% of Total Value	2015	% of Total Value	2014	% of Total Value	2013
OPERATING RESULTS									
Sales - net	3,749.39	100.00	3,932.86	100.00	3,756.91	100.00	4,199.16	100.00	3,840.91
Cost of sales	3,319.30	88.53	3,535.64	89.90	3,429.04	91.27	3,793.81	90.35	3,481.67
Gross Profit	430.09	11.47	397.21	10.10	327.86	8.73	405.35	9.65	359.23
Distribution cost	92.38	2.46	73.89	1.88	77.74	2.07	76.65	1.83	79.08
Administrative expenses	65.16	1.74	63.49	1.61	57.05	1.52	52.18	1.24	62.52
Other operating expenses	63.32	1.69	12.08	0.31	3.96	0.11	6.80	0.16	5.56
Financial cost	121.82	3.25	126.33	3.21	166.34	4.43	193.11	4.60	236.68
Other operating income	2.35	0.06	10.91	0.28	202.73	5.40	12.25	0.29	147.40
Profit/(Loss) before taxation	89.76	2.39	132.33	3.36	225.51	6.00	88.85	2.12	122.78
Provision for taxation	20.83	0.56	25.30	0.64	22.45	0.60	25.40	0.60	8.52
PROFIT/(LOSS) FOR THE YEAR	68.93	1.84	107.03	2.72	203.07	5.41	63.45	1.51	114.26
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,995.53	53.50	1,797.52	52.58	1,836.22	56.24	1,927.08	45.89	2,013.55
Capital work in progress	9.70	0.26	-	-	10.86	0.33	-	-	58.84
Long term deposits	19.29	0.52	7.82	0.23	7.87	0.24	7.87	0.19	3.30
TOTAL NON-CURRENT ASSETS	2,024.52	54.28	1,805.34	52.80	1,854.96	56.81	1,934.95	46.08	2,075.68
CURRENT ASSETS									
Stores, spare parts and loose tools	134.87	3.62	112.26	3.28	108.39	3.32	107.73	3.19	105.10
Stock in trade	904.90	24.26	775.09	22.67	714.91	21.90	732.05	21.71	670.16
Trade debts	350.24	9.39	446.75	13.07	372.66	11.41	338.29	10.03	329.32
Loans and advances	33.28	0.89	35.36	1.03	41.12	1.26	28.10	0.83	43.62
Trade deposits and short term prepayments	196.86	5.28	150.68	4.41	113.52	3.48	124.62	3.70	100.18
Other receivables	33.76	0.91	27.09	0.79	20.88	0.64	14.84	0.44	12.77
Investments	1.68	0.05	1.60	0.05	1.53	0.05	10.64	0.32	40.31
Cash and bank balances	49.89	1.34	64.79	1.89	37.18	1.14	80.73	2.39	42.97
TOTAL CURRENT ASSETS	1,705.48	45.72	1,613.61	47.20	1,410.18	43.19	1,437.00	42.62	1,344.43
TOTAL ASSETS	3,730.00	100.00	3,418.94	100.00	3,265.14	100.00	3,371.95	100.00	3,420.12
CURRENT LIABILITIES									
Trade and other payables	366.56	9.83	387.54	11.34	356.31	10.91	302.33	8.97	279.34
Accrued mark-up	15.84	0.42	14.32	0.42	4.56	0.14	243.93	7.23	199.70
Short term borrowings	981.62	26.32	710.42	20.78	604.90	18.53	954.37	28.30	963.81
Current portion of long term financing	199.70	5.35	176.35	5.16	151.59	4.64	357.02	10.59	393.57
TOTAL CURRENT LIABILITIES	1,563.72	41.92	1,288.63	37.69	1,117.36	34.22	1,857.64	55.09	1,836.42
WORKING CAPITAL	141.76	3.80	324.98	9.51	292.82	8.97	(420.64)	(12.47)	(491.98)
TOTAL CAPITAL EMPLOYED	2,166.28	58.08	2,130.31	62.31	2,147.78	65.78	1,514.31	44.91	1,583.70
NON-CURRENT LIABILITIES									
Long term financing	544.32	14.59	570.45	16.68	676.85	20.73	198.76	5.89	322.64
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	225.13	6.04	231.62	6.77	232.58	7.12	236.18	7.00	246.90
TOTAL NON-CURRENT LIABILITIES	769.45	20.63	802.07	23.46	909.43	27.85	434.94	12.90	569.54
NET WORTH	1,396.83	37.45	1,328.25	38.85	1,238.35	37.93	1,079.37	32.01	1,014.16
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	15.93	594.29	17.38	594.29	18.20	594.29	17.62	594.29
Accumulated Profit / Loss	468.97	12.57	369.71	10.81	253.30	7.76	65.51	1.94	(31.34)
Surplus on revaluation of property, plant and equipment	333.57	8.94	364.25	10.65	390.76	11.97	419.57	12.44	451.22
TOTAL NET WORTH	1,396.83	37.45	1,328.25	38.85	1,238.35	37.93	1,079.37	32.01	1,014.16
TOTAL LIABILITIES	3,730.00	100.00	3,418.94	100.00	3,265.14	100.00	3,371.95	100.00	3,420.12

Statement of Value Addition

Wealth Generated	Year 2017		Year 2016	
	Amount Rs.	%	Amount Rs.	%
Sales Revenue	3,749,393,276		3,932,856,870	
Other Income	2,351,217		10,906,772	
	3,751,744,493		3,943,763,642	
Less:				
Material & Services				
Material & Factory Cost	2,854,891,068		3,093,930,080	
Administrative Costs	29,947,848		31,565,502	
Distribution & other Costs	133,704,142		62,058,926	
	3,018,543,058		3,187,554,508	
Total Wealth Generated	733,201,435	100%	756,209,134	100%

Wealth Distributed	Year 2017		Year 2016	
	Amount Rs.	%	Amount Rs.	%
To Employees				
Salaries & Benefits	359,787,097	49.07%	336,806,683	44.54%
To Government				
Tax	20,830,564	2.84%	25,295,132	3.34%
Worker Profit Participation Fund	4,820,498	0.66%	7,106,857	0.94%
Worker Welfare Fund	1,831,789	0.25%	2,700,606	0.36%
To Providers of Capital				
Dividends to Share Holders	-	-	-	-
Mark Up/Interest on Borrowed Funds	121,824,536	16.62%	126,333,632	16.71%
To Providers for Maintenance & Expansion of Assets				
Depreciation	155,179,845	21.16%	150,931,686	19.96%
Profit Retained	68,927,107	9.40%	107,034,538	14.15%
	733,201,435		756,209,134	

Distribution of wealth

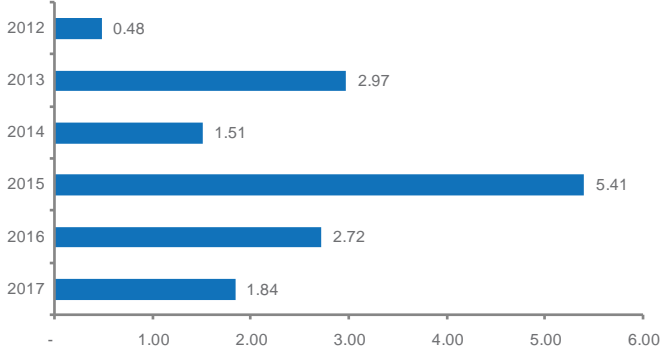


Key Operating and Financial Data of Last Six Years

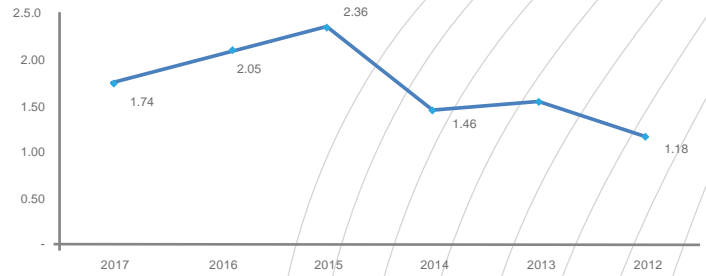
	June, 30 2017	June, 30 2016	June, 30 2015	June, 30 2014	June, 30 2013	June, 30 2012
(Rupees in thousand)						
PROFIT AND LOSS						
Sales	3,749,393	3,932,857	3,756,907	4,199,161	3,840,907	3,135,629
Cost of Sales	3,319,300	3,535,642	3,429,043	3,793,808	3,481,673	2,819,589
Gross Profit	430,093	397,215	327,864	405,353	359,234	316,041
Operating Profit plus other income	211,582	258,663	391,854	281,962	359,468	231,462
Financial & Other charges	121,825	126,334	166,341	193,112	236,684	196,080
Taxation	20,831	25,295	22,446	25,396	8,524	20,452
NET PROFIT AFTER TAX	68,927	107,035	203,067	63,454	114,260	14,929
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	468,969	369,712	253,297	65,509	(31,341)	(165,554)
Surplus on revaluation of fixed assets	333,573	364,247	390,762	419,572	451,216	239,867
NET WORTH	1,396,829	1,328,246	1,238,347	1,079,368	1,014,163	668,600
Long Term Liabilities	544,322	570,447	676,849	198,760	322,644	74,156
Deferred liabilities	225,127	231,622	232,580	236,179	246,895	125,860
Current Liabilities	1,563,719	1,288,630	1,117,362	1,857,645	1,836,415	2,137,103
TOTAL LIABILITIES	2,333,168	2,090,698	2,026,790	2,292,584	2,405,955	2,337,119
TOTAL EQUITY & LIABILITIES	3,729,997	3,418,945	3,265,138	3,371,953	3,420,119	3,005,719
Fixed Assets	1,995,530	1,797,516	1,836,218	1,927,075	2,013,546	1,747,742
Capital Work in Progress	9,702	-	10,865	-	58,840	-
Long Term Deposits	19,287	7,823	7,873	7,873	3,299	3,004
Current Assets	1,705,478	1,613,606	1,410,181	1,437,004	1,344,433	1,254,973
TOTAL ASSETS	3,729,997	3,418,945	3,265,138	3,371,953	3,420,119	3,005,719
INVESTOR INFORMATION						
Break up value per share (Rs.)	23.50	22.35	20.84	18.16	17.07	11.25
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	-
Earning Per Share (Rs.)	1.16	1.80	3.42	1.07	1.92	0.25
Return on Equity (%)	4.93	8.06	16.40	5.88	11.27	2.23
Return on Assets (%)	1.85	3.13	6.22	1.88	3.34	0.50
FINANCIAL RATIOS						
Gross Margin (%)	11.47	10.10	8.73	9.65	9.35	10.08
Net Margin (%)	1.84	2.72	5.41	1.51	2.97	0.48
Current Ratio	1.09	1.25	1.26	0.77	0.73	0.59
Debt to Equity ratio (%)	0.70	0.77	0.98	0.84	1.27	1.75
Interest cover ratio (Times)	1.74	2.05	2.36	1.46	1.52	1.18
Gearing ratio (%)	0.62	0.60	0.63	0.70	0.75	0.81

