

(UN-AUDITED)

**ACCOUNTS
FOR THE 1ST QUARTER ENDED
SEPTEMBER 30, 2013**



Directors' Report to the Members

Operating financial results

We are pleased to present financial information of Zephyr Textiles Limited ("the Company") for the quarter ending September 30, 2013. During this period your Company's sales increased by 8.17%, amounting Rs.939.723 million as compared to Rs.868.769 million in corresponding period. Similarly, the gross profit increased by 46.69% amounting Rs.106.091 million as compared to Rs.72.322 million in corresponding period. Your company has earned an after tax profit of Rs. 25.181 million as compared to Rs. 8.280 million in the corresponding period. The increase in sales revenue is mainly due to increased sales prices as a result of high inflation rate prevailing in the country and increase in production capacity as compare to the corresponding period. Your company successfully managed to achieve targets with better marketing and financial strategy along with optimum product mix offered to the customers.

Description	September 30, 2013	September 30, 2012	Increased/ (Decreased) By
	Rupees	Rupees	%
Sales - net	939,722,529	868,768,598	8.17
Gross Profit	106,091,448	72,322,419	46.69
Operating Profit for the period	78,058,200	46,953,403	66.25
Financial charges	51,735,267	36,455,846	41.91
Profit/(Loss) for the period before taxation	26,322,934	10,497,557	150.75
Taxation current	(1,142,268)	(2,217,448)	(48.49)
Profit/(Loss) for the period after taxation	25,180,666	8,280,108	204.11
Earning/(Loss) Per Share	0.42	0.14	200.00

During the period under review, nothing has changed as far as economic conditions are concerned. The economy is badly suffering due to shortage of gas and power especially for textile industry which is the back bone of Pakistan's economy. The company earned handsome profit in the first quarter of financial year 2013 -2014 despite the rising input costs. The company is successful during last few years to improve operational and financial efficiency and able to reduce the gap between its current assets and current liabilities. Despite the shortage of working capital, the company managed to repay the outstanding debt amounting to Rs.66.45 million and outstanding mark up amounting to Rs.22.74 million to the lenders of the company. The increased overhead costs and shortages of gas and electricity severely affected the productivity and consequently competitiveness in the international as well as local market. The profitability picture does not truly reflect the underlying cash flow crisis.

General market review and future prospects

Today challenges affecting the textile industry of Pakistan for past few years still linger on. Increasing production costs due to rising energy prices and inadequate supply of gas and electricity are posing grave threat to textile sector of Pakistan. Future holds further challenges for the industry. At Zephyr Textiles Limited, our strategy is to minimize the negative impact of production losses to the maximum extent possible and increase our sales volumes and profit margins. To achieve growth targets, we are putting increased efforts and resources to diversify our product range and customer base. The company is planning to setup purchased / rental diesel generators to secure continuous availability of electricity in order to avoid expected production losses during coming winters.

Other matters

We draw attention that The Bank of Punjab filed a suit against the company in the Honorable Lahore High Court, Lahore for recovery of its outstanding loans and murk up thereon aggregating Rs.494.400 million. The Company was contesting the case. However, now both the parties had reached to an amicable out of court settlement by withdrawing the suits from the Honorable Lahore High Court, Lahore. The restructuring agreement had been executed between the parties and the Bank Of Punjab has withdrawn the case. Consequent to the withdrawal of said case the stay order against disbursement of dividend declared by the company for the year ended June 2011 due to suit filed by BOP in the Honorable Lahore High Court, Lahore has also been vacated. The said declared dividend will shortly be disbursed among the shareholders.

Over the last three years the management has successfully negotiated the restructuring/rescheduling arrangements with its lenders and consequent to approval of submitted restructuring/rescheduling plan with National Bank Of Pakistan the current ratio of the company will significantly improve. Further, the accumulated losses of the company has now been recovered and during the quarter under review the un appropriated profit of the company is Rs. 9.182 million. In view of stated significant operational and financial improvements, these accounts have been prepared on going concern basis.

