

Zephyr Textiles Limited

ANNUAL REPORT 2016

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BOARD OF DIRECTORS:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Ms. Tehniyat Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid Ms. Nuzhat Kamran	CEO
AUDIT COMMITTEE:	Ms. Tehniyat Mussaid Mr. Arbab Muhammad Khan Ms. Sabah Burhan	Chairperson/Member Member Member
CHIEF FINANCIAL OFFICER:	Mr. Naveed Aleem	
COMPANY SECRETARY:	Mr. Abdul Jabbar	
AUDITORS:	Azhar Zafar & Company	Chartered Accountants
LEGAL ADVISOR:	Cornelius Lane & Mufti Advocate and Solicitors Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah, Lahore - 54000, Pakistan	
BANKERS TO THE COMPANY	Habib Bank Limited Allied Bank Limited Askari Bank Limited United Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited	National Bank of Pakistan NIB Bank Limited The Bank Of Punjab Faysal Bank Limited Meezan Bank Limited Silk Bank Limited

MILLS:	1 km, Balloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512011 63 km, Gulshan Adda, Jumber Khurd, District Kasur.	(Weaving unit & Power plant) (Towel Unit)
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REGISTERED & HEAD OFFICE:	3rd Floor, IEP Building, 97 B/D-I, Gulberg III, Lahore. E-mail: info@zephyr.com.pk Website: www.zephyr.com.pk Phone : 042 35782905 - 15 Fax : 042 35753202
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Note: Zephyr's Company Information & Financial Statements are also available at the above website.

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Zephyr Textiles Limited will be held at the Registered Office of the Company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on Monday, October 31, 2016, at 10:30 AM to transact the following business:

- To confirm the minutes of the last Annual General Meeting dated October 31, 2015.
- To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2016 together with the Directors' and Auditor's report thereon.
- To appoint auditors for the year ending June 30, 2017 and to fix their remuneration. The present Auditors M/S Azhar Zafar & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
- To transact any other business with the permission of the Chair.

By Order of the Board

Abdul Jabbar
Company Secretary

Lahore:
October 07, 2016

NOTES:

- **BOOK CLOSURE NOTICE:**
Share transfer books of the company will remain closed from October 24, 2016 to October 31, 2016 (both days inclusive) and no transfer will be accepted during this period.
- A Shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the registered office of the company, duly stamped, signed and witnessed not later than 48 hours before the meeting.
- Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDC for verification. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
- In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's CNIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.
- Shareholders are requested to notify any change in their addresses immediately.

Notice of Annual General Meeting

The directors of the Company are pleased to present the audited financial statements for the year ended June 30, 2016. These financial statements are presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and Financial Results

Financial Review

During the financial year ended June 30, 2016, the Company earned a gross profit of Rs.397.215 million on sales of Rs.3,933 million as compared to gross profit of Rs.327.864 million on sales of Rs.3,757 million in the previous year 2014-2015. The Company recorded net profit of Rs.107.035 million as compared to Rs.203.067 million in the corresponding period. The decline in net profit after increased gross profit is due to mark up waiver and notional income incorporated as per IAS:39 due to restructuring with The Bank of Punjab in the previous year.

Financial highlights	2016 RUPESS	2016 RUPESS
Net sales	3,932,856,870	3,756,906,768
Gross Profit	397,214,552	327,863,609
EBITDA	283,261,357	380,971,500
Depreciation	150,931,686	155,458,285
Finance Cost	126,333,632	166,340,523
Pre-tax profit	132,329,671	225,513,201
After tax profit	107,034,539	203,066,728
EPS	1.80	3.42

Net sales increased by 4.68% and gross profit increased by 21.15% as compared to the corresponding last year. The increase in gross profit is much greater than sales revenue because of additional export sales of value added products this year. Export sales increased by 25.93% as compared to corresponding period and recorded at Rs. 1.4 billion as compared to Rs.1.1 billion last year. Finance cost reduced by 24.05% in the period under review as compare to the corresponding period ended June, 2015.

Towel export business have seen significant improvement during the year under review. Lower yarn prices helped in achieving better margin and increased sales. We have plans in place to continue the emphasis on the sales of value added goods going forward.

Although, the government managed to provide LNG to the industry in absence of electricity and natural gas but the cost of LNG is detrimentally high which mitigated the profitability.

Textile Industry Overview

The textile sector has a crucial role in the economy of Pakistan. The industry had a hope that the grant of GSP Plus status from European Union will boost the export performance of the country. However, overall export performance of the country has shown dismal performance and the trend is continuing. Expensive power, excessive taxation and overvalued exchange rate has eroded our competitiveness during last few years.

In today's highly competitive global environment, the textile sector needs to upgrade its supply chain, improve productivity, and maximize value-addition to be able to survive. This sector needs cheap and subsidized credit facilities, uninterrupted supply of gas and electricity at low rates, consistent and industry friendly tax policies to create growth.

The government has announced a scheme of Long Term Financing Facility (LTFF) to kick start the investment for the replacement of dated plants and equipment and addition of new facilities. Hopefully it will bear results in coming years.

Future arrangement

To enhance the sales of value added products, the company has initiated investment plan of Rs.390 Million out of which Rs.300 Million is being financed by Bank of Punjab. The financing arrangement is based on concessionary interest rate fixed at 5% to be repaid in five years (LTFF). The investment in terry production will increase our dyeing and weaving capacity to 450 Tons per day.

The process of replacement of old fabric weaving machines has started. In the first phase 16 machines will be shipped by Feb 2017. With the induction of new technology productivity will increase and labour and power cost will reduce. This new project of enhanced capacity will hopefully start commercial production in May, 2017.

Working capital management

Company's current ratio remained stable at 1.25 in the current year as compared to 1.26 in preceding period. The Company reduced the burden of long term finances by Rs.117.72 million along with finance cost of RS. 116.58 million during the period under review. Further, the Company is continuously striving to improve further its working capital cycle by better management of receivable and inventory.

Capital structure

Leverage of the Company recorded further improvement from 1.16 last year to 1.11 as at June 30, 2016. The management of the Company is committed to increase share holders' wealth with its proactive approach.

Corporate matters

Dividend

Owing to significant expansion in production facility of the Company, the directors have regrettably decided to omit dividend this year.

Directors' training program

Three directors of the Company completed the Directors Training Program this year as per new CCG compliance. Two directors have exemptions while the remaining two will be completing this program in current year.

Compliance of corporate and financial reporting framework

We are committed to good corporate governance and do comply with the requirements of Code of Corporate Governance included in the listing regulations of Pakistan Stock Exchanges (PSX). The statement of compliance with the CCG is also enclosed.

Board committees

Audit committee

The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors. Composition of the committee is as follows:

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

Human resource & remuneration committee

The Human Resource & Remuneration Committee is performing its duties in line with its terms of reference as determined by the Board of Directors. Composition of the Committee is as follows:

Mr. Burhan Muhammad Khan	Chairman/Member
Ms. Nuzhat Kamran	Member
Ms. Sarah Mussaid	Member

Meetings of the Board of Directors

During the year under review, four meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Sr. No.	Name of directors	No. of meetings attended
1.	Mr. Mussaid Hanif	4
2.	Mr. Burhan Muhammad Khan	4
3.	Mr. Arbab Muhammad Khan	4
4.	Ms. Nuzhat Kamran	4
5.	Ms. Tehniyat Mussaid	4
6.	Ms. Sabah Burhan	4
7.	Ms. Sarah Mussaid	2

Directors' Statement

In compliance of the Code of Corporate Governance, we give below statements on Corporate and Financial reporting framework:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Auditors

The present auditors of the Company M/s Azhar Zafar & Company, Chartered Accountants have completed the annual audit for the year ended June 30, 2016, and have issued an unqualified audit report. The existing auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2017.