Graphical Representation

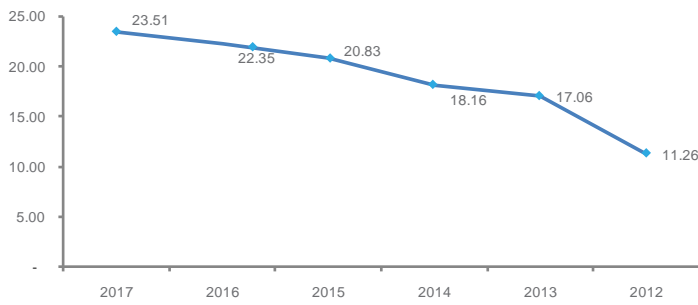
Net Margin (%)



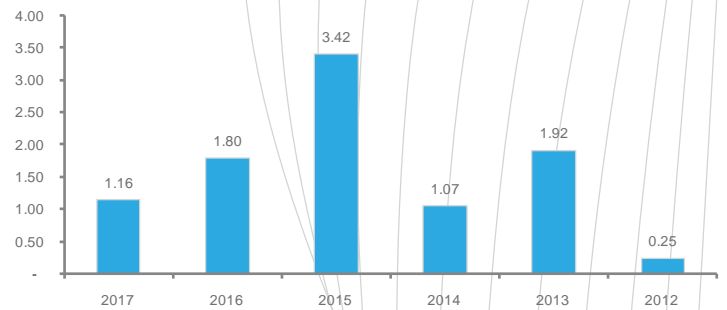
Interest cover ratio (Times)



Break up value per share (Rs.)

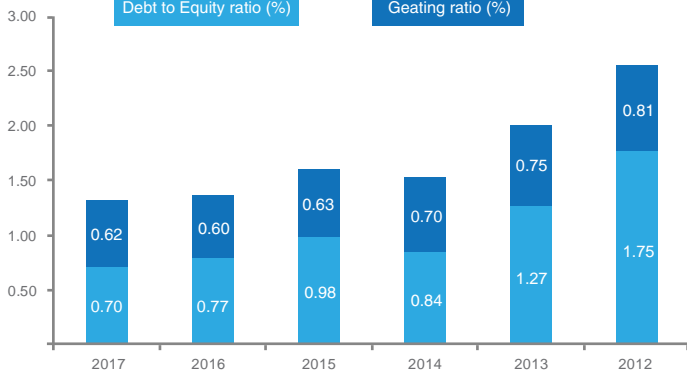


Earning Per Share (Rs.)

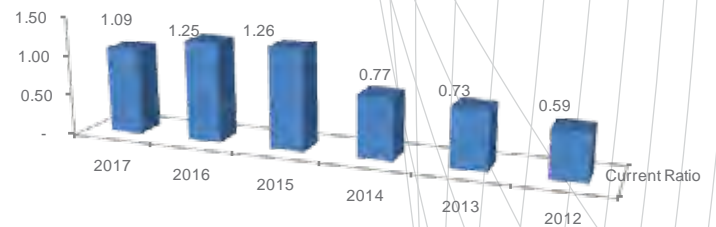


Debt to Equity ratio (%)

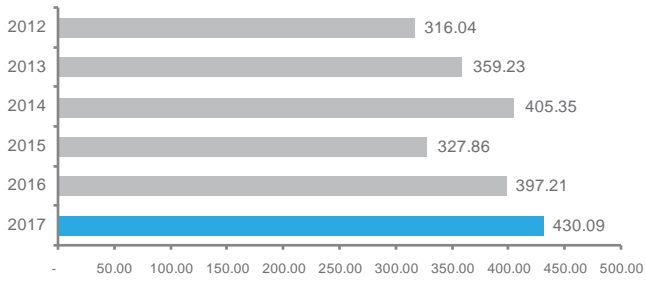
Gearing ratio (%)



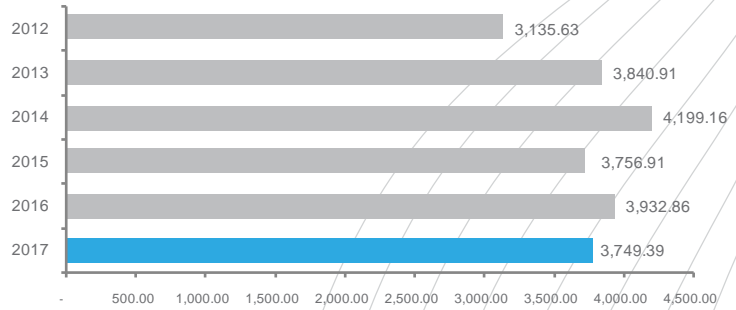
Current Ratio



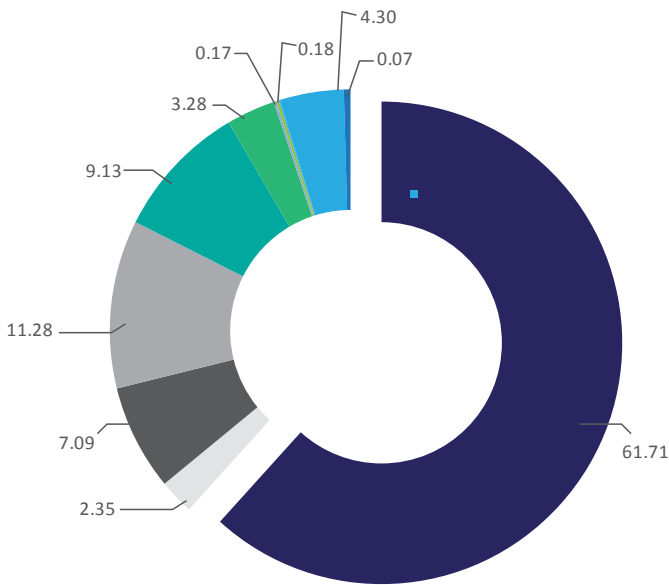
Gross Profit (Rupees in Million)



Sales (Rupees in Million)

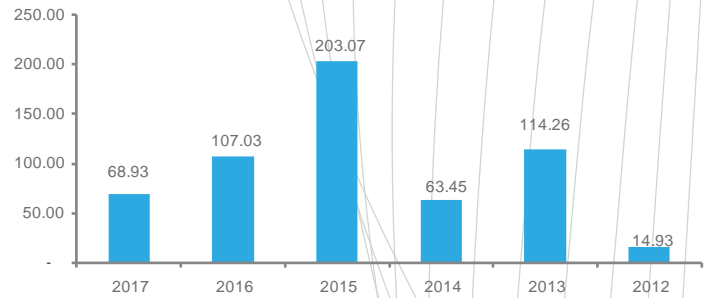


Cost of Sales



- Raw materials consumed 61.71
- Stores consumed 2.35
- Packing, Sizing and lubricants consumed. 7.09
- Fuel and power 11.28
- Salaries, wages and other benefits 9.13
- Processing charges 3.28
- Repairs and maintenance 0.18
- Travelling & Conveyance 0.07
- Depreciation 4.30
- Other production overheads 0.45
- Insurance 0.17

Net Profit / Loss after tax (Rupees in Million)



DuPont Analysis

<u>Details</u>	<u>Amount in "000"</u>	<u>Values for the year ended</u>	<u>2017</u>
Gross Revenues	3,749,393	Tax burden	0.56%
Cost of Sales	3,319,300	Interest burden	3.25%
Admin & Selling Exp	220,862	Net profit margin	1.84%
Interest Expense	121,825	Return on Assets	1.85%
Taxation	20,831	Ownership Ratio	37.45%
Other Income	2,351	Return on Equity	4.93%
Total Assets	3,729,997		
Total Liabilities	2,333,167		

1 Operating Profit Margin

Gross Revenue	(-)	Admin & Selling Exp	(-)
3,749,393		220,862	
Net Oprtg Income	(+)	Other Income	(-)
209,231		2,351	
Net Income	(-)	Taxation	(=)
89,758		20,831	

Cost of Sales	(=)	Net Operating Income
3,319,300		209,231
Interest Expense	(=)	Net Income
121,825		89,758
Gross Revenue	(=)	Net Profit Margin
3,749,393		1.84%

