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Zephyr Textiles Limited

ACCOUNTS FOR THE HALF YEAR ENDED
DECEMBER 31, 2016

Contents

Directors' Report	02
Auditors Report	03
Balance Sheet	04
Statement of Comprehensive Income	05
Cash Flow Statement	06
Statement of Changes in Equity	07
Notes to the Financial Information	08

Directors' Report to the Members

The Directors of Zephyr Textiles Limited are pleased to present the Reviewed interim financial statements for the half year ended December 31, 2016. These interim financial statements are presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and Financial Results

During the first half year ended December 31, 2016, the Company earned a gross profit of PKR 172.681 million on sales of PKR 1,711.231 million compared to gross profit of PKR 149.384 million on sales of PKR 1,785.078 million for the corresponding period of previous financial year. During the period under review, the Company recorded a net profit of PKR 28.447 million (EPS: Re.0.48 per share), compared to net profit of PKR 13.941 million (EPS: Re.0.23 per share) in the corresponding period.

Financial Highlights	Half year ended December 31,		Increase/ (Decrease) %
	2016	2015	
Sales - net	1,711,231,167	1,785,078,497	(4.14)
Gross Profit	172,681,192	149,383,546	15.60
Profit/(loss) before tax	39,221,407	25,007,000	56.84
Profit/(loss) after tax	28,447,100	13,940,601	104.06
Gross Profit (%)	10.09%	8.37%	20.54
Profit/(loss) after tax (%)	1.66%	0.78%	112.82
Earnings/(loss) per share (Rs.)	0.48	0.23	108.70

Net profit for the period includes net notional expense of PKR 19 million as per IAS: 39, due to restructuring of financial liabilities of the Company in an earlier period and converted of some of the facilities to SBP ERF scheme to benefit from lower mark-up rates, compared to expense of PKR 30 million recognized in the corresponding period. Net profit for the period under review would have been PKR 47 million and net profit of PKR 44 million for the corresponding period.

Due to rising raw material prices, increasing competition from regional players and challenging demand situation in local and overseas markets, the margin remained under pressure, which was, however, off set through improved production capacity utilization, resulting in largely maintaining performance of the Company during the period under review. The management is making efforts to enhance export performance and profitability in the remaining part of the year. The Company invested in the value additions and hopes these efforts would yield long term positive results.


Future Prospects

Despite challenging micro as well as macro-economic scenario emanating from uncertain security and political environment and stiff competition, the current order book position of the Company is healthy and the management is optimistic that it can improve on the Company's performance. The Company is in continuous process to increase its production facility by adding new and replacing the existing machinery for its value added products and improve production quality. Investment of PKR 97 million made during this financial period out of total planned investment of PKR 390 million for enhancement and BMR. As stated in previous review, the Company is striving to diversify its production facility and marketing efforts towards value added products. We anticipate this process will be completed in coming six to nine months and these efforts will bear fruit in the coming year.

Acknowledgement

The management would like to place on record its appreciation for the support of Board of Directors, regulatory authorities, shareholders, customers, financial institutions and hard work of the staff and workers.

For and on behalf of the Board of Directors


MUSSAID HANIF
 Chief Executive

Lahore
 February 21, 2017

Auditors' Report to the Members On Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of ZEPHYR TEXTILES LIMITED ("the Company") as at December 31, 2016 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2016.

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 condensed 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 condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

CHARTERED ACCOUNTANTS

Engagement Partner: Zafar Iqbal

Date: February 21, 2017

Lahore

Condensed Interim Balance Sheet

as at December 31, 2016 (Un-Audited)

	Note	Un-Audited December 31, 2016 (Rupees)	Audited June 30 2016 (Rupees)
Equity and liabilities			
Equity			
Share capital	6	594,287,290	594,287,290
Unappropriated profit		410,139,152	369,712,295
		1,004,426,442	963,999,585
Revaluation reserve		352,285,935	364,246,726
		1,356,712,377	1,328,246,311
Liabilities			
Long term financing - Secured	7	523,259,046	570,446,790
Employee benefits	8	72,932,543	66,434,617
Deferred tax liabilities		158,746,797	165,187,220
Non current liabilities		754,938,386	802,068,627
Trade and other payables	9	364,911,315	401,859,734
Short-term borrowings - Secured		784,401,998	710,417,398
Current portion of long term borrowings		134,511,488	176,352,671
Current liabilities		1,283,824,801	1,288,629,803
Contingencies and commitments	10	-	-
		3,395,475,564	3,418,944,741
Assets			
Property plant & equipment	11	1,778,996,166	1,797,515,632
Capital work in progress		42,771,348	-
Long term advances and deposits		8,257,384	7,822,686
Non-current assets		1,830,024,898	1,805,338,318
Stores, spares and loose tools		110,328,654	112,258,545
Stock in trade		871,720,877	775,086,565
Trade debts		317,060,081	446,750,654
Loans and advances	12	41,600,607	35,357,461
Trade deposits, prepayments & other receivables	13	193,389,003	177,769,284
Short term investments	14	1,622,446	1,598,895
Cash and bank balances		29,728,998	64,785,019
Current assets		1,565,450,666	1,613,606,423
Total assets		3,395,475,564	3,418,944,741

