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## Company Information

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

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

Company Secretary: Mr. Naveed Aleem

Chief Financial Officer: Mr. Gauhar Abdul Hai

Bankers to the Company: Habib Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
United Bank Limited  
Allied Bank Limited  
Faysal Bank Limited  
NIB Bank Limited  
The Royal Bank of Scotland  
Citi Bank N.A.  
Standard Chartered Bank

Auditors: Anjum Asim Shahid Rahman  
Chartered Accountants

Registered & Head Office: 3rd Floor IEP Building,  
97 B/D-1, Gulberg III,  
Lahore.  
Phone : 5782905-15  
Fax : 5753202

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

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

## Directors' Report to the Members

On behalf of the Board of directors, I present before you the financial statements of the company for the half year ended December 31, 2009.

### Operational review

Presently the manufacturing facilities of the company are comprised of 259 weaving machines along with towel processing unit. These facilities are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels.

The towel manufacturing unit alongwith complete finishing process is operational at 95% efficiency and we are targeting our sales to prominent European and American retailers. Currently our production line is for mid to higher end products.

### Operating financial results

	Reviewed half year ended December 31, 2009 Rupees	Reviewed half year ended December 31, 2008 Rupees	Decreased by %
Sales - net	1,223,770,726	1,338,531,977	8.57
Gross Profit	148,678,791	199,900,468	25.62
Operating Profit for the period	108,785,385	145,220,545	25.09
Financial charges	135,876,999	212,889,645	36.17
Loss for the period before taxation	27,091,614	67,669,100	
Taxation current	1,387,355	1,062,212	
Loss for the period after taxation	25,704,259	66,606,888	

The loss for the period is mainly due to following factors:

- Record increase in raw material and other input costs could not be passed on to our customers due to global recessionary trend.
- Increase in gas tariff alongwith the supply of gas to textile industry was reduced we switched to WAPDA from our Captive gas power generation. Consequently besides higher cost we also faced a load shedding of about 5 to 6 hours daily due to WAPDA's shortfall of electric generation which resulted in severe production losses and higher energy cost during that period.
- The outsourcing /toll manufacturing operation were drastically reduced as against corresponding period due to reduced market demand during the period and the management prefer to run own manufacturing facilities to meet the orders in hand first. Outsourcing /toll manufacturing operation had yielded high gross margins in corresponding period.
- Heavy depreciation and financial charges aggregating Rs. 226.05 million (2008: Rs. 309.918 million).

#### General market scenario and future prospects

Severe recession in USA and Europe markets led to lower sales and tough competition for suppliers. Textile industry in Pakistan went through difficult situation during the period under review and was very volatile due to various reasons such as record increase in yarn prices, decelerated business volumes and energy crises which had their impact on textile sector on varying degrees. The period under review was the test for the textile sector to survive as per their strength and relative positioning in the market. In a broad preview it looks like that due to recessionary trend in the global markets textile will remain depressed for medium term and situation might improve by the end of 2nd quarter of financial year 2010-11. Consequent to recovery of global market from current recession the textile sector will be benefited as well.

Without qualifying their report to members the Auditors have drawn attention to note 1.1 to the interim accounts. These accounts have been prepared on going concern basis since the management is of the view that there are no significant doubts upon the company's ability to continue as a going concern on the ground that the company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up for this purpose and bringing its liability to serviceable levels. The company has already finalized restructuring/rescheduling of major portion of its long term loans to facilitate the cash flow of the company.

The directors extend their gratitude to the employees of the company for their team work, commitments, integrity and professionalism.

For and on behalf of the Board of Directors



MUSSAID HANIF  
Chief Executive

Lahore  
February 25, 2010

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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Zephyr Textiles Limited ("the Company") as at December 31, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the six-months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarters ended December 31, 2009 and 2008 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion thereon as we are required to review only the cumulative figures for the half year ended December 31, 2009.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

Without qualifying our conclusion, we draw attention to note 1.1 to the interim financial information which indicates that during the period the Company incurred loss amounting to Rs. 25.704 million and has accumulated loss amounting to Rs. 278.082 million at the period end. In addition, the Company has negative working capital at the period end. This interim financial information however has been prepared on a going concern basis in the expectation of future profitability, restructuring of the Company's debts and undertaking of financial support by the sponsoring directors, if required.