The Board has recommended the appointment of M/s Azhar Zafar & Company, Chartered Accountants as auditors for the next year according to the recommendation of Audit Committee, subject to approval of the shareholders in the AGM.

For and on behalf of the Board of Directors



Mussaid Hanif
Chief Executive

Lahore
September 21, 2016

Horizontal Analysis

(Rupees in million)

	2016	Variance vs Last Year Increase/ (Decrease)	2015	Variance vs Last Year Increase/ (Decrease)	2014	Variance vs Last Year Increase/ (Decrease)	2013	Variance vs Last Year Increase/ (Decrease)	2012
OPERATING RESULTS									
Sales - net	3,932.86	4.68	3,756.91	(10.53)	4,199.16	9.33	3,840.91	22.49	3,135.63
Cost of sales	3,535.64	3.11	3,429.04	(9.61)	3,793.81	8.97	3,481.67	23.48	2,819.59
Gross Profit	397.21	21.15	327.86	(19.12)	405.35	12.84	359.23	13.67	316.04
Distribution cost	73.89	(4.95)	77.74	1.42	76.65	(3.08)	79.08	10.51	71.56
Administrative expenses	63.49	11.29	57.05	9.33	52.18	(16.54)	62.52	19.17	52.47
Other operating expenses	11.94	201.83	3.96	(41.83)	6.80	22.36	5.56	58.15	3.52
Financial cost	126.33	(24.05)	166.34	(13.86)	193.11	(18.41)	236.68	20.71	196.08
Other operating income	10.77	(94.69)	202.73	1,554.96	12.25	(91.69)	147.40	243.08	42.96
Profit/(Loss) before taxation	132.33	(41.32)	225.51	153.81	88.85	(27.64)	122.78	247.03	35.38
Provision for taxation	25.30	12.69	22.45	(11.61)	25.40	197.95	8.52	(58.32)	20.45
PROFIT/(LOSS) FOR THE YEAR	107.03	(47.29)	203.07	220.04	63.45	(44.47)	114.26	665.36	14.93
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,797.52	(2.11)	1,836.22	(4.72)	1,927.08	(4.29)	2,013.55	15.21	1,747.74
Capital work in progress	-	(100.00)	10.86	-	-	(100.00)	58.84	-	-
Long term deposits	7.82	(0.64)	7.87	0.03	7.87	138.54	3.30	9.97	3.00
TOTAL NON-CURRENT ASSETS	1,805.34	(2.67)	1,854.96	(4.13)	1,934.95	(6.78)	2,075.68	18.56	1,750.75
CURRENT ASSETS									
Stores, spare parts and loose tools	112.26	3.57	108.39	0.61	107.73	2.50	105.10	10.54	95.08
Stock in trade	775.09	8.42	714.91	(2.34)	732.05	9.24	670.16	(7.10)	721.38
Trade debts	446.75	19.88	372.66	10.16	338.29	2.72	329.32	32.89	247.81
Loans and advances	35.36	(14.01)	41.12	46.33	28.10	(35.58)	43.62	22.62	35.58
Trade deposits and short term prepayments	150.68	32.73	113.52	(8.90)	124.62	24.40	100.18	44.19	69.47
Other receivables	27.09	29.76	20.88	40.68	14.84	16.19	12.77	(22.71)	16.52
Investments	1.60	4.73	1.53	(85.65)	10.64	(73.61)	40.31	(29.63)	57.28
Cash and bank balances	64.79	74.26	37.18	(53.95)	80.73	87.89	42.97	262.81	11.84
TOTAL CURRENT ASSETS	1,613.61	14.43	1,410.18	(1.87)	1,437.00	6.89	1,344.43	7.13	1,254.97
TOTAL ASSETS	3,418.94	4.71	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12	13.79	3,005.72
CURRENT LIABILITIES									
Trade and other payables	387.54	8.76	356.31	17.86	302.33	8.23	279.34	28.55	217.29
Accrued mark-up	14.32	213.83	4.56	(98.13)	243.93	22.15	199.70	(4.57)	209.27
Short term borrowings	710.42	17.44	604.90	(36.62)	954.37	(0.98)	963.81	(7.01)	1,036.48
Current portion of long term financing	176.35	16.34	151.59	(57.54)	357.02	(9.29)	393.57	(41.61)	674.06
TOTAL CURRENT LIABILITIES	1,288.63	15.33	1,117.36	(39.85)	1,857.64	1.16	1,836.42	(14.07)	2,137.10
WORKING CAPITAL	324.98	10.98	292.82	(169.61)	(420.64)	(14.50)	(491.98)	(44.23)	(882.13)
TOTAL CAPITAL EMPLOYED	2,130.31	(0.81)	2,147.78	41.83	1,514.31	(4.38)	1,583.70	82.32	868.62
NON-CURRENT LIABILITIES									
Long term financing	570.45	(15.72)	676.85	240.54	198.76	(38.40)	322.64	335.09	74.16
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	231.62	(0.41)	232.58	(1.52)	236.18	(4.34)	246.90	96.17	125.86
TOTAL NON-CURRENT LIABILITIES	802.07	(11.81)	909.43	109.09	434.94	(23.63)	569.54	184.75	200.02
NET WORTH	1,328.25	7.26	1,238.35	14.73	1,079.37	6.43	1,014.16	51.68	668.60
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated Profit / (Loss)	369.71	45.96	253.30	286.65	65.51	(309.03)	(31.34)	(81.07)	(165.55)
Surplus on revaluation of property, plant and equipment	364.25	(6.79)	390.76	(6.87)	419.57	(7.01)	451.22	88.11	239.87
	1,328.25	7.26	1,238.35	14.73	1,079.37	6.43	1,014.16	51.68	668.60
TOTAL LIABILITIES	3,418.94	4.71	3,265.14	(3.17)	3,371.95	(1.41)	3,420.12	13.79	3,005.72

Vertical Analysis

(Rupees in million)