2 Asset Turnover Ratio

Gross Revenue	(÷)	Total Assets
3,749,393		3,729,997

Asset Turnover Ratio	Times
1.005	

3 Owner's Equity

Total Assets	(-)	Total Liabilities
3,729,997		2,333,167

Owner's Equity
1,396,829

4 Total Assets

Total Liabilities	(+)	Total Equity
2,333,167		1,396,829

Total Assets
3,729,997

5 Return on Assets

Net Profit Margin	(x)	Asset Turnover Ratio
1.84%		1.01

Return on Assets
1.85%

6 Ownership Ratio

Owner's Equity	(÷)	Total Assets
1,396,829		3,729,997

Ownership Ratio
37.45%

7 Return on Equity

Return on Assets	(÷)	Ownership Ratio
1.85%		37.45%

Return on Equity
4.935%

Pattern of Share Holding As on June 30, 2017

Incorporation Number 0039902

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

Number of Shareholders	Shareholding		Total Shares held
	From	To	
66	1	100	864
137	101	500	67,269
59	501	1000	58,611
94	1001	5000	276,200
21	5001	10000	172,000
13	10001	15000	168,298
10	15001	20000	178,500
10	20001	25000	235,500
4	25001	30000	116,000
1	35001	40000	35,500
2	40001	45000	87,500
2	45001	50000	100,000
1	55001	60000	55,500
1	60001	65000	60,500
1	65001	70000	68,000
4	95001	100000	398,500
2	100001	105000	206,000
1	115001	120000	117,500
1	130001	135000	135,000
2	135001	140000	276,000
1	140001	145000	145,000
3	145001	150000	450,000
1	335001	340000	336,000
1	460001	465000	462,500
1	530001	535000	532,000
1	1560001	1565000	1,561,000
1	2165001	2170000	2,166,800
1	2465001	2470000	2,465,300
1	2855001	2860000	2,857,300
1	4460001	4465000	4,460,651
1	4485001	4490000	4,485,151
1	4760001	4765000	4,761,056
1	15105001	15110000	15,109,364
1	16820001	16825000	16,823,365
448			59,428,729

Categories of Shareholders

As on June 30, 2017

Shareholder's category	No. of shareholders	Share held	Percentage
1 Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	2	21,308,516	35.8556
Mr. Burhan Muhammad Khan	3	19,600,015	32.9807
Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
Ms. Tehniyat Mussaid	2	4,026,300	6.7750
Ms. Sabah Burhan	3	2,759,300	4.6430
Ms. Sarah Mussaid	1	50,000	0.0841
Ms. Nuzhat Kamran	1	500	0.0008
Total	13	50,601,931	85.15
2 Associated companies, undertaking and related parties	0	-	-
3 Executive	0	-	-
4 Public Sector Companies and Corporation	2	300,000	0.5048
5 Banks, Development Financial Institutions, Non-Banking Financial Institutions	2	4,896,056	8.2385
6 General public - Local	419	3,354,741	5.6450
7 General public - Foreign	3	11,500	0.0194
8 Others	9	264,501	0.4451
Total	435	8,826,798	14.85
Grand Total	448	59,428,729	100.00
Shareholders holding 5% or more		Shares held	Percentage
Mr. Mussaid Hanif		21,308,516	35.8556
Mr. Burhan Muhammad Khan		19,600,015	32.9807
Ms. Tehniyat Mussaid		4,026,300	6.7750
The Bank of Punjab, Treasury Division		4,896,056	8.2385

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent director, non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Ms. Nuzhat Kamran
Executive Directors	Mr. Mussaid Hanif (CEO) Mr. Burhan Muhammad Khan
Non-Executive Directors	Mr. Arbab Muhammad Khan Ms. Tehniyat Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid

The independent Director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. There is no any casual vacancy occurred within the period under review.
5. 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.
6. 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.
7. 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 and other executive and non-executive Directors, have been taken by the Board.
8. 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.
9. All the Board members have the prescribed education, experience and are fully conversant with their duties and responsibilities required under the CCG. During the year, the Board arranged for training as required under the CCG for one of its Director.
10. No new appointments of the Chief Financial Officer, Company Secretary and Head of Internal Audit were made during the year.
11. 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.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. During the year as a result of re-constitution of the audit committee, the audit committee from January 2017 comprises of three members, of whom all are non-executive directors and the Chairperson of the Committee is an independent Director.
16. 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.
17. During the year as a result of re-constitution of the HR Committee, the HR Committee from January 2017 comprises of three members, of whom two are non-executive Directors and the Chairperson of the Committee is non-executive Director.
18. 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.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (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.
20. 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.
21. 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.
22. Material/Price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.



Mussaid Hanif
Chief Executive

Lahore
September 25, 2017



Burhan Muhammad Khan
Director

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, 2017 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange 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 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's 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's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board 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 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 as applicable to the Company for the year ended June 30, 2017.

Lahore
September 25, 2017

Azhar Zafar & Co

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, 2017 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 repealed 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 repealed 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 repealed 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 repealed 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, 2017 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.

Azhar Zafar & Co

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

Lahore
September 25, 2017

Balance Sheet

As at June 30, 2017

	Note	2017 (Rupees)	2016 (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		468,969,188	369,712,295
Total equity		1,063,256,478	963,999,585
Surplus on revaluation of property, plant and equipment	7	333,572,878	364,246,726
Liabilities			
Non-current			
Long term financing	8	544,321,882	570,446,790
Deferred liabilities	10	225,127,401	231,621,837
Total non-current liabilities		769,449,283	802,068,627
Current			
Trade and other payables	11	366,562,914	387,537,976
Accrued mark-up	12	15,838,713	14,321,758
Short term borrowings	13	981,619,285	710,417,398
Current portion of long term borrowings	9	199,697,028	176,352,671
Total current liabilities		1,563,717,940	1,288,629,803
Contingencies and commitments	14	-	-
Total liabilities		2,333,167,223	2,090,698,430
Total equity and liabilities		3,729,996,579	3,418,944,741
Assets			
Non-current			
Property, plant and equipment	15	1,995,529,987	1,797,515,632
Capital work in progress	16	9,701,776	-
Long term deposits	17	19,287,201	7,822,686
Total non-current assets		2,024,518,964	1,805,338,318
Current			
Stores, spare parts and loose tools		134,868,942	112,258,545
Stock in trade	18	904,898,922	775,086,565
Trade debts	19	350,241,847	446,750,654
Loans and advances	20	33,280,476	35,357,461
Trade deposits, prepayments and balances with statutory authorities	21	196,855,013	150,680,773
Other receivables	22	33,763,606	27,088,511
Investments	23	1,680,189	1,598,895
Cash and bank balances	24	49,888,620	64,785,019
Total current assets		1,705,477,615	1,613,606,423
Total assets		3,729,996,579	3,418,944,741

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Profit and Loss Account

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
Sales - net	25	3,749,393,276	3,932,856,870
Cost of sales	26	(3,319,299,874)	(3,535,642,318)
Gross profit		430,093,402	397,214,552
Distribution cost	27	(92,383,868)	(73,891,128)
Administrative expenses	28	(65,160,589)	(63,487,124)
Other operating expenses	29	(63,317,955)	(12,079,769)
Operating profit		209,230,990	247,756,531
Other operating income	30	2,351,217	10,906,772
Operating profit before finance cost		211,582,207	258,663,303
Finance cost	31	(121,824,536)	(126,333,632)
Profit before tax		89,757,671	132,329,671
Taxation	32	(20,830,564)	(25,295,132)
Profit after taxation		68,927,107	107,034,539
Earnings per share:			
Basic and diluted earnings per share	33	1.16	1.80

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
Profit after taxation		68,927,107	107,034,539
Other comprehensive income			
Loss on remeasurement of staff retirement benefit plan	5.1 & 10	(344,062)	(2,780,362)
Total comprehensive income for the year		68,583,045	104,254,177

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Cash Flow Statement

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
Cash flows from operating activities			
Cash generated from operations	34	340,471,252	311,465,503
Finance cost paid		(79,294,337)	(116,575,467)
Taxes paid		(61,595,679)	(42,173,331)
Staff retirement benefits - gratuity paid		(13,075,116)	(9,977,950)
Net cash flow from operating activities		186,506,120	142,738,755
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		16,765,812	982,800
Purchase of property, plant and equipment		(437,109,521)	(104,023,420)
Long term deposits		(11,464,515)	50,000
Dividend income		65,326	55,728
Net cash flow from investing activities		(431,742,898)	(102,934,892)
Cash flows from financing activities			
Short term borrowings - net		271,201,887	105,519,957
Long term financing - net		(40,861,508)	(117,715,356)
Net cash flow from financing activities		230,340,379	(12,195,399)
Net (decrease)/ increase in cash and cash equivalents		(14,896,399)	27,608,464
Cash and cash equivalents at beginning of the year		64,785,019	37,176,555
Cash and cash equivalents at end of the year		49,888,620	64,785,019

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2017

	Share capital (Rupees)	Accumulated profit/(loss) (Rupees)	Total equity (Rupees)
Balance as at July 01, 2015	594,287,290	253,296,747	847,584,037
Total comprehensive income for the year	-	104,254,177	104,254,177
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	259,315	259,315
Prior year adjustments	-	(14,354,385)	(14,354,385)
Current year incremental depreciation - net of tax	-	26,256,441	26,256,441
Balance as at June 30, 2016	594,287,290	369,712,295	963,999,585
Balance as at July 1, 2016	594,287,290	369,712,295	963,999,585
Total comprehensive income for the year	-	68,583,045	68,583,045
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	6,891,292	6,891,292
Current year incremental depreciation - net of tax	-	23,782,556	23,782,556
Balance as at June 30, 2017	594,287,290	468,969,188	1,063,256,478

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2017

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 and its shares are quoted in Pakistan Stock Exchange Limited (PSX). 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.