CHARTERED ACCOUNTANTS  
Engagement Partner: Asim Iftikhar  
Date: February 25, 2010  
Lahore

## Condensed Interim Balance sheet as at December 31, 2009 (Un-Audited)

	Note	Reviewed December 31, 2009 Rupees	Audited June 30, 2009 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	6	594,287,290	594,287,290
Accumulated loss		(278,082,889)	(263,638,177)
		<u>316,204,401</u>	<u>330,649,113</u>
Surplus on revaluation of property, plant and equipment		303,112,984	316,891,360
		<u>619,317,385</u>	<u>647,540,473</u>
<b>NON CURRENT LIABILITIES</b>			
Long-term financing	7	570,606,925	694,154,846
Deferred liabilities		145,020,420	149,117,855
		<u>715,627,345</u>	<u>843,272,701</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		249,187,928	245,729,912
Accrued mark-up		172,239,782	171,849,998
Short term borrowings - secured		1,270,056,777	1,320,877,321
Current portion of long term financing	7	282,990,926	98,915,875
		<u>1,974,475,413</u>	<u>1,837,373,106</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		<u>3,309,420,143</u>	<u>3,328,186,280</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	9	2,038,289,607	2,127,462,426
Capital work in progress	10	1,256,275	2,176,712
Long term deposits		2,712,322	2,712,322
		<u>2,042,258,204</u>	<u>2,132,351,460</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		49,487,910	50,665,767
Stock in trade		604,697,515	608,401,619
Trade debts		325,086,282	283,583,090
Loans and advances		153,129,040	106,341,513
Trade deposits, short term prepayments and other receivables		119,159,950	112,530,763
Investments	11	5,465,248	5,388,092
Cash and bank balances		10,135,994	28,923,976
		<u>1,267,161,939</u>	<u>1,195,834,820</u>
		<u>3,309,420,143</u>	<u>3,328,186,280</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive



Director

## Condensed Interim Profit and Loss Account

for the half year ended December 31, 2009 (Un-Audited)

Note	Reviewed Half Year ended Dec. 31, 2009 Rupees	Reviewed Half Year ended Dec. 31, 2008 Rupees	Unaudited Quarter ended Dec. 31, 2009 Rupees	Unaudited Quarter ended Dec. 31, 2008 Rupees
Sales - net	1,223,770,726	1,338,531,977	600,531,179	604,066,449
Cost of goods sold 12	1,075,091,935	1,138,631,509	523,220,255	519,359,634
Gross profit	148,678,791	199,900,468	77,310,924	84,706,815
Other operating income/ (loss)	1,923,935	1,898,220	(30,412)	2,742,260
Distribution cost	25,683,862	40,443,260	12,659,025	20,165,925
Administrative expenses	15,424,050	15,044,553	7,649,025	8,400,712
Other operating expenses	709,430	1,090,331	350,330	535,614
	41,817,341	56,578,143	20,658,380	29,102,250
Finance cost	135,876,999	212,889,645	63,444,843	83,629,080
Loss before taxation	(27,091,614)	(67,669,100)	(6,822,711)	(25,282,255)
Provision for taxation	1,387,355	1,062,212	805,749	4,027,895
Loss after taxation	(25,704,259)	(66,606,888)	(6,016,962)	(21,254,360)
Loss per share - basic & diluted 13	(0.43)	(1.12)	(0.10)	(0.36)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

Accounts for the half year ended December 31, 2009

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## Condensed Interim Cash Flow Statement

for the half year ended December 31, 2009 (Un-Audited)

	Note	Reviewed Half Year ended Dec. 31, 2009 Rupees	Reviewed Half Year ended Dec. 31, 2008 Rupees
Net cash generated from operating activities	14	35,946,980	115,012,232
Cash flows from investing activities			
Long term deposits		-	1,334,000
Proceeds from disposal of property, plant and equipment		4,871,400	630,000
Purchase of property, plant and equipment		(7,547,072)	(36,508,045)
Capital gains/(loss) from short term investments		(1,029,160)	4,073,758
Dividend received		-	24,244
Net cash used in investing activities		(3,704,832)	(30,446,043)
Cash flows from financing activities			
Net payment of short term borrowings - secured		(50,820,544)	(7,350,007)
Payment of long term financing		(209,586)	(57,166,010)
Payment of finance lease liability		-	(139,298)
Net cash used in financing activities		(51,030,130)	(64,655,315)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(18,787,982)	19,910,874
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		28,923,976	2,464,460
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		10,135,994	22,375,334