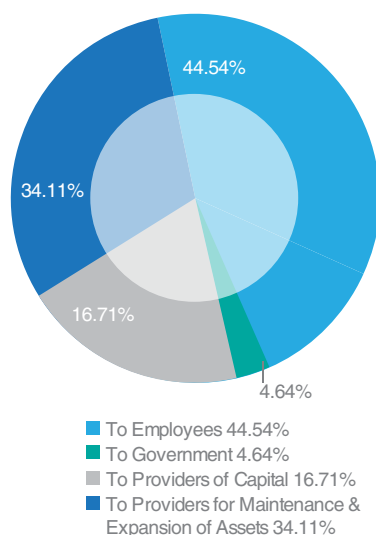
	2016	% of Total Value	2015	% of Total Value	2014	% of Total Value	2013	% of Total Value	2012
OPERATING RESULTS									
Sales - net	3,932.86	100.00	3,756.91	100.00	4,199.16	100.00	3,840.91	100.00	3,135.63
Cost of sales	3,535.64	89.90	3,429.04	91.27	3,793.81	90.35	3,481.67	90.65	2,819.59
Gross Profit	397.21	10.10	327.86	8.73	405.35	9.65	359.23	9.35	316.04
Distribution cost	73.89	1.88	77.74	2.07	76.65	1.83	79.08	2.06	71.56
Administrative expenses	63.49	1.61	57.05	1.52	52.18	1.24	62.52	1.63	52.47
Other operating expenses	11.94	0.30	3.96	0.11	6.80	0.16	5.56	0.14	3.52
Financial cost	126.33	3.21	166.34	4.43	193.11	4.60	236.68	6.16	196.08
Other operating income	10.77	0.27	202.73	5.40	12.25	0.29	147.40	3.84	42.96
Profit/(Loss) before taxation	132.33	3.36	225.51	6.00	88.85	2.12	122.78	3.20	35.38
Provision for taxation	25.30	0.64	22.45	0.60	25.40	0.60	8.52	0.22	20.45
PROFIT/(LOSS) FOR THE YEAR	107.03	2.72	203.07	5.41	63.45	1.51	114.26	2.97	14.93
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,797.52	52.58	1,836.22	56.24	1,927.08	57.15	2,013.55	52.42	1,747.74
Capital work in progress	-	-	10.86	0.33	-	-	58.84	1.53	-
Long term deposits	7.82	0.23	7.87	0.24	7.87	0.23	3.30	0.09	3.00
TOTAL NON-CURRENT ASSETS	1,805.34	52.80	1,854.96	56.81	1,934.95	57.38	2,075.68	54.04	1,750.75
CURRENT ASSETS									
Stores, spare parts and loose tools	112.26	3.28	108.39	3.32	107.73	3.19	105.10	3.07	95.08
Stock in trade	775.09	22.67	714.91	21.90	732.05	21.71	670.16	19.59	721.38
Trade debts	446.75	13.07	372.66	11.41	338.29	10.03	329.32	9.63	247.81
Loans and advances	35.36	1.03	41.12	1.26	28.10	0.83	43.62	1.28	35.58
Trade deposits and short term prepayments	150.68	4.41	113.52	3.48	124.62	3.70	100.18	2.93	69.47
Other receivables	27.09	0.79	20.88	0.64	14.84	0.44	12.77	0.37	16.52
Investments	1.60	0.05	1.53	0.05	10.64	0.32	40.31	1.18	57.28
Cash and bank balances	64.79	1.89	37.18	1.14	80.73	2.39	42.97	1.26	11.84
TOTAL CURRENT ASSETS	1,613.61	47.20	1,410.18	43.19	1,437.00	42.62	1,344.43	39.31	1,254.97
TOTAL ASSETS	3,418.94	100.00	3,265.14	100.00	3,371.95	100.00	3,420.12	100.00	3,005.72
CURRENT LIABILITIES									
Trade and other payables	387.54	11.34	356.31	10.91	302.33	8.97	279.34	8.17	217.29
Accrued mark-up	14.32	0.42	4.56	0.14	243.93	7.23	199.70	5.84	209.27
Short term borrowings	710.42	20.78	604.90	18.53	954.37	28.30	963.81	28.18	1,036.48
Current portion of long term financing	176.35	5.16	151.59	4.64	357.02	10.59	393.57	11.51	674.06
TOATL CURRENT LIABILITIES	1,288.63	37.69	1,117.36	34.22	1,857.64	55.09	1,836.42	53.69	2,137.10
WORKING CAPITAL	324.98	9.51	292.82	8.97	(420.64)	(12.47)	(491.98)	(14.38)	(882.13)
TOTAL CAPITAL EMPLOYED	2,130.31	62.31	2,147.78	65.78	1,514.31	44.91	1,583.70	46.31	868.62
NON-CURRENT LIABILITIES									
Long term financing	570.45	16.68	676.85	20.73	198.76	5.89	322.64	9.43	74.16
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred liabilities	231.62	6.77	232.58	7.12	236.18	7.00	246.90	7.22	125.86
TOTAL NON-CURRENT LIABILITIES	802.07	23.46	909.43	27.85	434.94	12.90	569.54	16.65	200.02
NET WORTH	1,328.25	38.85	1,238.35	37.93	1,079.37	32.01	1,014.16	29.65	668.60
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	17.38	594.29	18.20	594.29	17.62	594.29	17.38	594.29
Accumulated Profit / (Loss)	369.71	10.81	253.30	7.76	65.51	1.94	(31.34)	(0.92)	(165.55)
Surplus on revaluation of property, plant and equipment	364.25	10.65	390.76	11.97	419.57	12.44	451.22	13.19	239.87
TOTAL LIABILITIES	3,418.94	100.00	3,265.14	100.00	3,371.95	100.00	3,420.12	100.00	3,005.72

Statement of Value Addition

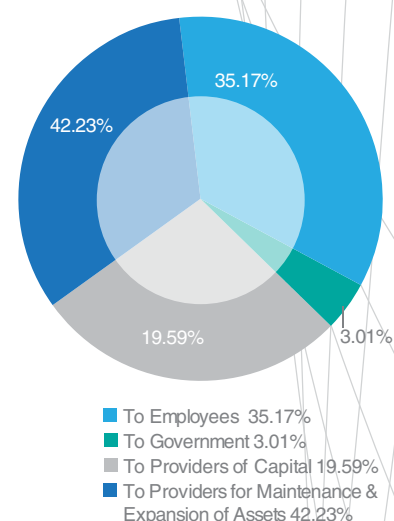
Wealth Generated	Year 2016 Amount Rs.	%	Year 2015 Amount Rs.	%
Sales Revenue	3,932,856,870		3,756,906,768	
Other Income	10,769,529		202,733,175	
	3,943,626,399		3,959,639,943	
Less:				
Material & Services				
Material & Factory Costs	3,093,930,080		3,019,064,957	
Administrative Costs	31,565,502		25,340,512	
Distribution Costs	61,921,679		65,640,811	
	3,187,417,261		3,110,046,280	
Total Wealth Generated	756,209,138	100%	849,593,663	100%

Wealth Distributed	Year 2016 Amount Rs.	%	Year 2015 Amount Rs.	%
To Employees				
Salaries & Benefits	336,806,683	44.54%	298,528,107	35.17%
To Government				
Tax	25,295,133	3.34%	22,446,473	2.64%
Worker Profit Participation Fund	71,06,856	0.94%	2,229,640	0.26%
Worker Welfare Fund	2,700,605	0.36%	847,263	0.10%
To Providers of Capital				
Dividends to Share Holders	-	-	-	-
Mark Up/Interest on Borrowed Funds	126,333,632	16.71%	166,340,523	19.59%
To Providers for Maintenance & Expansion of Assets				
Depreciation	150,931,693	19.96%	155,458,278	18.31%
Profit Retained	107,034,535	14.15%	203,066,729	23.92%
Total Wealth Distributed	756,209,138		848,917,013	