2 STATEMENT OF COMPLIANCE

During the year, the Companies Act 2017 (“the Act”) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the Companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed 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

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.2 New standards, amendments to approved accounting standards and new interpretations

Standards and amendments to approved accounting standards which became effective during the year ended June 30, 2017

Notes to the Financial Statements

For the year ended June 30, 2017

There were standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

Amendments to approved accounting standards that are effective for the Company's accounting periods beginning after July 01, 2017

There are certain new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning on or after July 01, 2017 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3.3 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.

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.

Notes to the Financial Statements

For the year ended June 30, 2017

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.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2017 are as follows:

- Discount rate	7.25% (2016: 7.25%)
- Expected rate of salary increase in future	6.25% (2016: 6.25%)
- Average expected remaining working life time of employees	9 years (2016: 9 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.

Notes to the Financial Statements

For the year ended June 30, 2017

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated (loss)/profit.

5.3 Investments

Investments are stated at fair value plus directly attributable transaction costs. Subsequently investments which are traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

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.

Notes to the Financial Statements

For the year ended June 30, 2017

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.

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, 2017

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

The Company recognises deferred tax liability on surplus on revaluation of property, plant and equipment which is adjusted against the related surplus.

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.

Notes to the Financial Statements

For the year ended June 30, 2017

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 outflow 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.

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.

	2017 (Number of shares)	2016	2017 (Rupees)	2016 (Rupees)
6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL				
Ordinary shares of Rs. 10 each fully paid up in cash	51,901,483	51,901,483	519,014,830	519,014,830
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,527,246	7,527,246	75,272,460	75,272,460
	<u>59,428,729</u>	<u>59,428,729</u>	<u>594,287,290</u>	<u>594,287,290</u>

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
7	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Surplus arising on revaluation	7.1	482,243,410	529,433,946
Less: Deferred tax arising on surplus on revaluation	7.2	148,670,532	165,187,220
		333,572,878	364,246,726

7.1 Surplus on revaluation of property plant and equipment

Opening surplus on revaluation of property plant and equipment		529,433,946	570,227,424
Surplus arising on revaluation		-	-
		529,433,946	570,227,424
Incremental depreciation on :			
Plant and machinery		(9,180,939)	(30,730,378)
Building		(27,407,609)	(9,664,146)
		(36,588,548)	(40,394,524)
Adjustment on disposal of property, plant and equipment		(10,601,988)	(398,954)
		(47,190,536)	(40,793,478)
		482,243,410	529,433,946

This represents surplus over book value resulting from the revaluation of free - hold land, buildings on free - hold land and plant and machinery. The valuation was carried out by independent valuer as on March 31, 2013 considering the market value.

7.2 Relating deferred tax liability

Relating deferred tax liability as on July 1, 2016		165,187,220	179,464,937
Deferred tax relating to surplus arising on revaluation		-	-
Tax effect on incremental depreciation		(16,516,688)	(14,277,717)
		148,670,532	165,187,220

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	2017 (Rupees)	2016 (Rupees)
Demand Finance - I	8.1	May-13	3 months Kibor	196.780	54 monthly	-	69,405,755
Demand Finance - II	8.1	Oct-17	Interest free	204.379	31 monthly	16,104,527	129,520,021
Long Term Finance	8.1	Jan-17	SBP+2.5%	300	20 Quarterly	267,652,500	-
Subtotal - BOP						283,757,027	198,925,776
Demand Finance - III	8.1 & 8.2	Sep-15	3 months Kibor + 1%	327.502	28 Quarterly	277,087,393	311,539,927
Frozen Markup	8.1 & 8.3	Sep-15	Interest free	219.977	28 Quarterly	134,841,147	151,750,419
Subtotal - NBP						411,928,540	463,290,346
Term Finance	8.1 & 8.4	Sep-14	3 months Kibor	145	48 Monthly	48,333,343	84,583,339
Subtotal - NIB						48,333,343	84,583,339
Total						744,018,910	746,799,461
Current portion	9					(179,303,555)	(153,204,595)
Overdue portion	9					(20,393,473)	(23,148,076)
Total current portion						(199,697,028)	(176,352,671)
Total long term portion						544,321,882	570,446,790

Notes to the Financial Statements

For the year ended June 30, 2017

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 was 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.

	Note	2017 (Rupees)	2016 (Rupees)
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9 CURRENT PORTION OF LONG TERM BORROWINGS

Current portion of long term borrowing	8	179,303,555	153,204,595
Overdue portion of long term borrowing	8	20,393,473	23,148,076
		<u>199,697,028</u>	<u>176,352,671</u>

	Note	2017 (Rupees)	2016 (Rupees)
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10 DEFERRED LIABILITIES

Deferred tax relating to surplus on revaluation of property, plant and equipment	7	148,670,532	165,187,220
Employee retirement benefits- gratuity	10.1 to 10.8	76,456,869	66,434,617
		<u>225,127,401</u>	<u>231,621,837</u>

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, 2017 using projected unit credit actuarial cost method.

10.2 The amount recognized in the balance sheet

Present value of defined benefit obligations	76,456,869	66,434,617
Less: Fair value of plan assets	-	-
	<u>76,456,869</u>	<u>66,434,617</u>

10.3 Charge for the year

Current service cost	18,410,769	16,186,085
Interest cost	4,342,537	4,331,324
	<u>22,753,306</u>	<u>20,517,409</u>

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
10.4 Movement in liability			
Balance at beginning of year		66,434,617	53,114,796
Prior year adjustment		-	-
Charge for the year		22,753,306	20,517,409
Benefits paid during the year		(13,075,116)	(9,977,950)
Unrecognised actuarial losses		344,062	2,780,362
		76,456,869	66,434,617

10.5 Allocation of charge for the year

Cost of sales	26.2	18,016,084	16,628,853
Administrative expenses	28.1	2,934,966	2,367,766
Distribution Cost	27.1	1,802,256	1,520,790
		22,753,306	20,517,409

10.6 Expected expense for the year

The Company expects to charges Rs. 25.188 million of profit and loss account on account of defined benefit plan gratuity for the year ending June 30, 2018.

10.7 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on present value of the defined benefit obligation as at June 30, 2017 would have been as follows:

	Rupees Gratuity	
	Increase / (decrease) on present value of defined benefits obligation due to	
	Increase	Decrease
Discount rate 100 bps movement	67,152,926	87,780,320
Future salary 100 bps movement	87,780,320	66,992,813

	Year	Value (Rupees)
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10.8 Historical information

Present value of defined benefit obligation

2017	76,456,869
2016	66,434,617
2015	53,114,796
2014	41,201,315
2013	34,878,145

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
11 TRADE AND OTHER PAYABLES			
Creditors		229,083,374	231,025,926
Advances from customers		14,826,737	14,167,148
Accrued liabilities		81,890,762	84,961,370
With holding tax		11,605,044	8,769,359
Retention money payable		700,000	5,700,000
Workers' funds	11.1 & 11.2	28,031,895	42,488,171
Dividend payable		425,102	426,002
		366,562,914	387,537,976

11.1 Workers' funds

Workers' profit participation fund

Opening balance		34,473,269	36,269,340
Provision for the year		4,820,498	7,106,857
Payment during the year		(24,040,514)	(12,228,826)
Interest on funds utilized in Company's business	31	2,931,952	3,325,898
		18,185,204	34,473,269

Workers' welfare fund

Opening balance		8,014,902	5,314,296
Provision for the year		1,831,789	2,700,606
		9,846,691	8,014,902
		28,031,895	42,488,171

11.2 Mark up on Workers' Profit Participation Fund has been provided @ 8.51 % per annum (2016: 9.17% per annum).

12 ACCRUED MARK-UP

Long term financing		7,371,018	6,615,839
Short term borrowings		8,467,695	7,705,919
		15,838,713	14,321,758

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Mark-up/ Repayment terms	2017 (Rupees)	2016 (Rupees)
Pre - shipment	13.1 & 13.3	1204.00	3.00% to 8.65%	Half yearly	913,701,000	318,373,000
Post - shipment	13.3	437.00	3.50% to 4.5%	Half yearly	-	305,000,000
Running finance	13.2 & 13.3	87.477	7.04% to 7.12%	Half yearly	67,918,285	87,044,398
					981,619,285	710,417,398

Notes to the Financial Statements

For the year ended June 30, 2017

- 13.1** The Company has aggregate sanctioned limits of finance against packing credit (FAPC) and export refinance facilities (ERF) of Rs. 1,204 million. The Company has availed limits of finance against packing credit (FAPC) & export refinance facilities (ERF) amounting to Rs. 49.601 million from United Bank Limited, Rs. 237 million from Habib Bank Limited, Rs. 220 million from National Bank of Pakistan Limited, and Rs. 407.1 million from Bank of Punjab.
- 13.2** The Company has sanctioned limit of running finance of Rs. 87.477 million from Faysal Bank Limited. The Company has availed limits of running finances amounting to Rs. 67.918 million from Faysal Bank Limited.
- 13.3** 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.
- 14.2** M/s. M. J. Industries had filed a suit against the Company for declaration for Rs. 0.545 million. The case was dismissed by the Honorable Civil Judge, Lahore. M/s. M. J. Industries had filed an application for the restoration of the suit which was also rejected by the Civil Judge, Lahore.
- 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 decreed in favour of Zephyr Textiles Limited by the Honorable Judge, High Court, Lahore. The case is pending for execution.
- 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.