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director



## Condensed Interim Statement of Changes in Equity

for the half year ended December 31, 2009 (Un-Audited)

	Share capital	Accumulated loss	Total
	Rupees		
Balance as at June 30, 2008	594,287,290	(139,168,390)	455,118,900
Loss for the half year ended December 31, 2008	-	(66,606,888)	(66,606,888)
Current period incremental depreciation - net of tax	-	12,566,317	12,566,317
Balance as at December 31, 2008	594,287,290	(193,208,961)	401,078,329
Loss for the year ended June 30, 2009	-	(84,390,180)	(84,390,180)
Incremental depreciation for the period ended June 30, 2009 - net of tax	-	13,960,964	13,960,964
Balance as at June 30, 2009	594,287,290	(263,638,177)	330,649,113
Loss for the half year ended December 31, 2009	-	(25,704,260)	(25,704,260)
Current period incremental depreciation - net of tax	-	11,259,548	11,259,548
Balance as at December 31, 2009	594,287,290	(278,082,889)	316,204,401

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
Chief Executive

  
Director

Accounts for the half year ended December 31, 2009

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## Notes to the Condensed Interim Financial Information for the half year ended December 31, 2009 (Un-Audited)

### 1 STATUS AND ACTIVITIES

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

1.1 During the half year ended December 31, 2009, the Company has incurred loss amounting to Rs. 25.704 million and as at the period end the accumulated loss stood at Rs. 278.082 million. In addition as at the period end, the Company’s current liabilities exceeded its current assets by 707.313 million. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and availability of adequate working capital through continued support from:

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

This condensed interim financial information has been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of the adequate working capital from its lenders and sponsors.

### 2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

This condensed interim financial information does not include all of the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2009.

This condensed interim financial information is unaudited. However, a limited scope review of this condensed interim financial information has been performed by the auditors of the Company in accordance with clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

### 3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the period ended June 30, 2009.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied to the

preceding annual published financial statements of the Company for the year ended June 30, 2009.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with that disclosed in the financial statements of the Company for the year ended June 30, 2009.

5.1 During the period under review the Company has finalized rescheduling / restructuring agreements of its long term loans with the Bank of Punjab and consequently these loans are now not repayable within the next twelve months. In addition, subsequent to the balance sheet date, the long term facilities from the following banks have been rescheduled / restructured;

- i) National Bank of Pakistan
- ii) Faysal Bank Limited

	Note	Reviewed Dec. 31, 2009 Rupees	Audited June 30, 2009 Rupees
6	SHARE CAPITAL		
	Authorized Capital 62,500,000 ordinary shares of Rs. 10 each	625,000,000	625,000,000
	Issued, Subscribed and paid-up Capital 51,900,883 ordinary shares of Rs.10/- each fully paid in cash	519,008,830	519,008,830
	7,527,846 ordinary shares of Rs.10/- each issued as bonus shares	75,278,460	75,278,460
		594,287,290	594,287,290
7	LONG TERM FINANCING		
	Opening balance	793,070,721	825,247,364
	Add: Obtained during the period	-	130,886,378
	Add: Deferred interest on long term loans	60,736,716	-
	Repayments during the period/year	209,586	163,063,021
	Closing balance	853,597,851	793,070,721
	Less: Current portion shown under current liabilities		
	- Loans	276,310,926	98,915,875
	- Deferred interest on long term loans	6,680,000	-
		282,990,926	98,915,875
	Non-current portion	570,606,925	694,154,846
7.1	Loan from Faysal Bank Limited has been rescheduled in January 2010.		
8	CONTINGENCIES AND COMMITMENTS		
8.1	Contingencies		
	Bills discounted with resource	1,376,078	116,370,197
	Bank guarantees issued in the ordinary course of business	32,555,900	32,555,900