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "mussaid".

MUSSAID HANIF
Chief Executive

Lahore
October 28, 2013

Balance Sheet

as at September 30, 2013 (Un-Audited)

	Note	Un-audited September 30, 2013 Rupees	Audited June 30, 2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorized share capital 62,500,000 (2013: 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 (2013: 59,428,729) ordinary shares of Rs. 10 each		594,287,290	594,287,290
UNAPPROPRIATED PROFIT/ACCUMULATED (LOSS)		9,182,283	(31,340,506)
		603,469,573	562,946,784
SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		435,874,147	451,216,271
LONG TERM LOANS		262,074,689	322,644,260
DEFERRED LIABILITIES		241,259,988	246,895,115
CURRENT LIABILITIES			
Short term finances - secured		962,833,005	963,810,392
Current portion of long term liabilities		401,490,823	393,573,971
Creditors, accrued and other liabilities		369,997,328	279,335,226
Accrued mark up		222,797,107	199,695,886
		1,957,118,263	1,836,415,475
CONTINGENCIES AND COMMITMENTS	4	-	-
		3,499,796,660	3,420,117,905
ASSETS			
NON CURRENT ASSETS			
Property plant & equipment	5	2,043,770,995	2,013,545,943
Capital work in progress		-	58,839,841
		2,043,770,995	2,072,385,784
Long term advances and deposits		3,421,670	3,299,170
CURRENT ASSETS			
Stores, spares and loose tools		95,217,121	105,104,138
Stock in trade		777,350,964	670,156,815
Trade debts		332,259,187	329,322,119
Loans and advances		45,552,626	43,623,353
Trade deposits, prepayments and other receivables		128,111,911	112,947,120
Short term investment		534,104	40,311,825
Cash and bank balances		73,578,082	42,967,581
		1,452,603,994	1,344,432,951
		3,499,796,660	3,420,117,905

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Profit and Loss Account

for the 1st Quarter ended September 30, 2013 (Un-Audited)

	Un-audited Jul-Sept 2013 Rupees	Un-audited Jul-Sept 2012 Rupees
SALES	939,722,529	868,768,598
COST OF SALES	833,631,080	796,446,180
GROSS PROFIT	106,091,448	72,322,418
OPERATING EXPENSES		
Distribution costs	16,496,711	15,516,047
Administrative	10,876,680	10,889,694
	27,373,391	26,405,741
	78,718,057	45,916,677
Other operating expenses	572,485	757,327
	78,145,572	45,159,350
OTHER OPERATING INCOME/(LOSS)	(87,372)	1,794,052
OPERATING PROFIT	78,058,200	46,953,402
FINANCE COSTS	51,735,267	36,455,846
PROFIT BEFORE TAXATION	26,322,934	10,497,556
TAXATION	1,142,268	2,217,448
PROFIT AFTER TAXATION	25,180,666	8,280,108
EARNING PER SHARE-BASIC & DILUTED	0.42	0.14

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

Mansail
Chief Executive

R. Desai
Director

Statement of Comprehensive Income

for the 1st Quarter ended September 30, 2013 (Un-Audited)

	Un-audited Jul-Sept 2013 Rupees	Un-audited Jul-Sept 2012 Rupees
Profit for the period after taxation	25,180,666	8,280,108
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income / (loss) for the period	-	-
Total comprehensive income / (loss) for the period	<u>25,180,666</u>	<u>8,280,108</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

Mansail
Chief Executive

B. Desai
Director

Cash Flow Statement

for the 1st Quarter ended
September 30, 2013 (Un-Audited)