Distribution of wealth 2016



Distribution of wealth 2015

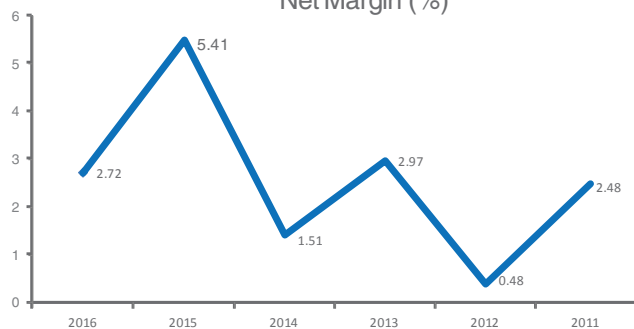


Key Operating and Financial Data of Last Six Years

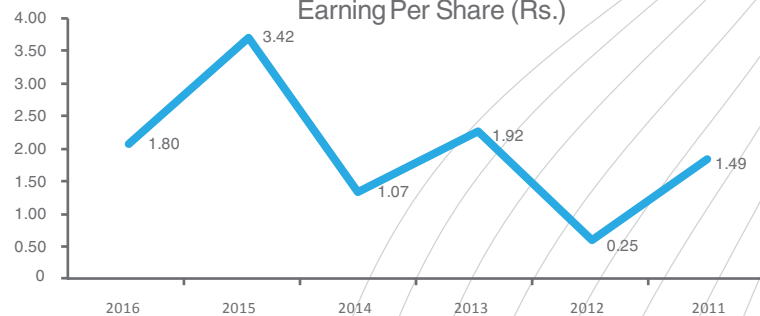
	June, 30 2016	June, 30 2015	June, 30 2014	June, 30 2013	June, 30 2012	June, 30 2011
(Rupees in thousand)						
PROFIT AND LOSS						
Sales	3,932,857	3,756,907	4,199,161	3,840,907	3,135,629	3,573,505
Cost of Sales	3,535,642	3,429,043	3,793,808	3,481,673	2,819,589	3,149,998
Gross Profit	397,215	327,864	405,353	359,234	316,041	423,507
Operating Profit plus other income	258,663	391,854	281,962	359,468	231,462	331,858
Financial & Other charges	126,334	166,341	193,112	236,684	196,080	217,027
Taxation	25,295	22,446	25,396	8,524	20,452	26,183
NET PROFIT AFTER TAX	107,035	203,067	63,454	114,260	14,929	88,648
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	369,712	253,297	65,509	(31,341)	(165,554)	(192,134)
Surplus on revaluation of fixed assets	364,247	390,762	419,572	451,216	239,867	260,174
NET WORTH	1,328,246	1,238,347	1,079,368	1,014,163	668,600	662,328
Long Term Liabilities	570,447	676,849	198,760	322,644	74,156	262,255
Deferred liabilities	231,622	232,580	236,179	246,895	125,860	131,124
Current Liabilities	1,288,630	1,117,362	1,857,645	1,836,415	2,137,103	2,139,020
TOTAL LIABILITIES	2,090,698	2,026,790	2,292,584	2,405,955	2,337,119	2,532,399
TOTAL EQUITY & LIABILITIES	3,418,944	3,265,137	3,371,953	3,420,119	3,005,720	3,194,727
Fixed Assets	1,797,516	1,836,218	1,927,075	2,013,546	1,747,742	1,897,172
Capital Work in Progress	-	10,865	-	58,840	-	-
Long Term Deposits	7,823	7,873	7,873	3,299	3,004	3,004
Current Assets	1,613,606	1,410,181	1,437,004	1,344,433	1,254,973	1,294,551
TOTAL ASSETS	3,418,944	3,265,137	3,371,953	3,420,119	3,005,720	3,194,727
INVESTOR INFORMATION						
Break up value per share (Rs.)	22.35	20.84	18.16	17.07	11.25	11.14
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	-
Earning Per Share (Rs.)	1.80	3.42	1.07	1.92	0.25	1.49
Return on Equity (%)	8.06	16.40	5.88	11.27	2.23	13.38
Return on Assets (%)	3.13	6.22	1.88	3.34	0.50	2.77
FINANCIAL RATIOS						
Gross Margin (%)	10.10	8.73	9.65	9.35	10.08	11.85
Net Margin (%)	2.72	5.41	1.51	2.97	0.48	2.48
Current Ratio	1.25	1.26	0.77	0.73	0.59	0.61
Leverage	1.11	1.16	1.63	1.85	2.98	3.25
Long Term Debt : Equity	37:63	44:56	23:77	64:36	85:15	39:61

Graphical Representation

Net Margin (%)



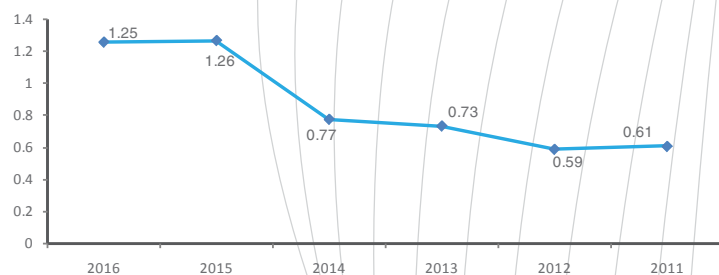
Earning Per Share (Rs.)



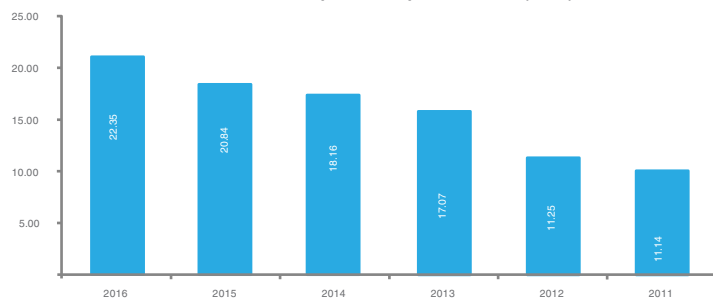
Taxation



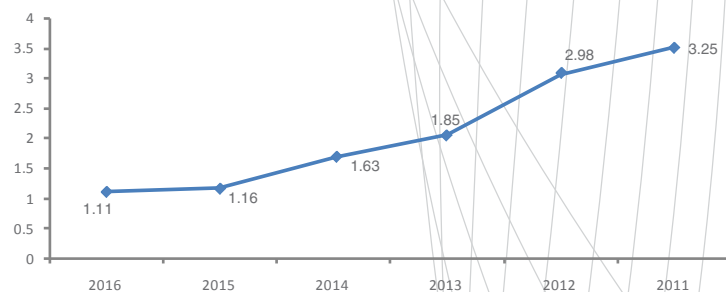
Current Ratio

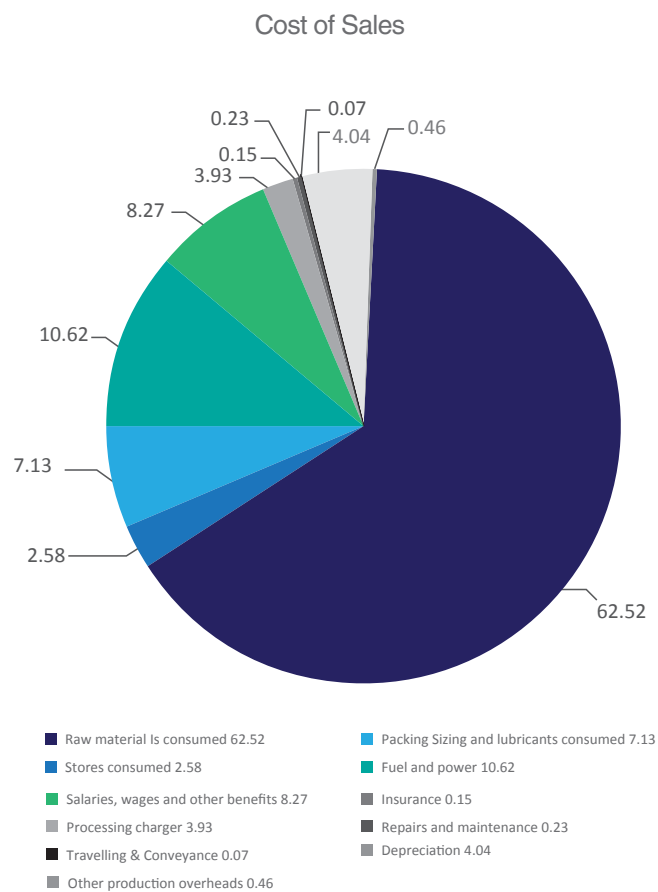
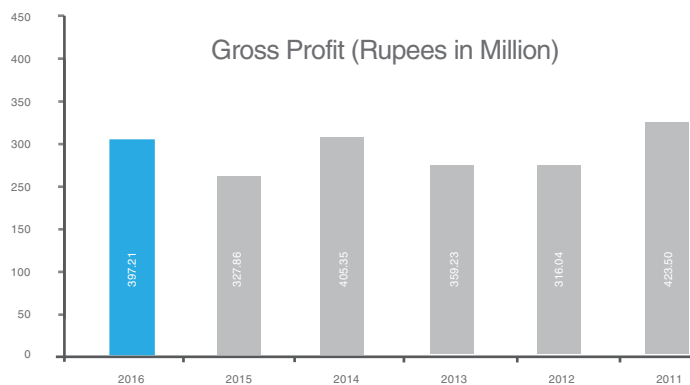
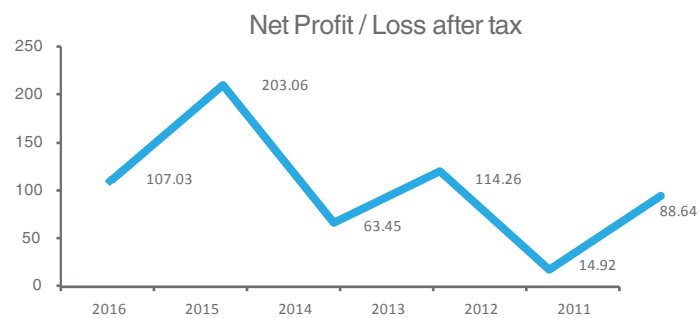
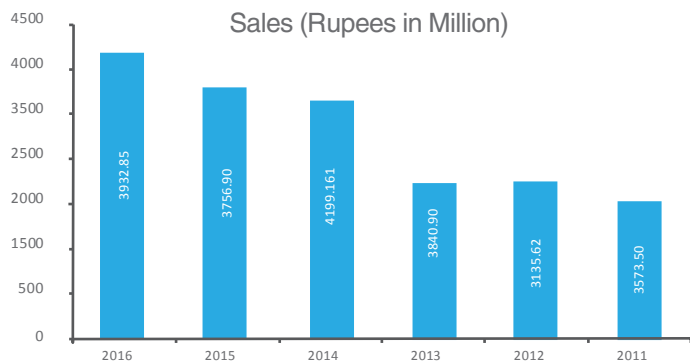