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. 37.680 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. 65.724 million. The case is pending before Supreme Court of Pakistan.

The Company has again filed an other suit against M/s. Sitara Textiles Limited for financial loss and loss due to breach of contract for Rs. 65.724 million. The case is pending before Supreme Court of Pakistan.

Notes to the Financial Statements

For the year ended June 30, 2017

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 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 dismissed by the court during the year.
- Sh. Zafar Iqbal v/s. M/s Zephyr Textiles Limited. Sh. Zafar Iqbal has filed a suit for cancellation 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 (2016: Rs. 43.508 million).

14.9 Foreign bills purchased by banks amounting to Rs. 85.685 million (2016: Rs. 68.422 million).

Commitments

14.10 Contracts for capital expenditure are Rs. Nil million (2016: Rs. 48.874 million).

14.11 Letters of credit other than for capital expenditure are Rs. 24.482 million (2016: Rs. 3.743 million).

14.12 Outstanding foreign currency forward contracts of Rs. 469.467 million (2016: Rs. 285.099 million).

Notes to the Financial Statements

For the year ended June 30, 2017

15 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on free - hold land	Link road	Non factory building	Plant and machinery	Furniture and fittings	Vehicles	Electrical installation	Office equipment	Total
COST										
Balance as at July 01, 2015	176,505,000	473,411,983	29,702,478	59,494,334	1,419,667,252	5,746,390	34,718,234	63,143,646	22,527,237	2,284,916,553
Additions during the year	-	-	-	-	102,145,486	27,900	10,024,607	1,200,354	1,489,889	114,888,236
Disposals	-	-	-	-	(3,373,626)	-	(1,168,655)	-	-	(4,542,281)
Balance as at June 30, 2016	176,505,000	473,411,983	29,702,478	59,494,334	1,518,439,112	5,774,290	43,574,186	64,344,000	24,017,126	2,395,262,508
Additions during the year	-	11,198,988	-	3,072,719	399,541,855	34,500	5,383,124	6,057,181	2,119,378	427,407,745
Disposals	-	-	-	-	(111,526,243)	-	-	-	-	(111,526,243)
Balance as at June 30, 2017	176,505,000	484,610,971	29,702,478	62,567,053	1,806,454,724	5,808,790	48,957,310	70,401,181	26,136,504	2,711,144,010
DEPRECIATION										
Balance as at July 01, 2015	-	51,172,786	10,348,840	35,296,594	285,201,593	3,079,475	16,979,081	34,385,350	12,234,706	448,698,423
Accumulated depreciation eliminated on disposal	-	-	-	-	(953,535)	-	(929,698)	-	-	(1,883,233)
Depreciation expense	-	21,111,960	967,680	2,419,776	117,533,954	267,165	4,623,360	2,914,082	1,093,709	150,931,686
Balance as at June 30, 2016	-	72,284,746	11,316,520	37,716,370	401,782,012	3,346,640	20,672,743	37,299,432	13,328,415	597,746,876
Accumulated depreciation eliminated on disposal	-	-	-	-	(37,312,698)	-	-	-	-	(37,312,698)
Depreciation expense	-	20,320,016	919,296	2,353,022	122,274,843	243,847	5,118,969	2,809,218	1,140,634	155,179,845
Balance as at June 30, 2017	-	92,604,762	12,235,816	40,069,392	486,744,157	3,590,487	25,791,712	40,108,650	14,469,049	715,614,023
Written down value as at June 30, 2017	176,505,000	392,006,209	17,466,662	22,497,661	1,319,710,567	2,218,303	23,165,598	30,292,531	11,667,455	1,995,529,987
Written down value as at June 30, 2016	176,505,000	401,127,237	18,385,958	21,777,964	1,116,657,100	2,427,650	22,901,443	27,044,568	10,688,711	1,797,515,632
Rate of depreciation	0%	5%	5%	10%	10%	10%	20%	10%	10%	

	Note	2017 (Rupees)	2016 (Rupees)
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15.1 Depreciation for the year has been allocated as under :

Cost of sales	26	148,676,395	144,947,452
Distribution cost	27	3,251,725	2,992,117
Administrative expenses	28	3,251,725	2,992,117
		155,179,845	150,931,686

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, 2017 would have been as follows:

	Cost as at June 30, 2017	Accumulated Depreciation as at June 30, 2017	Book value as at June 30, 2017	Book value as at June 30, 2016
Free - hold land	106,864,276	-	106,864,276	106,864,276
Buildings on free - hold land	360,775,899	157,040,242	203,735,657	214,458,586
Plant and machinery	1,570,270,830	1,062,979,403	507,291,427	603,607,581
	2,037,911,005	1,220,019,645	817,891,360	924,930,443

Notes to the Financial Statements

For the year ended June 30, 2017

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
Plant and Machinery						
Generators	56,694,808	37,359,511	11,965,812	(25,393,699)	Negotiation	Allied Rental Modarba, 21/3, Sector # 22, KIA, Karachi.
Stenter Machine	4,944,065	3,191,994	500,000	(2,691,994)	Negotiation	Ch. M. Ibrahim, 13-B, Shan Arcade, Barkat Market, Lahore.
Tsudukoma Looms	14,927,429	9,659,841	2,300,000	(7,359,841)	Negotiation	Mr. Ghulam Shabbir, Street # 7, Muhallah Ghazi-e- Abad, Faisalabad.
Picanol Looms	33,821,941	22,883,166	2,000,000	(20,883,166)	Negotiation	Mr. Khawar, Goodown # 163, Darul Ihsan Town, Sumandri Road, Fsd.
Hemming Slitting Machine	1,138,000	1,119,033	-	-	-	Adjustment
2017 (Rupees)	111,526,243	74,213,545	16,765,812	(56,328,700)		
2016 (Rupees)	4,541,781	2,720,169	982,800	(1,737,369)		

	Note	2017 (Rupees)	2016 (Rupees)
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16 CAPITAL WORK IN PROGRESS

Plant and machinery		9,701,776	-
Building		-	-
	16.1	9,701,776	-

16.1 Movement in the account is as follows

Opening balance as at July 01, 2016		-	10,864,816
Addition made during the year:			
- Plant and machinery		306,871,064	2,510,074
- Building		13,998,027	12,398,796
		320,869,091	14,908,870
Capitalized during the year:			
- Plant and machinery		297,169,288	13,374,890
- Building		13,998,027	12,398,796
		311,167,315	25,773,686
		9,701,776	-

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
17	LONG TERM DEPOSITS		
	Security deposits - WAPDA	9,230,022	6,593,152
	Security deposits - OTHERS	10,057,179	1,229,534
		<u>19,287,201</u>	<u>7,822,686</u>
18	STOCK IN TRADE		
	Raw material	152,611,487	163,005,504
	Work in process	143,175,972	142,034,763
	Finished goods	609,111,463	470,046,298
		<u>904,898,922</u>	<u>775,086,565</u>
	18.1 Finished goods includes stock in transit amounting to Rs. 25.829 million (2016: Rs. 46.830 million).		
	18.2 Finished goods includes stock held by third parties amounting to Rs. 40.889 million (2016: Rs. 32.796 million).		
19	TRADE DEBTS		
	Considered good		
	Export - secured against letters of credit	37,840,313	64,476,601
	Local - Unsecured	312,401,534	382,274,053
		<u>350,241,847</u>	<u>446,750,654</u>
20	LOANS AND ADVANCES		
	Considered good:		
	Loan due from employees - interest free	15,681,255	14,488,783
	Advances to:		
	Suppliers	15,774,138	19,600,564
	Suppliers against letters of credit	1,825,083	1,268,114
		<u>33,280,476</u>	<u>35,357,461</u>
21	TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES		
	Prepayments	2,475,858	3,456,543
	Advance income tax	28,510,494	4,262,067
	Margin deposits	2,760,000	24,730,580
	Sales tax refundable	147,010,296	108,205,074
	Export rebate receivable	16,098,365	10,026,509
		<u>196,855,013</u>	<u>150,680,773</u>
22	OTHER RECEIVABLES		
	Other receivables	33,763,606	27,088,511
		<u>33,763,606</u>	<u>27,088,511</u>

Notes to the Financial Statements

For the year ended June 30, 2017

23 SHORT TERM INVESTMENTS

	Note	2017 Number of shares/ units	2016	2017 (Rupees)	2016 (Rupees)
Investment in Funds	23.1				
Atlas Money Market Fund		10	9	4,953	4,734
Faysal Money Market Fund		9,252	8,790	936,724	888,895
		<u>9,261</u>	<u>8,799</u>	<u>941,677</u>	<u>893,629</u>

Investments at fair value through profit or loss - listed securities

Pak Electron Limited	944	944	104,142	61,029
JS Growth Fund Limited	37,132	37,132	450,410	450,410
Attock Refinery Limited	11	11	4,208	3,082
Samba Bank Limited	24,500	24,500	175,175	187,425
Summit Bank Limited	1,111	1,111	4,577	3,320
	<u>63,698</u>	<u>63,698</u>	<u>738,512</u>	<u>705,266</u>

Un-quoted Securities:

Innovative Investment Bank Limited	-	-	-	-
	<u>72,959</u>	<u>72,497</u>	<u>1,680,189</u>	<u>1,598,895</u>

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	2017 (Rupees)	2016 (Rupees)
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24 CASH AND BANK BALANCES

Cash in hand		1,563,565	1,521,252
Cash at banks			
- current accounts	24.1	47,811,732	62,752,821
- saving account	24.2	18,868	18,294
Cash at banks - foreign currency		494,455	492,652
		<u>49,888,620</u>	<u>64,785,019</u>

24.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 444,196 (2016: Rs.445,096).