	Un-audited Jul-Sept 2013 Rupees	Un-audited Jul-Sept 2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period before taxation	26,322,934	10,497,557
Adjustments for:		
Depreciation	40,835,936	35,425,328
Gain on sale of fixed assets	(106,596)	-
Gain on re-measurement of short term investments	(1,027)	(413,431)
Dividends, capital gains & other (income)/loss	512,875	115,327
Provision for staff gratuity	2,647,410	3,209,163
Financial charges	51,735,267	36,455,846
	95,623,864	74,792,233
	121,946,798	85,289,790
(Increase)/Decrease in current assets		
Stores, spares and loose tools	9,887,017	3,500,487
Stock in trade	(107,194,149)	7,600,136
Trade debts	(2,937,068)	(85,289,701)
Loans and advances	(1,929,273)	5,501,148
Trade deposits, prepayments & other receivables	(17,244,742)	4,398,266
	(119,418,216)	(64,289,664)
Increase in current liabilities		
Creditors, accrued and other liabilities	101,502,423	10,141,515
Cash flow from operations	104,031,006	31,141,641
Financial charges paid	(24,902,248)	(18,455,431)
Taxes paid	(7,323,458)	(2,806,656)
Gratuity paid	(1,391,000)	(886,200)
	(33,616,706)	(22,148,287)
Net cash flow from operating activities (A)	70,414,300	8,993,354
CASH FLOW FROM INVESTING ACTIVITIES		
Long term advances, deposits and deferred costs	(122,500)	-
Sale proceeds of fixed assets	150,000	-
Dividends received	83,547	-
Sale proceeds of short term investment	39,777,721	53,499,929
Fixed capital expenditure	(12,264,554)	(710,299)
Net cash flow from investing activities (B)	27,624,214	52,789,630
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - secured	(977,387)	(4,847,587)
Long term finances - secured	(66,450,626)	(40,428,173)
Net cash flow from financing activities (C)	(67,428,013)	(45,275,761)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	30,610,501	16,507,223
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	73,578,082	28,350,164

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Statement of Changes in Equity

for the 1st Quarter ended September 30, 2013 (Un-Audited)

Description	Paid Up Capital	Unappropriated Profit	Total
	Rupees		
Balance as at June 30, 2012	594,287,290	(165,553,829)	428,733,461
Net Profit for the period	-	8,280,108	8,280,108
Current year incremental depreciation - net of tax	-	3,955,301	3,955,301
Balance as at September 30, 2012	594,287,290	(153,318,420)	440,968,870
Balance as at June 30, 2013	594,287,290	(31,340,506)	562,946,784
Net Profit for the period	-	25,180,666	25,180,666
Current year incremental depreciation - net of tax	-	15,342,123	15,342,123
Balance as at September 30, 2013	594,287,290	9,182,283	603,469,573

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.


Chief Executive


Director

Notes to the Accounts

for the 1st Quarter ended September 30, 2013 (Un-Audited)

1. These financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
2. These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
3. 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.
4. Contingencies and Commitments
 - 4.1 Commitments
Commitments against irrevocable letters of credit for import of machinery and raw material as at September 30, 2013 amounting to Rs. 0.55 million (June 2013: Rs. 2.15 million).
 - 4.2 Others
There are no other significant activities since June 30, 2013 affecting financial Statements.
5. Following is the cost of fixed assets that have been added / disposed off during the quarter ended:

	Un-audited	Audited
	Sept 30, 2013 Rupees	June 30, 2013 Rupees
Additions in fixed assets	71,104,395	58,815,781
Deletions in fixed assets	591,054	3,071,660
Additions in capital work in Progress	10,667,901	94,127,202
Transfers from capital work in Progress	69,507,742	35,287,361
6. EARNING PER SHARE - BASIC		
Profit after tax	25,180,666	114,260,897
Weighted average number of ordinary shares	59,428,729	59,428,729
Earning per share - basic	0.42	1.92

7. DATE OF AUTHORISATION
These accounts have been approved by Board of Directors on October 28, 2013.
8. COMPARATIVE FIGURES
Have been rearranged / reclassified wherever necessary for the purpose of comparison.
Have been rounded off to the nearest rupee.


Chief Executive


Director

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