

(UN-AUDITED)

ACCOUNTS
FOR THE NINE MONTHS ENDED
March 31, 2012



Directors' Report to the Members

Operating financial results

We are pleased to present financial information of Zephyr Textiles Limited ("the Company") for the nine months period ended March 31, 2012. During this period the Company's revenue dropped by 18.24%, and the sales of the Company decreased to Rs.2.348 billion as compared to Rs.2.872 billion in corresponding period. Similarly, the gross profit decreased to Rs.229.051 million as compared to Rs.317.338 million in corresponding period. The company has earned an after tax profit of Rs. 37.216 million as compared to Rs. 34.392 million in the corresponding period ended March 31, 2011. The reduced sales and profitability is mainly due to lower prices of the products manufactured by the company as compared to previous corresponding period in which sales prices were very high due to high prices of raw material. Shortage of gas and electricity and prevailing uncertain political, economical and law & order situation in the country are other prime causes of low profitability. In spite of above facts, your company successfully managed to achieve targets with better marketing and financial strategy along with optimum beneficial product mix offered to the customers.

Description	March 31, 2012 Rupees	March 31, 2011 Rupees	(Decreased) by %
Sales - net	2,347,842,726	2,871,556,479	(18.24)
Gross Profit	229,051,302	317,338,457	(27.82)
Operating Profit for the period	182,351,853	252,791,841	(27.86)
Financial charges	128,790,068	197,748,053	(34.87)
Profit/(Loss) for the period before taxation	53,561,785	55,043,788	(2.69)
Taxation current	(16,345,980)	(20,651,355)	
Profit/(Loss) for the period after taxation	37,215,805	34,392,433	
Earning/(Loss) Per Share	0.63	0.58	

Although the company has become profitable in the last three quarters, the impact of rising input costs, especially the fuel and power prices has forced the company to implement better cash collection strategy to cope with its liquidity/working capital requirements. Despite of shortage of working capital, the company managed to repay the outstanding debt amounting to Rs.205.567 million and outstanding mark up amounting to Rs.91.693 million to the lenders of the company. The increased costs and shortages of gas and electricity severely affected the competitiveness in the international as well as local market. The profitably picture does not truly reflect the underlying cash flow crisis. The uncertain availability of gas, which is now three days a week, and six to eight hours daily electricity load shedding has led to material production losses.

General market review and future prospects

The textile sector is a back bone of Pakistan's industry. Today textile industry of Pakistan is facing multiple challenges internally and globally. On domestic front ever increasing production costs, uncertainty about cotton prices and prolonged power and gas shutdowns made it very difficult for the textile companies to survive and compete in the international market as well as in local market. Once again towards the end of the third quarter, the ever increasing fuel and power prices and their massive shortages prompted a drastic slow down in business activity and a number of our customers are reluctant in placing orders due to their concern about high product prices. International buyers are shifting to the other countries of the continent for getting better prices. China, India and Bangladesh are the main competitors and threats to the Pakistan textile industry. This adverse situation likely to end in the remaining period of the current year because of exceptionally better cotton crop this year in Pakistan than the rest of the world. We are very optimistic about the next quarter and even the next financial year to reap the benefits of cheap cotton in Pakistan as compare to rest of the world which can increase the sales revenue and profitability of the company in future.

Specific matters

The Bank of Punjab (BOP) has filed a suit for the recovery of amount aggregating Rs. 494.400 million. The Company contested the claim of BOP and instituted a leave application vide PLA 87B of 2011 which was allowed by Honorable Lahore High Court vide their order dated March 13, 2012. Subsequent to said order, BOP is required to present evidences so as to corroborate and substantiate their claim and further, Company is allowed to contest the claimed amount. The matter is pending before the Honorable Lahore High Court for further adjudication.

The Board of Directors had decided to pay cash dividend to the minority share holders of the company in its annual general meeting, held on October 31, 2011 for the year ended June 30, 2011 and provision has been made and duly reflected in company's financial statements. The Bank Of Punjab obtained a stay order for non payment of such dividend from honorable Lahore High Court under intimation of SECP and KSE and the matter is pending for further adjudication.