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVEz


DIRECTOR

Condensed Interim Statement Of Comprehensive Income

for the half year ended December 31, 2016 (Un-Audited)

	Note	Un-Audited For half year ended December 31,		Un-Audited For quarter ended December 31,	
		2016	2015	2016	2015
		(Rupees)		(Rupees)	
Sales - net		1,711,231,167	1,785,078,497	872,080,676	908,836,652
Cost of sales	15	1,538,549,975	1,635,694,951	779,450,124	836,078,440
Gross profit		172,681,192	149,383,546	92,630,552	72,758,212
Other income		1,050,356	6,876,969	716,553	5,261,048
Distribution cost		36,726,911	32,976,908	19,907,865	15,863,307
Administrative expenses		32,935,945	29,037,639	15,308,688	15,896,274
Other expenses		2,915,466	1,857,067	1,989,815	1,120,118
		72,578,322	63,871,614	37,206,368	32,879,699
Finance costs		61,931,819	67,381,901	29,371,404	32,199,804
Profit / (Loss) for the period before taxation		39,221,407	25,007,000	26,769,333	12,939,757
Income tax expense		10,774,307	11,066,399	5,428,833	5,734,271
Profit / (Loss) for the period after taxation		28,447,100	13,940,601	21,340,500	7,205,486
Other comprehensive income:					
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		28,447,100	13,940,601	21,340,500	7,205,486
Earning per share - basic & diluted		0.48	0.23	0.36	0.12

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

Condensed Interim Cash Flow Statement

for the half year ended December 31, 2016 (Un-Audited)

	Note	Un-Audited For half year ended December 31,	
		2016	2015
		(Rupees)	
Net cash from operating activities	16	96,829,750	72,586,509
Cash flow from investing activities			
Long term advances and deposits		(434,698)	-
Proceeds from sale of property, plant and equipment		-	-
Capital Gains/(Loss), Income/(Loss) from Investments and Dividends		24,905	56,366
Acquisition of property, plant and equipment		(97,061,162)	(28,485,358)
Net cash flow from investing activities		(97,470,955)	(28,428,992)
Cash flow from financing activities			
Availed/repayment of short term borrowings		73,984,600	52,619,746
Repayment of long term loans		(108,399,416)	(57,602,688)
Net cash flow from financing activities		(34,414,816)	(4,982,942)
Net increase in cash and cash equivalents		(35,056,021)	39,174,575
Cash and cash equivalents at the beginning of the period		64,785,019	37,176,555
Cash and cash equivalents at the end of the period		29,728,998	76,351,130

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

Condensed Statement Of Changes In Equity

for the half year ended December 31, 2016 (Un-Audited)

	Share Capital (Rupees)	Accumulated Profit / (Loss) (Rupees)	Total (Rupees)
Balance as at June 30, 2015 - Audited	594,287,290	253,296,747	847,584,037
Total comprehensive income for the period	-	13,940,601	13,940,601
Transfer from revaluation reserve on disposal of property, plant & equipment	-	-	-
Prior year adjustment	-	(10,354,385)	(10,354,385)
Current period incremental depreciation - net of tax	-	13,129,398	13,129,398
Balance as at December 31, 2015 - Un-audited	594,287,290	270,012,361	864,299,651
Balance as at June 30, 2016 - Audited	594,287,290	369,712,295	963,999,585
Total comprehensive income for the period	-	28,447,100	28,447,100
Prior year adjustments	-	18,967	18,967
Current period incremental depreciation - net of tax	-	11,960,790	11,960,790
Balance as at December 31, 2016 - Un-audited	594,287,290	410,139,152	1,004,426,442

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR

Notes to the Condensed Interim Financial Information

for the half year ended December 31, 2016 (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 situated at 3rd Floor, IEP Building, 97 B/D-1, Gulberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jamber. The shares of the Company is listed on Pakistan Stock Exchange (formerly: registered in Karachi and Lahore Stock Exchanges of Pakistan).

