

(UN-AUDITED)

ACCOUNTS
FOR THE NINE MONTHS ENDED
March 31, 2014



Directors' Report to the Members

Operating financial results

The Directors of Zephyr Textiles Limited take pleasure in presenting un-audited interim financial statements for the nine months ended March 31, 2014.

The overall business performance of the Company, during period under review, has been satisfactory. Your Company achieved turnover of Rs. 3.07 billion in nine months under review as compared to Rs. 2.82 billion in corresponding period showing an increase of 8.86%. The gross profit for the period reached at Rs.287.836 million as compared to Rs.230.589 million in corresponding period. The company has earned an after tax profit of Rs. 47.832 million as compared to Rs. 44.979 million in the corresponding period ended March 31, 2013.

Description	March 31, 2014 Rupees	March 31, 2013 Rupees	Increased / (Decreased) by %
Sales - net	3,073,879,764	2,823,659,876	8.86
Gross Profit	287,835,860	230,589,318	24.83
Operating Profit for the period	200,676,064	138,540,607	44.85
Financial charges	146,584,593	85,770,630	70.90
Profit/(Loss) for the period before taxation	54,091,470	52,769,977	2.50
Taxation current	(6,259,652)	(7,791,116)	(19.66)
Profit/(Loss) for the period after taxation	47,831,819	44,978,861	6.34
Earning/(Loss) Per Share	0.80	0.76	5.26

The Company has improved its results by boosting its revenue and keeping the fixed costs under control. Gross margin grew by 24.83% during the period under review due to better cost controls and production efficiencies despite of increased input costs particularly high energy costs. NEPRA increased the commercial electricity rates by more than 50% in the month of September 2013 resting the industry under massive financial burden. The Company also suffered production losses because of scheduled load shedding of electricity and gas, particularly in the period from December 2013 to February 2014 in which natural gas supply to the industry was totally abandoned. Further, in third quarter of the period under review, Pak Rupee strengthened from 104.70 per USD as at March 01, 2014 to Rs.97.70 per USD as at March 31, 2014 which resulted in exchange losses to the Company and adversely affected the gross as well as net profit percentages.

Despite of shortage of working capital, the company managed to repay Rs.237.332 million to the lenders of the company on account of principle and mark up. The statement of financial position clearly depicts the improvement in working capital management. Now the Company has accumulated profits of Rs. 62.537 million and the management is committed to gradually increase the shareholders' wealth going forward.


General market review and future prospects

Export earnings, in the remaining quarter, will be difficult to maintain due to rapid appreciation of Pak Rupee. A massive depreciation experienced in competitor's currencies, like Turkish Lira and Indian Rupee, may erode the advantages of GSP Plus status newly grant to Pakistan.

At the end, the directors extend their gratitude to the employees of the company for their teamwork, commitment, integrity and professionalism.

For and on behalf of the Board of Directors

Lahore
April 25, 2014


MUSSAID HANIF
Chief Executive

Condensed Interim Balance Sheet (Un-Audited) as at March 31, 2014

	Note	Un-Audited	Audited
		March 31, 2014 Rupees	June 30, 2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 62,500,000 (2007: 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 (2007: 59,428,729) ordinary shares of Rs. 10 each		594,287,290	594,287,290
UNAPPROPRIATED PROFIT/(LOSS)		62,537,357	(31,340,506)
		656,824,647	562,946,784
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
LONG TERM LOANS		405,170,226	451,216,271
		222,407,686	322,644,260
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
		-	-
DEFERRED LIABILITIES			
Staff Retirement Benefits		42,202,122	34,878,145
Deferred Taxation		187,222,944	212,016,970
		229,425,066	246,895,115
CURRENT LIABILITIES			
Short term finances - Secured		948,879,256	963,810,392
Current portion of long term liabilities		373,162,829	393,573,971
Creditors, accrued and other liabilities		301,050,423	279,335,226
Accrued Mark Up		229,556,248	199,695,886
		1,852,648,756	1,836,415,475
CONTINGENCIES AND COMMITMENTS	4	-	-
		3,366,476,380	3,420,117,905
ASSETS			
NON CURRENT ASSETS			
Property plant & equipment		1,968,600,367	2,013,545,943
Capital work in progress		-	58,839,841
		1,968,600,367	2,072,385,784
Long term advances and deposits		7,786,686	3,299,170
CURRENT ASSETS			
Stores, spares and loose tools		104,953,130	105,104,138
Stock in trade		704,042,533	670,156,815
Trade debts		272,247,522	329,322,119
Loans and advances		50,232,163	43,623,353
Trade deposits, prepayments and other receivables		171,365,125	112,947,120
Short term investment		24,668,949	40,311,825
Cash and bank balances		62,579,905	42,967,581
		1,390,089,327	1,344,432,951
		3,366,476,380	3,420,117,905