At the end, 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

Lahore
April 25, 2012


MUSSAID HANIF
Chief Executive

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

	Note	Un-Audited March 31, 2012 Rupees	Audited June 30, 2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 62,500,000 (2011: 62,500,000) ordinary shares of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up share capital 59,428,729 (2011: 59,428,729) ordinary shares of Rs. 10 each		594,287,290	594,287,290
UNAPPROPRIATED LOSS		(149,224,808)	(192,134,103)
		445,062,482	402,153,187
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		241,003,426	260,174,449
LONG TERM LOANS		212,303,378	262,255,151
DEFERRED LIABILITIES			
Staff Retirement Benefits		25,659,544	21,663,266
Deferred Taxation		102,967,118	109,460,598
		128,626,662	131,123,864
CURRENT LIABILITIES			
Short term finances - Secured		1,035,230,056	1,138,419,555
Current portion of long term liabilities		555,309,542	531,406,378
Creditors, accrued and other liabilities		239,909,101	249,272,470
Accrued mark - up		187,262,101	219,921,681
		2,017,710,800	2,139,020,084
CONTINGENCIES AND COMMITMENTS	4	-	-
		3,044,706,748	3,194,726,735
ASSETS			
NON CURRENT ASSETS			
Property plant & equipment		1,775,658,882	1,817,842,520
Capital work in progress		-	79,329,118
		1,775,658,882	1,897,171,638
Long term advances and deposits		3,004,447	3,004,447
CURRENT ASSETS			
Stores, spares and loose tools		93,228,956	71,333,611
Stock in trade		750,808,296	670,970,091
Trade debts		271,595,522	299,836,293
Loans and advances		37,358,283	60,368,819
Trade deposits, prepayments and Other receivables		79,427,691	110,976,638
Short term investment		9,920,351	59,321,164
Cash and bank balances		23,704,319	21,744,034
		1,266,043,419	1,294,550,650
		3,044,706,748	3,194,726,735

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


Chief Executive


Director

Condensed Interim Profit and Loss Account (Un-Audited)

for the nine months ended March 31, 2012

	Nine Months Ended		Quarter Ended	
	Un-Audited	Un-Audited	Un-Audited	Un-Audited
	Jul-Mar 2012 Rupees	Jul-Mar 2011 Rupees	Jan-Mar 2012 Rupees	Jan-Mar 2011 Rupees
SALES	2,347,842,726	2,871,556,479	900,513,153	1,022,414,880
COST OF SALES	2,118,791,424	2,554,218,022	821,615,706	914,004,599
GROSS PROFIT	229,051,302	317,338,457	78,897,447	108,410,281
OPERATING EXPENSES				
Distribution costs	51,089,261	48,171,804	23,627,725	13,054,718
Administrative	29,220,052	21,356,970	9,193,437	7,519,753
	80,309,313	69,528,774	32,821,162	20,574,471
	148,741,989	247,809,683	46,076,284	87,835,810
Other operating expenses	2,079,188	1,042,103	(1,051,885)	334,832
	146,662,801	246,767,580	47,128,169	87,500,978
OTHER OPERATING INCOME/(LOSS)	35,689,052	6,024,261	788,339	2,554,485
OPERATING PROFIT	182,351,853	252,791,841	47,916,509	90,055,463
FINANCE COSTS	128,790,068	197,748,053	41,456,258	65,911,562
PROFIT BEFORE TAXATION	53,561,785	55,043,788	6,460,251	24,143,901
TAXATION	16,345,980	20,651,355	6,676,450	7,540,206
PROFIT / (LOSS) AFTER TAXATION	37,215,805	34,392,433	(216,199)	16,603,695
EARNING PER SHARE -BASIC & DILUTED	0.63	0.58	(0.00)	0.28

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


Chief Executive



Director

Condensed Interim Statement of Comprehensive Income (Un-Audited)

for the nine months ended March 31, 2012

	For the nine months ended		For the quarter ended	
	Mar. 31, 2012 Rupees	Mar. 31, 2011 Rupees	Mar. 31, 2012 Rupees	Mar. 31, 2011 Rupees
Profit / (loss) after taxation	37,215,805	34,392,433	(216,199)	16,603,695
Other comprehensive income	-	-	-	-
Total comprehensive Income/ (loss) for the period	<u>37,215,805</u>	<u>34,392,433</u>	<u>(216,199)</u>	<u>16,603,695</u>

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


Chief Executive


Director

Condensed Interim Cash Flow Statement (Un-Audited) for the nine months ended March 31, 2012