24.2 The balance in saving account carry rate of profit @ 3.14% (2016: 3.44%).

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
25 SALES - NET			
Export		1,284,660,332	1,389,379,934
Exchange (loss)/gain		20,437,809	10,998,804
Total export sales		1,305,098,141	1,400,378,738
Local		2,450,064,820	2,567,905,021
Total sales		3,755,162,961	3,968,283,759
Export rebate		37,981,402	14,851,687
		3,793,144,363	3,983,135,446
Commission and claims		(35,885,760)	(42,736,004)
Trade discount		(7,865,327)	(7,542,572)
		3,749,393,276	3,932,856,870
26 COST OF SALES			
Raw material consumed	26.1	2,134,860,270	2,243,624,807
Stores, spare parts and lose tools consumed		81,194,411	92,408,787
Packing, sizing and lubricants consumed		245,187,576	255,752,176
Fuel and power		390,235,394	381,264,905
Salaries, wages and other benefits	26.2	315,732,411	296,764,786
Processing charges		113,477,004	140,995,750
Insurance		5,993,821	5,549,041
Repairs and maintenance		6,341,060	8,076,042
Traveling and conveyance		2,352,864	2,550,538
Depreciation	15.1	148,676,395	144,947,452
Other production overheads		15,455,042	16,525,532
		3,459,506,248	3,588,459,816
Adjustment of work-in-process			
Opening stock		142,034,763	141,720,387
Closing stock		(143,175,972)	(142,034,763)
		(1,141,209)	(314,376)
		3,458,365,039	3,588,145,440
Adjustment of finished goods and waste			
Opening stock		470,046,298	417,543,176
Closing stock		(609,111,463)	(470,046,298)
		(139,065,165)	(52,503,122)
		3,319,299,874	3,535,642,318
26.1 Raw material consumed			
Opening stock		163,005,504	155,647,351
Purchases		2,119,696,667	2,275,847,492
Return / discount on purchases		(8,523,759)	(40,030,762)
		2,111,172,908	2,235,816,730
Freight		13,293,345	15,166,230
		2,287,471,757	2,406,630,311
Closing stock		(152,611,487)	(163,005,504)
		2,134,860,270	2,243,624,807

26.2 This includes employee benefits amounting to Rs. 18.016 million (2016: Rs. 16.629 million).

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
27 DISTRIBUTION COST			
Salaries, wages and other benefits	27.1	12,093,670	11,112,392
Traveling and conveyance		849,818	1,137,792
Sales promotion		1,967,135	1,280,417
Communication		4,888,100	4,249,457
Vehicles running and maintenance		704,769	640,173
Freight		57,315,562	38,662,018
Clearing and forwarding		3,991,907	4,753,642
Depreciation	15.1	3,251,725	2,992,117
Others		7,321,182	9,063,120
		92,383,868	73,891,128

27.1 This includes employee benefits amounting to Rs. 1.802 million (2016: Rs. 1.521 million).

28 ADMINISTRATIVE EXPENSES

Directors' remuneration		6,000,000	6,110,200
Salaries and other benefits	28.1	25,961,016	22,819,305
Traveling and conveyance		9,691,063	7,643,081
Rent, rates and taxes		4,256,441	4,068,372
Printing and stationery		1,203,360	1,561,018
Communication		2,183,724	2,314,808
Vehicle running and maintenance		1,758,579	3,610,379
Repairs and maintenance		1,227,970	4,821,926
Auditors' remuneration	28.2	880,000	880,000
Fee and subscription		1,350,211	2,090,481
Legal and professional		2,366,000	1,134,100
Electricity, gas and water		3,320,949	1,736,378
Insurance		1,107,058	983,329
Advertisement		34,450	78,450
Depreciation	15.1	3,251,725	2,992,117
Others		568,043	643,180
		65,160,589	63,487,124

28.1 This includes employee benefits amounting to Rs. 2.935 million (2016: Rs.2.368 million).

28.2 Auditors' remuneration

Audit fee	660,000	660,000
Half yearly review	137,500	137,500
Code of corporate governance review	82,500	82,500
	880,000	880,000

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
29 OTHER OPERATING EXPENSES			
Exchange loss		161,313	522,704
Loss on disposal of property, plant and equipment	15.3	56,328,700	1,737,369
Provision for workers' profit participation fund		4,820,498	7,106,857
Provision for workers' welfare fund		1,831,789	2,700,606
Others		175,655	12,234
		<u>63,317,955</u>	<u>12,079,769</u>
30 OTHER OPERATING INCOME			
Profit on investments at fair value		34,676	37,940
Gain on sale of investments		-	30,565
Dividend income		65,326	55,728
Profit on bank deposits		1,165	19,656
Other Income - fair price shop		39,263	4,857,263
Others		2,210,787	5,905,620
		<u>2,351,217</u>	<u>10,906,772</u>
31 FINANCE COST			
Mark-up on long term financing		30,619,121	38,817,384
Mark-up on short term borrowings		37,017,797	34,504,736
Interest on Workers' Profit Participation Fund	11.1	2,931,952	3,325,898
Bank charges and others		13,174,374	9,838,957
Unwinding of discount		38,081,292	39,846,657
		<u>121,824,536</u>	<u>126,333,632</u>
32 TAXATION			
Provision for taxation- current	32.1	37,347,252	39,572,850
Deferred taxation	32.2	(16,516,688)	(14,277,717)
		<u>20,830,564</u>	<u>25,295,132</u>
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.		
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.		
33 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earnings attributable to ordinary shareholders		68,927,107	107,034,539
Weighted average number of ordinary shares	6	59,428,729	59,428,729
		<u>1.16</u>	<u>1.80</u>
33.1	There is no dilutive effect on the basic earning per share.		

Notes to the Financial Statements

For the year ended June 30, 2017

	Note	2017 (Rupees)	2016 (Rupees)
34 CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		89,757,671	132,329,671
Adjustments for:			
Depreciation on property, plant and equipment	15.1	155,179,845	150,931,686
Loss/ (gain) on disposal property, plant and equipment		56,328,700	1,737,369
Profit on investments at fair value		(34,676)	(37,940)
Gain on sale of investments		-	(30,565)
Dividend income		(65,326)	(55,728)
Staff retirement benefits - gratuity		22,753,306	20,517,409
Unrecognized actuarial gain		344,062	2,780,362
Provision for WPPF & WWF		6,652,287	9,807,463
Interest on Workers' Profit Participation Fund		2,931,952	3,325,898
Unwinding of discount		38,081,292	39,846,657
Finance cost		80,811,292	83,161,077
Profit before working capital changes		452,740,405	444,313,359
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(22,610,397)	(3,866,103)
Stock in trade		(129,812,357)	(60,175,651)
Trade debts		96,508,807	(74,093,108)
Loans and advances		2,076,985	5,760,096
Other receivables		(6,675,095)	(6,212,228)
Trade deposits, prepayments and balances with statutory authorities		(21,197,796)	(34,557,062)
Increase / (decrease) in current liabilities			
Trade and other payables		(6,518,786)	52,525,026
Payment of workers' profit participation fund		(24,040,514)	(12,228,826)
Net changes in working capital		(112,269,153)	(132,847,856)
		340,471,252	311,465,503

35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non mark-up bearing		TOTAL	TOTAL
	Maturity up to	Maturity after	Maturity up to	Maturity after	2017	2016
	One year	One year	One year	One year	(Rupees)	(Rupees)
	(Rupees)	(Rupees)	(Rupees)	(Rupees)		
Financial Assets						
- Loans and receivables						
Long term deposits	-	-	-	19,287,201	19,287,201	7,822,686
Trade debts	-	-	350,241,847	-	350,241,847	446,750,654
Loans and advances	-	-	15,681,255	-	15,681,255	14,488,783
Trade deposits and other receivables	-	-	2,760,000	-	2,760,000	24,730,580
Cash and bank balances	513,323	-	49,375,297	-	49,888,620	64,785,019
- At fair value through profit or loss						
Investments	1,680,189	-	-	-	1,680,189	1,598,895
	2,193,512	-	418,058,399	19,287,201	439,539,112	560,176,617
Financial Liabilities						
- At amortized cost						
Long term financing	199,697,028	544,321,882	-	-	744,018,910	746,799,461
Trade and other payables	-	-	312,099,238	-	312,099,238	322,113,298
	199,697,028	544,321,882	312,099,238	-	1,056,118,148	1,068,912,759
On balance sheet gap	(197,503,516)	(544,321,882)	105,959,161	19,287,201	(616,579,036)	(508,736,142)
Off balance sheet items						
Bills discounted with recourse					85,684,819	68,422,203
Bank guarantees issued in the ordinary course of business					43,508,000	43,508,000
Letters of credit					24,481,793	52,616,389

Notes to the Financial Statements

For the year ended June 30, 2017

36 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing	5.00% to 9.14% (2016: 6.35% to 8.01%) per annum
Short term borrowings	3.00% to 8.65% (2016: 3.50% to 8.48%) 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. 439.539 million (2016: Rs. 560.177 million), the financial assets that are subject to credit risk amounted to Rs. 387.970 million (2016: Rs. 493.793 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:

	2017 (Rupees)	2016 (Rupees)
Long term deposits	19,287,201	7,822,686
Trade debts	350,241,847	446,750,654
Loans and advances	15,681,255	14,488,783
Trade deposits and other receivables	2,760,000	24,730,580
Bank balances	48,325,055	63,263,767
	<u>436,295,358</u>	<u>557,056,470</u>