Break up value per share (Rs.)



Leverage





DuPont Analysis

Data Input Area

	Amount in "000"
Gross Revenues	3,932,857
Cost of Sales	3,535,642
Admin & Selling Exp	149,321
Interest Expense	126,334
Other Income	10,770
Total Assets	3,418,945
Total Debts	2,090,698

1 Operating Profit Margin

Gross Revenue	(-)	Admin & Selling Exp	(-)
3,932,857		149,321	
Net Oprt Income	(+)	Other Income	(-)
247,894		10,770	
Net Income	(+)	Interest Expense	(÷)
132,330		126,334	

2 Asset Turnover Ratio

Gross Revenue	(÷)	Total Asset	(=)
3,932,857		3,418,945	
		Turnover Ratio	
		1.150	

3 Return on Assets (ROA)

Oprt. Profit Margin	(x)	Turnover Ratio	(=)
0.066		1.150	
		Oprt. Return on Assets	
		0.076	

4 Return on Equity (ROE)

Total Debts	(÷)	Total Equity	(=)
2,090,698		1,328,246	
		Debt/Equity Ratio	
		1.57	
Interest Expense	(÷)	Total Liabilities	(=)
126,334		2,090,698	
		Interest Cost	
		6.04%	
Return on Assets	(+)	Return on Assets	(-)
7.57%		7.57%	
		Interest Cost	(x)
		6.04%	
		Debt/Equity Ratio	(=)
		1.57	
		Return on Equity	
		0.0996	

Operating Profit Margin	0.066
Asset Turnover Ratio	1.150
Return on Assets	7.566%
Spread	1.52%
Debt-to-Equity Ratio	1.57
Return on Equity	9.963%

*Spread = ROA - Cost of Debt

Pattern of Share Holding

As on June 30, 2016

Incorporation Number 0039902

The Companies Ordinance, 1984 (Section 236 (1) & 464) Form 34

Number of Shareholders	Shareholding	
	From	To
69	1	100
148	101	500
67	501	1000
116	1001	5000
29	5001	10000
17	10001	15000
14	15001	20000
5	20001	25000
8	25001	30000
1	30001	35000
1	35001	40000
3	40001	45000
5	45001	50000
2	55001	60000
1	60001	65000
2	65001	70000
3	70001	75000
2	75001	80000
1	85001	90000
3	95001	100000
1	100001	105000
1	120001	125000
2	135001	140000
1	155001	160000
1	195001	200000
1	200001	205000
1	530001	535000
1	1560001	1565000
1	2165001	2170000
1	2465001	2470000
1	2855001	2860000
1	4460001	4465000
1	4485001	4490000
1	4835001	4840000
1	15105001	15110000
1	16820001	16825000
514		59,428,729

Categories of Shareholders

As on June 30, 2016

Shareholder's category	No. of shareholders	Share held	Percentage
1 Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	2	21,308,516	35.8556
Mr. Burhan Muhammad Khan	3	19,600,015	32.9807
Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
Ms. Tehniyat Mussaid	2	4,026,300	6.7750
Ms. Sabah Burhan	3	2,759,300	4.6430
Ms. Sarah Mussaid	1	50,000	0.0841
Ms. Nuzhat Kamran	1	500	0.0008
Total	13	50,601,931	85.15
2 Associated companies, undertaking and related parties	0	-	-
3 Executive	3	1,500	0.0025
4 Public Sector Companies and Corporation	3	126,001	0.2120
5 Banks, Development Financial Institutions, Non-Banking Financial Institutions	2	4,866,056	8.1881
6 General public - Local	485	3,766,241	6.3374
7 General public - Foreign	6	39,000	0.0656
8 Others	2	28,000	0.0471
Total	501	8,826,798.00	14.85
GRAND TOTAL	514	59,428,729.00	100.00
Shareholders holding 5% or more		Shares held	Percentage
Mr. Mussaid Hanif		21,308,516	35.8556
Mr. Burhan Muhammad Khan		19,600,015	32.9807
Ms. Tehniyat Mussaid		4,026,300	6.7750
The Bank of Punjab, Treasury Division		4,866,056	8.1881

This statement is being presented to comply with the Code of Corporate Governance contained in Regulations No. 5.19 of Listing Regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

The company encourages representation of non-executive directors and executive directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director:	Ms. Nuzhat Kamran
Executive Directors:	Mr. Mussaid Hanif (CEO) Mr. Burhan Muhammad Khan
Non-Executive Directors:	Mr. Arbab Muhammad Khan Ms. Tehniat Mussaid Ms. Sabah Burhan Ms. Sarah Mussaid

The above named independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

A Casual vacancy occurred on the Board was filled up by directors within stipulated time period.

The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

The meetings of the board were presided over by the CEO and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter, written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The board arranged in-house training program for its directors during the year.

The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

The company has complied with all the corporate and financial reporting requirements of the CCG.

The board has formed an audit committee. It comprises 03 members, Following are non-executive directors.

Category	Names	Designation
Members of Audit Committee:	Ms. Tehniat Mussaid Ms. Sabah Burhan Mr. Arbab Muhammad Khan	Chairperson / Member Member Member

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the committee for compliance.

The board has formed an HR and Remuneration committee. It comprises 03 members, of whom one is Executive director while two are Non-Executive directors.

Category	Names	Designation
Human Resource & remuneration committee:	Mr. Burhan Muhammad Khan Ms. Nuzhat Kamran Ms. Sarah Mussaid	Chairperson / Member Member Member

The Board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

Material/Price sensitive information has been disseminated among all market participants at once through stock exchange(s).