	Mar 2012 Rupees	Mar 2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period before taxation	53,561,785	55,043,788
Adjustments for:		
Depreciation	114,884,386	123,524,154
(Gain) / Loss on sale of fixed assets	(1,800,836)	(2,281,151)
Loss / (Gain) on re-measurement of short term investments	400,812	(689,779)
Dividends, capital gains & other Income	(32,852,699)	(856,225)
Provision for staff gratuity	8,603,577	6,187,560
Financial charges	128,790,068	197,748,053
	218,025,308	323,632,612
	<u>271,587,094</u>	<u>378,676,400</u>
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(21,895,345)	8,411,880
Stock in trade	(79,838,205)	(18,946,683)
Trade debts	28,240,771	(83,851,093)
Loans and advances	23,010,536	87,211,239
Trade deposits, prepayments & other receivables	23,308,544	51,802,445
	(27,173,699)	44,627,788
(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(2,790,613)	(103,337,871)
Cash flow from operations	241,622,782	319,966,317
Financial charges paid	(91,693,487)	(104,035,409)
Taxes paid	(15,215,722)	(18,406,031)
Gratuity paid	(4,607,300)	(4,905,525)
	(111,516,509)	(127,346,965)
Net cash flow from operating activities (A)	<u>130,106,273</u>	<u>192,619,352</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Long term advances, deposits and deferred costs	61,875	-
Sale proceeds of fixed assets	17,000,000	25,800,000
Short Term Investments	49,400,813	(18,940,914)
Dividends and Other Income Received	23,733,795	74,500
Capital Gains/(Loss) from Investments	-	1,471,504
Fixed capital expenditure	(12,775,446)	(83,946,864)
Net cash flow from investing activities (B)	<u>77,421,037</u>	<u>(75,541,774)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	(103,189,499)	(133,901,181)
Long term loans	(102,377,526)	35,950,712
Net cash flow from financing activities (C)	<u>(205,567,025)</u>	<u>(97,950,469)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>1,960,285</u>	<u>19,127,109</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>21,744,034</u>	<u>7,969,177</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>23,704,319</u></u>	<u><u>27,096,286</u></u>

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


Chief Executive


Director

Statement of Changes in Equity (Un-Audited) for the nine months ended March 31, 2012

Description	Paid-Up Capital	Unappropriated Profit	Total
Rupees			
Balance as at June 30, 2010	594,287,290	(302,633,449)	291,653,841
Net profit for the period	-	34,392,433	34,392,433
Surplus on Revaluation on disposal of Fixed Asset	-	1,886,918	1,886,918
Current year incremental depreciation - net of tax	-	15,056,238	15,056,238
Balance as at March 31, 2011	594,287,290	(251,297,860)	342,989,430
Balance as at June 30, 2011	594,287,290	(192,134,103)	402,153,187
Net profit for the period	-	37,215,805	37,215,805
Surplus on Revaluation on disposal of Fixed Asset	-	1,145,234	1,145,234
Current year incremental depreciation - net of tax	-	13,204,554	13,204,554
Final Dividend for the period ended June 30, 2011	-	(8,656,298)	(8,656,298)
Balance as at March 31, 2012	594,287,290	(149,224,808)	445,062,482

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


Chief Executive


Director

Notes to the Condensed Interim Financial Statements (Un-Audited) for the nine months ended March 31, 2012

- These accounts have been prepared in accordance with the requirements of International Accounting standard No. 34 "Interim Financial Reporting".
- The accounts are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
- The accounting policies adopted for the preparation of the accounts are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2011.
- Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the annual financial statements for the year ended June 30, 2011.

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

The Bank of Punjab (BOP) has filed a suit for the recovery of amount aggregating Rs. 494.400 million. The Company contested the claim of BOP and instituted a leave application vide PLA 87B of 2011 which was allowed by Honorable Lahore High Court vide their order dated March 13, 2012. Subsequent to said order, BOP is required to present evidences so as to corroborate and substantiate their claim and further, Company is allowed to contest the claimed amount. The matter is pending before the Honorable Lahore High Court for further adjudication.

5.2 Commitments

Commitments against irrevocable letters of credit for import of raw material as at March 31, 2012 amounting to Rs.9.91 million (June 2011: Rs.11.06 million)

5.3 Other Contingencies and Commitments are the same as disclosed in the reviewed financial statements of the company for the period ended December 31, 2011.

	Un-audited March 31, 2012 Rupees	Audited June 30, 2011 Rupees
6. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	1,817,842,520	1,971,655,066
Additions during the period	92,104,482	43,726,820
Book value of deletions during the period	(19,403,734)	(33,210,027)
Depreciation charged during the period	(114,884,386)	(164,329,339)
Closing Book Value	1,775,658,882	1,817,842,520
6.1 Cost of Additions in Property, Plant and Equipment:		
Land - freehold	1,150,000	30,275,000
Building on freehold land	12,114,869	28,489
Plant and machinery	66,947,757	8,820,509
Furniture and fixtures	1,048,887	164,003
Vehicles	3,292,830	3,049,483
Electric installations	5,931,703	-
Office equipments	1,618,436	1,389,336
	92,104,482	43,726,820
6.2 Cost of Deletions in Property, Plant and Equipment:		
Plant & machinery	27,534,754	41,292,819
Vehicles	-	2,450,767
	27,534,754	43,743,586
7. CAPITAL WORK IN PROGRESS		
Building	-	21,730,826
Plant & machinery	-	57,598,292
	-	79,329,118

8. DATE OF AUTHORIZATION

These accounts have been approved by the Board of Directors on April 25, 2012.

9. GENERAL

- Figures have been rounded off to the nearest rupee.
- Comparative figures have been rearranged/reclassified wherever necessary for the purpose of comparison.


Chief Executive


Director

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