2 BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended June 30, 2016.

3 ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2016.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2016, were either considered not to be relevant to the Company's operations or did not have significant effect on the accounting policies of the Company.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended June 30, 2016.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2016.

	Un-audited December 31, 2016 (Rupees)	Audited June 30, 2016 (Rupees)
6 SHARE CAPITAL		
Authorized share capital		
62,500,000 ordinary shares of Rs. 10 each	625,000,000	625,000,000
Issued, subscribed and paid up share capital		
51,900,883 Ordinary shares of Rs. 10 each fully paid in cash	519,008,830	519,014,830
7,527,846 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	75,278,460	75,272,460
	594,287,290	594,287,290

Notes to the Condensed Interim Financial Information

for the half year ended December 31, 2016 (Un-Audited)

7 LONG TERM FINANCING

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	Un-audited December 31, 2016 (Rupees)	Audited June 30, 2016 (Rupees)
Demand Finance - I	7.1	May-13	3 months Kibor	196,780	54 monthly	-	69,405,755
Demand Finance - II	7.1	Oct-17	Interest free	204,379	31 monthly	118,607,629	129,520,021
Long Term Finance	7.1	January - 17	SBP + 2.5%	300	20 Quarterly	31,248,000	-
Subtotal - BOP						149,855,629	198,925,776
Demand Finance - III	7.1 & 7.2	Sep-15	3 Month Kibor + 1%	327,502	28 Quarterly	294,906,779	311,539,927
Frozen Markup	7.1 & 7.3	Sep-15	Interest free	219,977	28 Quarterly	143,528,952	151,750,419
Subtotal - NBP						438,435,731	463,290,346
Term Finance	7.1 & 7.4	Sep-14	3 Month Kibor	145	48 Monthly	69,479,174	84,583,339
Subtotal - NIB						69,479,174	84,583,339
						657,770,534	746,799,461
Current portion						(111,594,343)	(153,204,595)
Overdue portion						(22,917,145)	(23,148,076)
						(134,511,488)	(176,352,671)
						523,259,046	570,446,790

7.1 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.

7.2 It represents loan from National Bank of Pakistan which has been restructured on terms agreed between the parties.

7.3 It represents restructured loan converted from mark up payable on the facilities from National Bank of Pakistan till June 30, 2015.

7.4 It represents running finance facility from NIB Bank Limited converted into term finance facility.

	Un-audited December 31, 2016 (Rupees)	Audited June 30, 2016 (Rupees)
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8 EMPLOYEE BENEFITS

Balance sheet liability at the beginning of the period	66,434,617	53,114,796
Charge for the period	11,720,036	20,517,409
Benefits paid during the period	(5,222,110)	(9,977,950)
Unrecognized actuarial gain	-	2,780,362
	72,932,543	66,434,617

9 TRADE AND OTHER PAYABLES

Creditors	198,659,735	231,025,926
Advances from customers	27,327,053	14,167,148
Accrued liabilities	80,862,159	84,961,370
Accrued mark-up/interest on long term financing	6,820,290	6,615,839
Accrued mark-up/interest on short term borrowings	8,115,493	7,705,919
Income tax withheld	8,325,017	8,769,359
Income tax payable	-	-
Retention money payable	5,700,000	5,700,000
Dividend payable	426,002	426,002
Workers' funds	28,675,566	42,488,171
	364,911,315	401,859,734

Notes to the Condensed Interim Financial Information

for the half year ended December 31, 2016 (Un-Audited)

10 CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5.107 million along with interest. The case is decreed in favour of company.

10.2 M/s. M. J. Industries has filed a suit against the Company for declaration for Rs. 0.545 million. The case is dismissed by the Honorable Civil Judge, Lahore. M/s. M. J. Industries has filed an application for the restoration of the suit.

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.

10.3 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 company.

10.4 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. 37.670 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. 63.624 million. Writ petition is pending for adjudication in Honorable Lahore High Court, Lahore.

10.5 The Company has filed suit for recovery of Rs. 34.027 million for unauthorized sale of shares by First Pakistan Limited. The case is pending before Senior Civil Judge Lahore.

10.6 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 in the Sindh High Court

10.7 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 pending for framing of issues.

- Sh. Zafar Iqbal v/s. M/s Zephyr Textiles Limited. Sh. Zafar Iqbal has filed a suit for cancelation 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.

10.8 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).