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, 2014

	Nine Months Ended		Quarter Ended	
	Un-Audited Jul-Mar 2014 Rupees	Un-Audited Jul-Mar 2013 Rupees	Un-Audited Jan-Mar 2014 Rupees	Un-Audited Jan-Mar 2013 Rupees
SALES	3,073,879,764	2,823,659,876	995,817,677	1,079,334,778
COST OF SALES	2,786,043,904	2,593,070,559	905,438,062	980,984,565
GROSS PROFIT	287,835,860	230,589,317	90,379,615	98,350,214
OPERATING EXPENSES				
DISTRIBUTION COSTS	52,670,018	56,542,531	19,952,714	23,619,181
ADMINISTRATIVE	37,683,895	35,851,510	13,972,289	13,987,568
	90,353,913	92,394,041	33,925,003	37,606,749
	197,481,947	138,195,277	56,454,612	60,743,465
OTHER OPERATING EXPENSES	2,128,001	2,782,825	1,356,265	865,831
	195,353,946	135,412,452	55,098,347	59,877,634
OTHER OPERATING INCOME/(LOSS)	5,322,118	3,128,155	1,241,316	(1,543,339)
OPERATING PROFIT	200,676,064	138,540,607	56,339,663	58,334,295
FINANCIAL AND OTHER CHARGES	146,584,593	85,770,630	47,737,688	28,362,077
PROFIT FOR THE PERIOD BEFORE TAXATION	54,091,470	52,769,977	8,601,974	29,972,218
TAXATION-CURRENT	(6,259,652)	(7,791,116)	(1,904,343)	(3,344,116)
PROFIT FOR THE PERIOD AFTER TAXATION	47,831,819	44,978,861	6,697,631	26,628,102
Earning per share -Basic & Diluted	0.80	0.76	0.11	0.45


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Chief Executive

Bhan
Director

**Condensed Interim Statement of Comprehensive
Income (Un-Audited)**
for the nine months ended March 31, 2014

	For the nine months ended		For the quarter ended	
	Mar. 31, 2014 Rupees	Mar. 31, 2013 Rupees	Mar. 31, 2014 Rupees	Mar. 31, 2013 Rupees
Profit after taxation	47,831,819	44,978,861	6,697,631	26,628,102
Other comprehensive income	-	-	-	-
Total comprehensive Income for the period	<u>47,831,819</u>	<u>44,978,861</u>	<u>6,697,631</u>	<u>26,628,102</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, 2014