We confirm that all other material principles enshrined in the CCG have been complied with the following status of certification of director under Directors' Training Programme (DTP):

Category	Names	Status
Exempted / Certified Directors of Directors' Training Program:	Mr. Mussaid Hanif (CEO) Mr. Burhan Muhammad Khan Ms. Tehniat Mussaid Ms. Sabah Burhan Ms. Nuzhat Kamran Ms. Sarah Mussaid Mr. Arbab Muhammad Khan	Exempted Above Exempted Above Certified from ICAP Certified from ICAP Certified from ICAP Will acquire certification Will acquire certification

On behalf of the Board of Directors

September 21, 2016


Mussaid Hanif
Chief Executive

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Zephyr Textiles Limited ("the Company") for the year ended June 30, 2016, to comply with the requirements of Listing Regulations No. 5.19 of Pakistan Stock Exchange (PSX).

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2016.

Lahore
September 21, 2016

Azhar Zafar & Co.
Chartered Accountants
Engagement Partner: Zafar Iqbal

We have audited the annexed balance sheet of Zephyr Textiles Limited ('the Company') as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore
September 21, 2016

Azhar Zafar & Co.
Chartered Accountants
Engagement Partner: Zafar Iqbal

Balance Sheet

As at June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Equity and liabilities			
Share capital and reserves			
Authorized capital			
62,500,000 ordinary shares of Rs. 10/- each		625,000,000	625,000,000
Issued, subscribed and paid up share capital	6	594,287,290	594,287,290
Accumulated profit		369,712,295	253,296,747
Total equity		963,999,585	847,584,037
Surplus on revaluation of property, plant and equipment	7	364,246,726	390,762,487
Liabilities			
Non-current			
Long term financing	8	570,446,790	676,848,872
Deferred liabilities	10	231,621,837	232,579,733
Total non-current liabilities		802,068,627	909,428,605
Current			
Trade and other payables	11	387,537,976	356,313,163
Accrued mark-up	12	14,321,758	4,563,593
Short term borrowings	13	710,417,398	604,897,441
Current portion of long term borrowings	9	176,352,671	151,587,487
Total current liabilities		1,288,629,803	1,117,361,684
Contingencies and commitments	14	-	-
Total liabilities		2,090,698,430	2,026,790,289
Total equity and liabilities		3,418,944,741	3,265,136,813
Assets			
Non-current			
Property, plant and equipment	15	1,797,515,632	1,836,218,130
Capital work in progress	16	-	10,864,816
Long term deposits	17	7,822,686	7,872,686
Total non-current assets		1,805,338,318	1,854,955,632
Current			
Stores, spare parts and loose tools		112,258,545	108,392,442
Stock in trade	18	775,086,565	714,910,914
Trade debts	19	446,750,654	372,657,546
Loans and advances	20	35,357,461	41,117,557
Trade deposits, prepayments and balances with statutory authorities	21	150,680,773	113,523,230
Other receivables	22	27,088,511	20,876,283
Investments	23	1,598,895	1,526,654
Cash and bank balances	24	64,785,019	37,176,555
Total current assets		1,613,606,423	1,410,181,181
Total assets		3,418,944,741	3,265,136,813

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Profit and Loss Account

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Sales - net	25	3,932,856,870	3,756,906,768
Cost of sales	26	(3,535,642,318)	(3,429,043,159)
Gross profit		397,214,552	327,863,609
Distribution cost	27	(73,891,128)	(77,740,425)
Administrative expenses	28	(63,487,124)	(57,045,867)
Other operating expenses	29	(12,079,769)	(3,956,768)
Operating profit		247,756,531	189,120,549
Other operating income	30	10,906,772	202,733,175
Operating profit before finance cost		258,663,303	391,853,724
Finance cost	31	(126,333,632)	(166,340,523)
Profit before tax		132,329,671	225,513,201
Taxation	32	(25,295,132)	(22,446,473)
Profit after taxation		107,034,539	203,066,728
Earnings per share:			
Basic and diluted earnings per share	33	1.80	3.42

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Profit after taxation		107,034,539	203,066,728
Other comprehensive income			
Loss on remeasurement of staff retirement benefit plan	5.1 & 10	(2,780,362)	(832,580)
Total comprehensive income for the year		104,254,177	202,234,148

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Cash Flow Statement

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
Cash flows from operating activities			
Cash generated from operations	34	311,465,503	359,892,244
Finance cost paid		(116,575,467)	(104,263,081)
Taxes paid		(42,173,331)	(35,237,348)
Staff retirement benefits - gratuity paid		(9,977,950)	(9,476,000)
Net cash flow from operating activities		142,738,755	210,915,815
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		982,800	3,601,864
Purchase of property, plant and equipment		(104,023,420)	(76,939,214)
Long term deposits		50,000	-
Dividends, capital gains and income from investments		55,728	61,686
Short term investments		-	9,117,281
Net cash flow from investing activities		(102,934,892)	(64,158,383)
Cash flows from financing activities			
Availed short term borrowings - net		105,519,957	17,069,661
Repayment of long term financing - net		(117,715,356)	(207,379,594)
Net cash flow from financing activities		(12,195,399)	(190,309,933)
Net (decrease)/ increase in cash and cash equivalents		27,608,464	(43,552,501)
Cash and cash equivalents at beginning of the year		37,176,555	80,729,056
Cash and cash equivalents at end of the year		64,785,019	37,176,555

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2016

	Share capital (Rupees)	Accumulated profit/(loss) (Rupees)	Total equity (Rupees)
Balance as at July 01, 2014	594,287,290	65,509,200	659,796,490
Total comprehensive income for the year	-	202,234,148	202,234,148
Prior year adjustments	-	(43,255,692)	(43,255,692)
Current year incremental depreciation - net of tax	-	28,809,091	28,809,091
Balance as at June 30, 2015	594,287,290	253,296,747	847,584,037
Balance as at July 01, 2015	594,287,290	253,296,747	847,584,037
Total comprehensive income for the year	-	104,254,177	104,254,177
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	259,315	259,315
Prior year adjustments	-	(14,354,385)	(14,354,385)
Current year incremental depreciation - net of tax	-	26,256,441	26,256,441
Balance as at June 30, 2016	594,287,290	369,712,295	963,999,585

The annexed notes 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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 and its shares are quoted in Pakistan Stock Exchange Limited (PSX). 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, 97B/D-1, Gulberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jumber.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

3 BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for cash flow information and the following:

- staff retirement benefits which are measured at present value of defined benefit obligation plus/ (less) any unrecognized actuarial gains/(unrecognized actuarial losses and past service cost) (refer note 5.1);
- free hold land, buildings and plant & machinery which are measured at revalued amount (refer note 5.2); and
- financial assets and financial liabilities which are measured at fair value (refer note 5.11).

3.2 Standards that are effective in current year and are relevant to the company

The following standards are mandatory for the Company's accounting periods beginning on or after July 01, 2015:

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

Notes to the Financial Statements

For the year ended June 30, 2016

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

3.3 Amendments to published standards that are effective in current year but not relevant to the company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

3.4 Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements

Notes to the Financial Statements

For the year ended June 30, 2016

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 27 (Amendments) 'Separate Financial Statements' (effective for annual periods beginning on or after 01 January 2016). The amendments have been made to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 34 'Interim Financial Reporting', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. This amendment is unlikely to have a significant impact on the Company's financial statements and has therefore not been analyzed in detail.

Notes to the Financial Statements

For the year ended June 30, 2016

3.5 Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements

3.6 Accounting convention

These accounts have been prepared under the historical cost convention, except for revaluation of freehold land, building on freehold land and plant & machinery.