	Note	Reviewed Dec. 31, 2009 Rupees	Audited June 30, 2009 Rupees
8.2	Commitments		
	Letters of credit for raw material	36,970,473	18,430,136
9	PROPERTY, PLANT AND EQUIPMENT		
	Written down value - opening	2,127,462,426	2,267,256,248
	Add: Cost of additions during the period	9.1 3,830,124	65,784,421
	Transfers	4,637,385	426,050
		2,135,929,935	2,333,466,719
	Disposals during the period ( W.D.V)	9.2 (7,466,510)	(9,740,689)
	Depreciation charge for the period	(90,173,818)	(196,263,604)
		(97,640,328)	(206,004,293)
	Written down value - closing	2,038,289,607	2,127,462,426
9.1	COST OF ADDITIONS DURING THE PERIOD/YEAR		
	Building on freehold land	-	11,781,614
	Non factory building	-	252,949
	Plant and machinery	1,798,568	46,789,595
	Furniture and fixtures	231,858	166,941
	Vehicles	687,000	5,527,602
	Electric installation	400,572	283,154
	Office equipments	712,126	982,566
		3,830,124	65,784,421
9.2	COST OF DELETIONS DURING THE PERIOD/YEAR		
	Building on freehold land	-	-
	Plant and Machinery	-	-
	Office equipment	-	-
	Furniture and Fixtures	-	-
	Plant and machinery	8,188,064	9,072,900
	Electric Installation	-	-
	Vehicles	706,290	2,230,054
	Office equipments	-	78,500
		8,894,354	11,381,454
10	CAPITAL WORK IN PROGRESS		
	Opening value	2,176,712	7,948,174
	Additions during the period	3,991,588	26,281,834
		6,168,300	34,230,008
	Transfers to property, plant & equipment during the period	4,912,025	32,053,296
	Closing value	1,256,275	2,176,712

11 INVESTMENTS	Reviewed	Audited	Reviewed	Audited
	Number of shares		Dec. 31, 2009 Rupees	June 30, 2009 Rupees
	Dec. 31, 2009	June 30, 2009		
Held for trading Investment at fair value through profit and loss - listed securities	308,597	308,597	5,465,248	5,388,092
	<u>308,597</u>	<u>308,597</u>	<u>5,465,248</u>	<u>5,388,092</u>
	Reviewed Half Year ended Dec. 31, 2009 Rupees	Reviewed Half Year ended Dec. 31, 2008 Rupees	Un-audited Quarter ended Dec. 31, 2009 Rupees	Un-audited Quarter ended Dec. 31, 2008 Rupees
12 COST OF GOODS SOLD				
Raw materials consumed	741,084,154	916,566,573	387,427,048	396,956,261
Salaries, wages and other benefits	60,752,953	64,516,501	30,310,539	35,507,752
Factory overheads	220,895,915	271,237,463	112,517,713	137,691,901
	<u>1,022,733,022</u>	<u>1,252,320,537</u>	<u>530,255,300</u>	<u>570,155,914</u>
(Increase)/decrease in work in Process				
Opening work in process	63,222,319	55,888,473	47,298,411	70,477,759
Closing work in process	(56,536,233)	(44,748,710)	(56,536,233)	(44,748,710)
Adjustment of work in process	6,686,086	11,139,763	(9,237,822)	25,729,049
Cost of goods manufactured	<u>1,029,419,108</u>	<u>1,263,460,300</u>	<u>521,017,478</u>	<u>595,884,963</u>
(Increase)/decrease in finished goods				
Opening stock	288,540,078	379,820,018	245,070,028	428,123,480
Closing stock	(242,867,251)	(504,648,809)	(242,867,251)	(504,648,809)
Adjustment of finished goods	45,672,827	(124,828,791)	2,202,777	(76,525,329)
	<u>1,075,091,935</u>	<u>1,138,631,509</u>	<u>523,220,255</u>	<u>519,359,634</u>
13 LOSS PER SHARE				
Net loss after tax	<u>(25,704,259)</u>	<u>(66,606,888)</u>	<u>(6,016,962)</u>	<u>(21,254,360)</u>
Weighted average number of ordinary shares in issue during the period	<u>59,428,729</u>	<u>59,428,729</u>	<u>59,428,729</u>	<u>59,428,729</u>
Loss per share - basic & diluted (Rupees)	<u>(0.43)</u>	<u>(1.12)</u>	<u>(0.10)</u>	<u>(0.36)</u>



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ACCOUNTS  
FOR THE HALF YEAR ENDING  
DECEMBER 31, 2009



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