Notes to the Financial Statements

For the year ended June 30, 2017

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

	Rating agency	Long term Rating	Short term Rating
Bank Alfalah Limited	PACRA	AA	A1+
Askari Bank Limited	PACRA	AA+	A1+
Faysal Bank Limited	PACRA	AA	A1+
Meezan Bank Limited	JCR-VIS	AA	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	B	B
Bank of Punjab	PACRA	AA	A1+
United Bank Limited	JCR-VIS	AAA	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, 2017

	2017 (Rupees)	2016 (Rupees)
Foreign debtors	37,840,313	64,476,601
Foreign currency bank account	494,455	492,652
Gross balance sheet exposure	38,334,768	64,969,253
Letters of credit	24,481,793	52,616,389
	62,816,561	117,585,642

	Average rate		Reporting date rate	
	2017	2016	2017	2016
Rupees per USD	104.73	104.08	105.00	104.29
Rupees per Euro	114.08	115.16	120.14	115.85
Rupees per Pound Sterling	132.86	153.22	136.68	139.83

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-17		30-Jun-16	
	% Change (+ -)	Impact (+ -)	% Change (+ -)	Impact (+ -)

Effect on profit or loss

USD	10	651,757	10	1,461,639
Euro	10	3,140,649	10	4,983,495
Pound Sterling	10	-	10	2,526

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:

	2017		2016	
	Effective interest rate %	2016	Effective interest rate %	2016
Long term financing	5.00% to 9.14%	6.35% to 8.01%	744,018,910	746,799,461
Short term financing	3.00% to 8.65%	3.50% to 8.48%	981,619,285	710,417,398

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 2016.

Notes to the Financial Statements

For the year ended June 30, 2017

	Profit and loss	100 bps
	Increase	decrease
As at 30 June 2017		
Cash flow sensitivity-Variable rate financial liabilities	17,256,382	(17,256,382)
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	14,572,169	(14,572,169)

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

	2017	2016
	(Rupees)	(Rupees)
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	299,343,963	404,470,534
Past due 30-150 days	41,205,632	32,587,868
Past due 150 days	9,692,252	9,692,252
	<u>350,241,847</u>	<u>446,750,654</u>

36.2 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares, as the case may be.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves" and net debt.

The salient information relating to capital risk management of the Company as of June 30, 2017 and 2016 were as follows:

Notes to the Financial Statements

For the year ended June 30, 2017

	2017 (Rupees)	2016 (Rupees)
Total borrowings	1,725,638,195	1,457,216,859
Cash and bank balances	(49,888,620)	(64,785,019)
	1,675,749,575	1,392,431,840
Total equity	1,063,256,478	963,999,585
	2,739,006,053	2,356,431,425
Gearing ratio %	61.18	59.09

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	2,000,000	2,000,000	20,578,663	2,000,000	2,110,200	17,039,329
House rent allowance	800,000	800,000	8,231,465	800,000	800,000	6,815,732
Utilities	200,000	200,000	2,057,867	200,000	200,000	1,703,933
	3,000,000	3,000,000	30,867,995	3,000,000	3,110,200	25,558,994
No. of persons	1	1	33	1	2	27

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.

38 TRANSACTIONS WITH RELATED PARTIES

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

39 PLANT CAPACITY AND PRODUCTION

	2017 (Number)	2016 (Number)
Grieg fabric unit		
No. of looms installed	201	251
No. of looms worked	201	251
Shifts per day	3	3
No. of days actually worked	365	366
Installed capacity (square meters in millions @ 50 picks)	85.21	95.51
Actual production (square meters in millions @ 50 picks)	71.71	77.80
Towel unit		
No. of looms installed	38	30
No. of looms worked	38	30
Shifts per day	3	3
No. of days actually worked	365	366
Installed capacity (Tons)	5,554	4,074
Actual production (Tons)	3,138	2,782

Notes to the Financial Statements

For the year ended June 30, 2017

	2017 (Number)	2016 (Number)
Towel dyeing and processing unit		
Installed capacity (Tons)	5,700	3,600
Actual production (Tons)	2,974	2,525

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

	2017 (Number)	2016 (Number)
Number of employees as on June 30,	1,089	1,104
Average number of employees during the year	1,073	1,064

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 25, 2017.

42 CORRESPONDING FIGURES

Previous year figures have been re-arranged and re-classified, wherever, necessary for the purpose of comparison.

43 FIGURES

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹرز کا بیان

کوڈ آف کارپوریٹ گورننس کی تعمیل میں ہم مندرجہ ذیل کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پیش کر رہے ہیں:

1. فنانشل سٹیٹمنٹ کمپنی کی انتظامیہ نے تیار کی ہے۔ کمپنی کے معاملات، عملی کارکردگی کے نتائج، کیش فلو اور ایکونٹی میں تبدیلی کو خوش اسلوبی سے پیش کیا گیا ہے۔
2. کمپنی کے حسابات کی کتابیں حسب ضابطہ رکھی گئیں ہیں۔
3. مناسب مالی اکائونٹنگ پالیسیوں کو مالی گوشواروں اور اکائونٹ سٹیٹمنٹس کی تیاری کے لئے صحیح طور پر استعمال کیا گیا ہے۔
4. پاکستان میں لاگو بین الاقوامی رپورٹنگ معیار کی تقلید کی گئی ہے۔ اور اس سے ہٹ کر کچھ ہوا ہے تو اسے ظاہر کیا گیا ہے۔
5. کمپنی کے داخلی کنٹرول نظام کا ڈیزائن مستحکم ہے اور یہ موثر انداز میں مناسب نگرانی کے ساتھ لاگو ہوا ہے۔
6. کمپنی کے کاروبار کو جاری رکھنے کی صلاحیت شک و شبہ سے بالاتر ہے۔
7. کارپوریٹ گورننس کے اصولوں کے منافی کوئی اقدام نہیں کیا گیا ہے۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز اظہر، ظفر اینڈ کمپنی، چارٹرڈ اکائونٹنٹس نے 30 جون 2017 کو ختم ہونے والے مالی سال کا آڈٹ مکمل کر کے رپورٹ پیش کر دی ہے۔ کمپنی کے سالانہ اجلاس عام کے بعد موجودہ آڈیٹرز ریٹائر ہو جائیں گے، 30 جون، 2018 تک ختم ہونے والے سال کے لئے خود بخود دوبارہ پیشکش کی ہے۔

بورڈ نے حصول بولڈروں کی منظوری کے تحت، آڈٹ کمیٹی کی سفارش کے مطابق، اگلے سال کے لئے میسرز اظہر ظفر اینڈ کمپنی چارٹرڈ اکائونٹنٹس کی تقرری کی سفارش کی ہے۔

محمد برہان

محترم برہان محمد خان
ڈائریکٹر

Munir

محترم مسعود حنیف
چیف ایگزیکٹو

لاہور

25 ستمبر، 2017

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی تعمیل

ہم اچھی کارپوریٹ انتظامیہ کے قائل ہیں اور پاکستان سٹاک ایکسچینج کے کوڈ آف کارپوریٹ گورننس کی فہرست میں شامل مطلوبہ قواعد کی تعمیل کرتے ہیں۔ سی سی جی کی تعمیل کا گوشوارہ لف ہے۔

بورڈ کمیٹیز آڈٹ کی کمیٹی

زیر نظر مالی سال کے لئے جنوری 2017 میں آڈٹ کمیٹی دوبارہ تشکیل دی گئی ہے۔ جو تین نان ایگزیکٹو ممبران پر مشتمل ہے۔ کمیٹی کا چیئر پرسن ایک خود مختار ڈائریکٹر ہے۔ یہ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کے فیصلے کی تعمیل میں اپنے فرائض انجام دے رہی ہے۔ کمیٹی درج ذیل ممبران پر مشتمل ہے۔

محترمہ نریت کامران	چیئرمین / رکن
محترمہ تہنیبت مساعد	رکن
محترم ارباب محمد خان	رکن

افراد قوت اور اجرت کی کمیٹی

زیر نظر مالی سال کیلئے جنوری 2017 میں افرادی قوت اور اجرت کمیٹی کی تشکیل نو کی گئی جو دو نان ایگزیکٹو ڈائریکٹرز بطور ممبران اور ایک نان ایگزیکٹو ڈائریکٹر بطور چیئر پرسن پر مشتمل ہے اور بورڈ آف ڈائریکٹرز کے فیصلے کی تعمیل میں اپنے فرائض ادا کرتی ہے۔ کمیٹی درج ذیل ممبران پر مشتمل ہے۔

محترمہ صباح برہان	چیئرمین / رکن
جناب برہان محمد خان	رکن
محترمہ نریت کامران	رکن

بورڈ کے ڈائریکٹرز کے اجلاس

جائزہ کے تحت سال کے دوران، کمپنی کے ڈائریکٹرز بورڈ کے چار اجلاس منعقد کئے گئے تھے اور حاضری کی حیثیت مندرجہ ذیل ہے:

سیریل نمبر	ڈائریکٹرز کے نام	اجلاسوں میں شرکت کی
1	محترم مساعد حنیف	4
2	محترم برہان محمد خان	4
3	محترم ارباب محمد خان	4
4	محترمہ نریت کامران	4
5	محترمہ تہنیبت مساعد	4
6	محترمہ صباح برہان	4
7	محترمہ سارہ مساعد	2