3.7 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency. Figures in the financial statements have been rounded off to the nearest Rupee unless otherwise stated.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are recognized in the period in which the estimate is revised and in any future periods affected. Following are the significant estimates and judgments made by the management:

4.1 Useful lives and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in the estimates in the future years might affect the carrying amount of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. Revaluation is carried with sufficient regularity to ensure that the carrying amounts of assets does not differ materially from the fair value.

4.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 5.1 to the financial statements for the valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

4.3 Income taxes

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Notes to the Financial Statements

For the year ended June 30, 2016

4.4 Stock in trade and stores, spare parts and loose tools

The Company reviews the net realizable value (NRV) and impairment of stock in trade and stores, spare parts and loose tools to assess any diminution in the respecting carrying values and whenever required provisions for NRV impairment is made.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined benefit plan _ gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Contribution is made in accordance with actuarial recommendations. Actuarial valuation is conducted by an independent actuary, annually using projected unit credit method related details of which are given in note 10 to the financial statements. The obligation at the balance sheet date is measured at the present value of the estimated future cash outflows. All contributions are charged to profit or loss for the year.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2016 are as follows:

- Discount rate	7.25% (2015: 9%)
- Expected rate of salary increase in future	6.25% (2015: 8%)
- Average expected remaining working life time of employees	9 years (2015: 7 years)

5.2 Property, plant and equipment

- Owned assets

Property, plant and equipment are initially recognized at acquisition cost. Subsequently, property, plant and equipment, except for free hold land are stated at cost less accumulated depreciation and impairment, if any. Free - hold land, building on free - hold land and plant & machinery are stated at revalued amounts less subsequently accumulated depreciation and impairment, if any.

Cost of property, plant and equipment consists of historical cost, borrowing costs pertaining to the erection and other directly attributable costs of bringing the assets to their working condition or for commencement of commercial production.

Depreciation on all the items of property, plant and equipment except for free - hold land is charged to income applying the reducing balance method at the rates specified in Note 15.

Depreciation on additions to property, plant and equipment is charged from the month in which asset become available for use, while on disposals depreciation is charged up to the month of disposal.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Notes to the Financial Statements

For the year ended June 30, 2016

Gain/loss on disposal of property, plant and equipment is credited or charged to income in the year of disposal. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation of property, plant and equipment account. Revaluation is carried with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred tax) is transferred directly to accumulated (loss)/profit.

5.3 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for 'Investment at fair value through profit or loss' which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

Investment at fair value through profit and loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

Notes to the Financial Statements

For the year ended June 30, 2016

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

a) Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Fair value of investments in open-end mutual funds is determined using redemption price.

b) Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

5.4 Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at lower of moving average cost, or net realizable value (NRV), while items considered obsolete are carried at nil value. Goods in transit are stated at cost comprising invoice value plus other charges paid thereon.

5.5 Stock in trade

Stock in trade is valued at lower of cost and net realizable value (NRV), except waste which is valued at net realizable value. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Cost of major components of stock in trade is determined as follows:-

Raw material	- at weighted average cost
Work in process and finished goods	- at prime cost plus appropriate production overheads determined on weighted average basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

5.6 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Notes to the Financial Statements

For the year ended June 30, 2016

5.7 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

5.8 Borrowing cost

Interest, markup and other charges on finances are capitalized up to the date of commissioning of respective qualifying asset acquired out of the proceeds of such finances. All other interest, markup and other charges are recognized in profit and loss account.

5.9 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

5.10 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instruments. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

5.11 Capital work in progress

Capital work in progress is stated at cost less impairment, if any. Cost of property, plant and equipment consists of historical cost, borrowing costs pertaining to the erection/construction period and other directly attributable costs of bringing the assets to their working condition or for commencement of commercial production. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Notes to the Financial Statements

For the year ended June 30, 2016

5.12 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

5.13 Revenue recognition

Revenue from different sources is recognized as under:

Export sales are accounted for on shipment basis. Local sales are recorded on dispatch of goods to customers.

Export rebates are accounted for on accrual basis. Investment and interest income is recognized on time proportion basis.

Dividend income on ordinary shares is recognized when the right to receive dividend has been established.

Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

Rebate income is recognized on accrual basis.

5.14 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of 'Technical Release - 27' issued by the Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Notes to the Financial Statements

For the year ended June 30, 2016

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statements, except in the case of items credited or charged to equity in which case it is included in equity.

5.15 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

5.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

Notes to the Financial Statements

For the year ended June 30, 2016

5.18 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

5.19 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

	2016 (Number of shares)	2015	2016 (Rupees)	2015 (Rupees)
6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL				
Ordinary shares of Rs. 10 each fully paid up in cash	51,901,483	51,901,483	519,014,830	519,014,830
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,527,246	7,527,246	75,272,460	75,272,460
	59,428,729	59,428,729	594,287,290	594,287,290

	Note	2016 (Rupees)	2015 (Rupees)
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arising on revaluation	7.1	529,433,946	570,227,424
Less: Deferred tax arising on surplus on revaluation	7.2	165,187,220	179,464,937
		364,246,726	390,762,487

7.1 Surplus on revaluation of property plant and equipment

Opening surplus on revaluation of property plant and equipment	570,227,424	614,549,102
Surplus arising on revaluation	-	-
	570,227,424	614,549,102
Incremental depreciation on : Plant and machinery	(30,730,378)	(34,148,893)
Building	(9,664,146)	(10,172,785)
	(40,394,524)	(44,321,678)
Adjustment on disposal of property, plant and equipment	(398,954)	-
	(40,793,478)	(44,321,678)
	529,433,946	570,227,424

This represents surplus over book value resulting from the revaluation of free - hold land, buildings on free - hold land and plant and machinery. The valuation was carried out by independent valuer as on March 31, 2013 considering the market value.

Notes to the Financial Statements

For the year ended June 30, 2016

	2016 (Rupees)	2015 (Rupees)
7.2 Relating deferred tax liability		
Relating deferred tax liability as on July 1, 2015	179,464,937	194,977,524
Deferred tax relating to surplus arising on revaluation	-	-
Tax effect on incremental depreciation	(14,277,717)	(15,512,587)
	165,187,220	179,464,937

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	2016 (Rupees)	2015 (Rupees)
Demand Finance - I BOP	8.1	May-13	3 months Kibor	196.780	54 monthly	69,405,755	110,772,755
Demand Finance - II BOP	8.1	Oct-17	Interest free	204.379	31 monthly	129,520,021	105,955,124
Subtotal - BOP						198,925,776	216,727,879
Demand Finance - III NBP	8.1 & 8.2	Sep-15	3 months Kibor + 1%	327.502	28 Quarterly	311,539,927	327,501,663
Frozen Markup NBP	8.1 & 8.3	Sep-15	Interest free	13.747	28 Quarterly	-	9,448,085
Frozen Markup NBP	8.1 & 8.3	Sep-15	Interest free	219.977	28 Quarterly	151,750,419	151,181,325
Subtotal - NBP						463,290,346	488,131,073
Term Finance NIB	8.1 & 8.4	Sep-14	3 months Kibor + 0.75%	145	48 Monthly	84,583,339	121,216,568
Subtotal - NIB						84,583,339	121,216,568
Demand Finance - III ABL	8.1	Oct-12	6.00%	125	36 Monthly	-	2,360,839
Subtotal - ABL						-	2,360,839
Total						746,799,461	828,436,359
Current portion	9					(153,204,595)	(148,183,422)
Overdue portion	9					(23,148,076)	(3,404,065)
Total current portion						(176,352,671)	(151,587,487)
Total long term portion						570,446,790	676,848,872

8.1 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.