10.9 Foreign bills purchased by banks amounting to Rs. 99.040 million (2016: Rs. 68.422 million).

Commitments

10.10 Contracts for capital expenditure are Rs. 231.784 million (2016: Rs. 48.874 million).

10.11 Letters of credit other than for capital expenditure are Rs. 17.632 million (2016: Rs. 3.743 million).

10.12 Outstanding foreign currency forward contracts of Rs. 508.470 million (2016: Rs. 285.099 million).

Notes to the Condensed Interim Financial Information

for the half year ended December 31, 2016 (Un-Audited)

	Note	Un-audited December 31, 2016 (Rupees)	Audited June 30, 2016 (Rupees)
11 PROPERTY, PLANT AND EQUIPMENT			
Opening written down value		1,797,515,632	1,836,218,130
Additions during the period	11.1	55,427,813	114,888,236
Net book value of assets disposed off during the period	11.2	(1,091,056)	(2,659,048)
Depreciation charge for the period		(72,856,223)	(150,931,686)
		1,778,996,166	1,797,515,632
11.1 Cost of additions			
Non factory building		2,480,354	-
Plant and machinery		48,721,151	102,145,486
Furniture and fixtures		-	27,900
Vehicles		3,794,762	10,024,607
Electric installation		-	1,200,354
Office equipments		431,546	1,489,889
		55,427,813	114,888,236
11.2 Net book value of deletions			
Plant and machinery		1,091,056	2,420,091
Vehicles		-	238,957
		1,091,056	2,659,048
12 LOANS AND ADVANCES			
Advances - unsecured but considered good:			
- To suppliers		15,151,738	19,600,564
- To employees		15,558,140	14,488,783
- To suppliers against letter of credit		10,890,729	1,268,114
		41,600,607	35,357,461
13 TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Prepayments		1,596,413	3,456,543
Advance income tax		12,236,170	4,262,067
Margin deposits		8,067,100	24,730,580
Sales tax refundable		135,993,889	108,205,074
Export rebate receivable		7,335,353	10,026,509
Other receivables		28,160,078	27,088,511
		193,389,003	177,769,284
14 SHORT TERM INVESTMENTS			
Investment at fair value through profit and loss account			
- Listed securities		705,132	705,266
Investment in funds		917,314	893,629
		1,622,446	1,598,895

Notes to the Condensed Interim Financial Information

for the half year ended December 31, 2016 (Un-Audited)

	Un-Audited For half year ended December 31, (Rupees) 2016	Un-Audited For half year ended December 31, (Rupees) 2015
15 COST OF SALES		
Raw materials consumed	984,814,079	992,985,637
Salaries, wages and other benefits	157,882,505	147,331,851
Production overheads	477,755,817	523,210,251
	1,620,452,401	1,663,527,739
(Increase) / decrease in work-in-progress		
Opening stock	142,034,763	141,720,387
Closing stock	(125,338,116)	(136,903,110)
Adjustment of work-in-process	16,696,647	4,817,277
(Increase) / decrease in finished goods		
Opening stock	470,046,298	417,543,176
Closing stock	(568,645,371)	(450,193,241)
Adjustment of finished goods	(98,599,073)	(32,650,065)
	1,538,549,975	1,635,694,951
16 CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the period before taxation	39,221,407	25,007,000
Adjustments for:		
- Depreciation	72,856,223	74,125,318
- Gain on sale of property, plant and equipment	-	-
- Change in fair value of short term investment	(23,552)	(20,178)
- Investment income	(1,353)	(36,188)
- Provision for staff retirement benefits - gratuity	11,720,036	10,483,209
- Finance cost	61,931,819	67,381,901
	185,704,580	176,941,062
<i>Changes in:</i>		
- Stores, spares and loose tools	1,929,891	(11,179,579)
- Stock in trade	(96,634,312)	(31,414,739)
- Trade receivables	129,690,573	53,400,598
- Loans and advances	(6,243,146)	(12,943,418)
- Short Term Investments	(23,551)	(54,480)
- Trade deposits, prepayments & other receivables	(7,645,616)	(3,974,968)
- Creditors, accrued and other liabilities	(38,117,340)	(32,973,951)
Cash generated from operations	168,661,079	137,800,525
Interest paid	(41,420,385)	(47,657,413)
Taxes paid	(25,188,834)	(14,126,353)
Gratuity paid	(5,222,110)	(3,430,250)
	96,829,750	72,586,509

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on February 21, 2017.

18 GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR

BOOK POST

PRINTED MATTER

If undelivered please return to



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