	Mar 2014 Rupees	Mar 2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period before taxation	54,091,470	52,769,977
Adjustments for:		
Depreciation	125,130,928	106,495,723
(Gain) / loss on sale of fixed assets	(214,212)	(913,955)
Loss on remeasurement of short term investment	(135,870)	(1,100,409)
Dividends, capital gains and other income	(669,455)	619,876
Provision for staff gratuity	12,321,027	9,627,491
Financial charges	146,584,593	85,770,630
	<u>283,086,997</u>	<u>200,499,356</u>
	337,178,467	253,269,333
 (Increase)/Decrease in current assets		
Stores, spares and loose tools	151,008	(11,128,082)
Stock in trade	(33,885,718)	26,946,418
Trade debts	57,074,597	(28,204,492)
Loans and advances	(6,608,810)	(22,513,288)
Short term investments	15,642,876	-
Trade deposits and prepayments & other receivables	(63,566,067)	(66,461,356)
	<u>(31,192,114)</u>	<u>(101,360,800)</u>
Increase in current liabilities		
Creditors, accrued and other liabilities	21,715,197	48,050,456
Cash flow from operations	<u>327,701,550</u>	<u>199,958,989</u>
Financial charges paid	(88,718,347)	(56,080,914)
Taxes paid	(25,905,616)	(13,651,464)
Gratuity paid	(4,997,050)	(4,293,600)
	<u>(119,621,013)</u>	<u>(74,025,978)</u>
Net cash flow from operating activities (A)	208,080,537	125,933,011
CASH FLOW FROM INVESTING ACTIVITIES		
Long term advances, deposits and deferred costs	(4,487,516)	(102,816)
Sale proceeds of fixed assets	610,000	2,362,524
Dividends and other income received	83,547	52,463,382
Capital gains/(loss) and income (loss) from investments	612,120	(3,177,214)
Fixed capital expenditure	(21,741,305)	(41,869,942)
Net cash flow from investing activities (B)	(24,923,154)	9,675,934
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	(14,931,136)	(1,192,326)
Long term loans	(148,543,937)	(106,785,912)
Net cash flow from financing activities (C)	(163,545,059)	(107,978,238)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+ B+ C)	19,612,324	27,630,707
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	42,967,581	11,842,941
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	62,579,905	39,473,648

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, 2014

Description	Paid-Up Capital	Unappropriated Profit	Total
Rupees			
Balance as at June 30, 2012	594,287,290	(165,553,829)	428,733,461
Total Comprehensive income for the period	-	44,978,861	44,978,861
Surplus on revaluation on disposal of property, plant & equipment	-	-	-
Current period incremental depreciation-net of tax	-	11,865,906	11,865,906
Balance as at March 31, 2013	594,287,290	(108,709,062)	485,578,228
Balance as at June 30, 2013	594,287,290	(31,340,506)	562,946,784
Total Comprehensive income for the period	-	47,831,819	47,831,819
Surplus on revaluation on disposal of Property, Plant and Equipment	-	20,743	20,743
Current period incremental depreciation-net of tax	-	46,025,301	46,025,301
Balance as at March 31, 2014	594,287,290	62,537,357	656,824,647

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, 2014

- 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, 2013.
- 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, 2013.
- CONTINGENCIES AND COMMITMENTS
 - Contingencies
There has been no significant change in contingencies since the last reviewed financial statements.
 - Commitments
Commitments against irrevocable letters of credit for import of raw material as at March 31, 2013 amounting to Rs.4.39 million (June 2013: Rs.2.15 million)

	Un-audited	Audited
	March 31, 2014 Rupees	June 30, 2013 Rupees
6. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	2,013,545,943	1,747,741,937
Additions/valuation adjustment during the period	80,581,140	414,352,516
Book value of deletions during the period	(395,788)	(1,473,422)
Depreciation charged during the period	(125,130,928)	(147,075,088)
Closing Book Value	1,968,600,367	2,013,545,943
6.1 Cost of Additions in Property, Plant and Equipment:		
Land - freehold	-	580,000
Building on freehold land	-	166,892,327
Plant and machinery	74,970,744	240,977,060
Furniture and fixtures	146,400	186,622
Vehicles	3,269,465	5,324,480
Electric Installations	1,353,000	-
Office equipments	841,531	391,987
	80,581,140	414,352,476
6.2 Cost of Deletions in Property, Plant and Equipment:		
Plant & Machinery	163,940	1,175,000
Vehicles	1,634,842	1,896,660
	1,798,782	3,071,660
7. CAPITAL WORK IN PROGRESS		
Plant & Machinery	-	58,839,841
	-	58,839,841
8. DATE OF AUTHORIZATION		
These accounts have been approved by the Board of Directors on April 25, 2014.		
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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