ٹیکسٹائل کی صنعت کا جائزہ

ٹیکسٹائل کی صنعت کو پاکستان کی معاشی ترقی میں مرکزی حیثیت حاصل ہے اور اس حقیقت کو مستقبل میں بھی نظر انداز نہیں کی جا سکتا۔ بد قسمتی سے اس شعبہ کی ترقی میں ہماری حکومتوں کی دلچسپی نہ ہونے کے برابر رہی ہے۔ ہمارے تجارتی حریف ممالک بنگلہ دیش، ویت نام اور انڈیا نے اس شعبہ میں کی وجہ سے پیدا ہونے والے خلا کا پورا پورا فائدہ اٹھایا ہے۔ چین نے اپنے ہاں بڑھتی ہوئی پیداواری لاگت کی وجہ سے اس شعبہ میں دلچسپی کم کر دی ہے۔ ہمیں یورپی یونین کی طرف سے جی ایس پی پلس درجہ حاصل کرنے کے باوجود اپنی برآمدگی کارکردگی کو قائم نہیں رکھ سکے۔ بین الاقوامی مارکیٹ میں ہم توانائی کی کمی، بھاری ٹیکسوں اور کم از کم اجرتوں میں بتدریج اضافہ کی وجہ سے مقابلہ کرنے کے قابل نہیں ہیں۔ ہمارے خریداروں کیلئے سیکورٹی بھی ایک بڑا مسئلہ ہے۔ سیکورٹی مسائل کی وجہ سے امریکہ اور یورپ کے خریدار پاکستان آنے سے کتراتے ہیں۔ ان ممالک میں زرمبادلہ کی قیمتوں میں کمی کی وجہ سے ہماری برآمدی اہلیت متاثر ہوئے بغیر نہ رہ سکی جبکہ ایشیا کے ہمارے حریف برآمدکنندگان اپنی کرنسیوں کو کم کر کے اپنی برآمدی حیثیت کو متاثر ہونے سے بچا لیا۔ پاکستان سے خام مال کی برآمد میں نمایاں کمی اور تیار شدہ مال کی برآمد میں اضافے کا رجحان آنے والے وقتوں کے لئے ایک مثبت اشارہ ہے۔

مستقبل کے لئے لائحہ عمل

کمپنی نے گزشتہ سال مستقبل کے لئے کی جانے والی منصوبہ بندی کے مطابق جدیدیت اور وسعتی منصوبوں کو عملی جامہ پہنایا۔ یہ وسعت اور جدیدیت ہماری ویلیو ایڈڈ مصنوعات کے خریداروں میں اضافہ کا باعث بنے گا۔ نئے اثاثوں میں ڈائنگ مشینوں، سنٹئر مشین، کپڑا تہ کرنے والی مشین، ٹمبرل مشین، سلانی مشینوں، لانگ ہیمنگ مشین اور 24 انر جیٹ لومز کی کارکردگی میں اضافہ اور دو کیٹرپلر گیس پاور جنریٹر شامل ہیں۔ مزکورہ بالا مشینری سے تجارتی پیداوار زیر نظر مالی سال کے اواخر سے شروع ہو چکی ہے۔ اس کے نتیجہ میں پیداواری اور مالی اضافہ کا مشاہدہ آنے والے سالوں میں کیا جا سکے گا۔

کارپوریٹ معاملات

ڈیویڈنڈ

بی ایم آر اور پیداواری سہولیات میں اضافہ کے لئے کی جانیوالی سرمایہ کاری کی وجہ سے ڈائریکٹرز اس سال ڈیویڈنڈ سے دستبردار ہونگے۔

ڈائریکٹرز کے لیے تربیتی پروگرام

کمپنی کے ڈائریکٹرز میں سے ایک ڈائریکٹر نے اس سال یہ تربیتی پروگرام مکمل کر لیا ہے جو سی سی جی کی تعمیل کے لئے ضروری تھا۔ دو ڈائریکٹرز اس سے مستثنیٰ ہیں۔ جبکہ تین ڈائریکٹرز نے یہ لازمی تربیتی پروگرام مکمل کر لیا ہے۔ باقی رہ جانے والی واحد ڈائریکٹر ملک سے باہر ہیں اور جیسے ہی دستیاب ہوئیں اس پروگرام میں حصہ لے لیں گی۔

کمپنی کے ڈائریکٹرز بمسرت 30 جون 2017 کو ختم ہونے والے مالی سال کیلئے آڈٹ شدہ مالی گوشوارے اور آڈیٹرز رپورٹ پیش کرتے ہیں۔

مالی اور عملی کارکردگی کے نتائج مالی کارکردگی

30 جون 2017 کو ختم ہونے والے مالی سال میں کمپنی کی مالی کارکردگی باوجود سیلز ریونیو میں 4.66 فیصد کمی کے مستحکم رہی۔ سیلز ریونیو میں معمولی سی کمی بین الاقوامی معاشی سست روی، یورو اور برطانوی پائونڈ کے نرخوں اور خام مال کی قیمتوں میں کمی کے باعث ہوئی۔ گزشتہ برس اسی مدت میں ہونے والے منافع کی بہ نسبت اس برس منافع میں 8.88 فیصد اضافہ دیکھا گیا۔ گرے فیبرک سے تیار شدہ فیبرک کی تیاری کی طرف بتدریج منتقلی سے منافع کی شرح میں اضافہ کا حصول ممکن ہوا۔ ٹیکس سے قبل اور ٹیکس کے بعد کا منافع اثاثوں کی فروخت اور مارک اپ کے بغیر قرض کی بے باقی کی وجہ سے کم ہوا۔ مجموعی طور پر مالی اور عملی کارکردگی، ویلیو ایڈڈ بزنس، پیداواری صلاحیتوں میں ترقی اور بہتر لاگت کنٹرول، کی وجہ سے بڑھی۔

تفصیل	2017	2016
خالص فروخت	3,749,393,276	3,932,856,870
کل منافع	430,093,402	397,214,552
ای بی آئی ٹی ڈی اے	244,937,516	283,261,357
فرسودگی	155,179,845	150,931,686
مالیاتی لاگت	121,824,536	126,333,632
ٹیکس سے پہلے منافع	89,757,671	132,329,671
ٹیکس کے بعد منافع	68,927,107	107,034,539
فی حصص آمدنی	1.16	1.80

دیگر آپریٹنگ اخراجات میں پلانٹ اور مشینری کو ضائع کرنے میں کمی شامل ہے جس میں 56.33 ملین روپے اور مالیاتی اخراجات میں مارک دیگر عملی اخراجات میں 33.56 ملین روپے مالیت کے پلانٹ اور مشینری کی فروخت اور مارک اپ کے بغیر 38.80 ملین روپوں کے قرض کی بے باقی شامل ہے۔ ان اخراجات کی وجہ سے مالی نتائج میں نمایاں کمی واقع ہوئی۔ کمپنی کے گزشتہ پانچ برسوں کی مالی لاگت کے مقابلے میں 30 جون 2017 کو ختم ہونے والے مالی سال کی لاگت سب سے کم تھی۔ جس کی وجہ کیش فلو میں، مجموعی منافع کی وجہ سے بہتری، بہتر شرح پر قرضوں کی دستیابی اور مالی ضابطوں کی سخت پابندی تھی۔

زیر نظر سال کے دوران کمپنی نے فکسڈ کیش اور اخراجات میں 437.110 ملین روپوں کی سرمایہ کاری کی۔ جن میں سے 169.457 ملین روپے اندرونی وسائل سے دستیاب نقد رقوم سے ادا کئے گئے۔ موجودہ مالی سال میں کی جانے والی سرمایہ کاری میں پرانی لومز کی جگہ پکانول کی جدید انرجیٹ لومز کی تنصیب، انرجیٹ ٹیری لومز میں اضافہ، ڈاننگ، فنشنگ اور سلانی کی سہولیات کا قیام شامل ہے۔ تبدیلیاں اور نئی سہولیات کی تنصیب زیر نظر مالی سال کی آخری سہ ماہی میں مکمل ہوئیں۔ کمپنی نے بنک آف پنجاب سے 100 ملین روپوں کی کم مدتی مالی معاونت حاصل کی اور 107 ملین روپوں کے طویل مدتی قرض کو کم مدتی قرض میں تبدیل کر دیا۔

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 _____

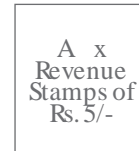
(NAME)

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 Annual General Meeting of the company held at its Registered Office, 3rd Floor IEP Building 97-B/D-1, Gulberg III, Lahore on October 31st, 2017 at 10:30 AM and at every adornments thereof.

As witnessed given under my/our hand (s) this _____ day of _____ 2017.

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



Signature of Member

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

Shares held _____
 Shareholders' _____
 CDC A/c # _____
 CNIC No,

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 CNIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.

زیر ٹیکسٹائلز لمیٹڈ

پراکسی فارم

میں اہم سہمی اسماء ساکن صلع
بجائے ممبر کمپنی، سہمی اسماء ساکن کمپنی ممبر یا اسکی عدم موجودگی کی صورت میں
سہمی اسماء ساکن کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری اہماری جگہ اور میری
اہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ 31 اکتوبر 2017 بوقت صبح 10:30 کمپنی کے رجسٹرڈ آفس تیسری منزل IEP بلڈنگ 97-B/D-1 گلبرگ
لاہور میں منعقد ہو رہے ہیں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ دن 2017

گواہ کے کوائف

دستخط: _____
نام: _____
پتہ: _____
کمپیوٹر آئز قومی شناختی کارڈ کا نمبر: _____
فون نمبر: _____
سی ڈی سی کھاتہ نمبر: _____
حصص کی تعداد: _____

دستخط: _____
(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہیے)

اہم:

پراکسی فارم کمپنی کے رجسٹرڈ آفس لاہور میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے قبل جمع کرانا لازمی ہے بصورت دیگر وہ قابل قبول نہ ہوگا۔

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Zephyr Textiles Limited
3 Floor, IEP Building, 97-B/D-1, Gulberg III,
Lahore, Pakistan.

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F +92 42 3575 3202
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