8.2 It represents loan from National Bank of Pakistan which was restructured on terms agreed between the parties.

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

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

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
9	CURRENT PORTION OF LONG TERM BORROWINGS		
Current portion of long term borrowing	8	153,204,595	148,183,422
Overdue portion of long term borrowing	8	23,148,076	3,404,065
		176,352,671	151,587,487
10	DEFERRED LIABILITIES		
Deferred tax relating to surplus on revaluation of property, plant and equipment	7	165,187,220	179,464,937
Employee retirement benefits- gratuity	10.1 to 10.6	66,434,617	53,114,796
		231,621,837	232,579,733
10.1 The scheme provides for gratuity benefits for all the permanent employees of the Company who attain the minimum qualifying period of one year. Provision has been made on the basis of latest actuarial valuation made as on June 30, 2016 using projected unit credit actuarial cost method.			
10.2 The amount recognized in the balance sheet			
Present value of defined benefit obligations		66,434,617	53,114,796
Less: Fair value of plan assets		-	-
		66,434,617	53,114,796
10.3 Charge for the year			
Current service cost		16,186,085	16,181,303
Interest cost		4,331,324	4,375,598
		20,517,409	20,556,901
10.4 Movement in liability			
Balance at beginning of year		53,114,796	41,201,315
Prior year adjustment		-	-
Charge for the year		20,517,409	20,556,901
Benefits paid during the year		(9,977,950)	(9,476,000)
Unrecognised actuarial losses		2,780,362	832,580
		66,434,617	53,114,796
10.5 Allocation of charge for the year			
Cost of sales	26.2	16,628,853	16,553,179
Administrative expenses	28.1	2,367,766	2,356,980
Distribution Cost	27.1	1,520,790	1,646,742
		20,517,409	20,556,901

Notes to the Financial Statements

For the year ended June 30, 2016

	Year	Value (Rupees)
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10.6 Historical information

Present value of defined benefit obligation

2016	66,434,617
2015	53,114,796
2014	41,201,315
2013	34,878,145
2012	27,333,893

	Note	2016 (Rupees)	2015 (Rupees)
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11 TRADE AND OTHER PAYABLES

Creditors		231,025,926	182,408,572
Advances from customers		14,167,148	29,119,278
Accrued liabilities		84,961,370	91,252,488
With holding tax		8,769,359	11,023,187
Retention money payable		5,700,000	500,000
Workers' funds	11.1 & 11.2	42,488,171	41,583,636
Dividend payable		426,002	426,002
		387,537,976	356,313,163

11.1 Workers' funds

Workers' profit participation fund

Opening balance		36,269,340	30,528,879
Provision for the year		7,106,857	2,229,640
Payment during the year		(12,228,826)	-
Interest on funds utilized in Company's business	31	3,325,898	3,510,821
		34,473,269	36,269,340

Workers' welfare fund

Opening balance		5,314,296	4,467,033
Provision for the year		2,700,606	847,263
		8,014,902	5,314,296
		42,488,171	41,583,636

11.2 Mark up on Workers' Profit Participation Fund has been provided @ 9.17 % per annum (2015: 11.50% per annum).

12 ACCRUED MARK-UP

Long term financing		6,615,839	1,846,264
Short term borrowings		7,705,919	2,717,329
		14,321,758	4,563,593

Notes to the Financial Statements

For the year ended June 30, 2016

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Mark-up/ Repayment terms	2016 (Rupees)	2015 (Rupees)
Pre - shipment	13.1 & 13.4	507.00	7.36% to 8.48%	Half yearly	318,373,000	587,396,800
Post - shipment	13.1 & 13.4	437.00	3.50% to 4.50%	Half yearly	305,000,000	-
Running finance	13.3 & 13.4	87.477	7.35% to 8.01%	Half yearly	87,044,398	17,500,641
					710,417,398	604,897,441

13.1 The Company has aggregate sanctioned limits of finance against packing credit (FAPC) and export refinance facilities (ERF) of Rs. 944 million. The company has availed limits of finance against packing credit (FAPC) & export refinance facilities (ERF) amounting to Rs. 28.373 million from United Bank Limited, Rs. 70 million from Habib Bank Limited, Rs. 220 million from National Bank of Pakistan Limited, Rs. 105 million from Habib Bank Limited and Rs. 200 million from Bank of Punjab.

13.2 The Company has aggregate sanctioned limits of finance against foreign bill (FAFB) of Rs. 325 million. The Company has availed limits of finance against foreign bill (FAFB) amounting to Rs. 7.541 million from United Bank Limited and Rs. 29.064 million from Habib Bank Limited.

13.3 The Company has sanctioned limits of running finance of Rs. 87.477 million from Faysal Bank Limited and Rs. 23 million from Habib Bank Limited. The Company has availed limits of running finances amounting to Rs. 87.044 million from Faysal Bank Limited.

13.4 These facilities are secured against first ranking pari passu charge over current assets of the Company executed through joint pari passu agreement with the lenders of the Company, hypothecation of stocks, lien on confirmed export orders and personal guarantees of the directors.

14 CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5.107 million along with interest. The execution was filed which is still pending. The next date of hearing in the execution in October 07, 2016.

14.2 M/s. M. J. Industries had filed a suit against the Company for declaration for Rs. 0.545 million. The case was dismissed by the Honorable Civil Judge, Lahore. M/s. M. J. Industries had filed an application for the restoration of the suit which was also rejected by the Civil Judge, Lahore.

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.

14.3 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 Zephyr Textiles Limited by the Honorable Judge, high Court, Lahore. The case is pending for execution.

Notes to the Financial Statements

For the year ended June 30, 2016

- 14.4** 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. 37.680 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. 65.724 million. The case is pending before Supreme Court of Pakistan.

The Company has again filed an other suit against M/s. Sitara Textiles for financial loss and loss due to breach of contract for Rs. 65.724 million. The case is pending before Supreme Court of Pakistan.

- 14.5** The Company has filed suit for Recovery of Rs. 34.027 million for unauthorized sale of shares by First Pakistan Capital Limited. The case is pending before Senior Civil Judge Lahore.

- 14.6** The Company has filed suit for Recovery along with damages of Rs. 31.350 million against M/s Al-Abid Silk Ltd. (Suit No. 494 of 2014) in the Sindh High Court. The case is pending before Sindh High Court.

- 14.7** 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 dismissed by the Court during the year.
- Sh. Zafar Iqbal v/s. M/s Zephyr Textiles Limited. Sh. Zafar Iqbal has filed a suit for cancellation 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.

- 14.8** 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 (2015: Rs. 43.508 million).

- 14.9** Foreign bills purchased by banks amounting to Rs. 68.422 million (2015: Rs. 174.816 million).

Commitments

- 14.10** Contracts for capital expenditure are Rs. 48.874 million (2015: Rs. Nil million).

- 14.11** Letters of credit other than for capital expenditure are Rs. 3.743 million (2015: Rs. 13.414 million).

- 14.12** Outstanding foreign currency forward contracts of Rs. 285.099 million (2015: Rs. 276.04 million).

Notes to the Financial Statements

For the year ended June 30, 2016

15 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on free - hold land	Link road	Non factory building	Plant and machinery	Furniture and fittings	Vehicles	Electrical installation	Office equipment	Total
COST										
Balance as at July 01, 2014	176,505,000	470,300,001	29,702,478	59,494,334	1,369,248,143	5,663,390	31,439,504	60,443,741	21,867,306	2,224,663,896
Additions during the year	-	3,111,982	-	-	50,419,109	83,000	8,350,471	3,449,905	659,931	66,074,398
Disposals	-	-	-	-	-	-	(5,071,741)	(750,000)	-	(5,821,741)
Balance as at June 30, 2015	176,505,000	473,411,983	29,702,478	59,494,334	1,419,667,252	5,746,390	34,718,234	63,143,646	22,527,237	2,284,916,553
Additions during the year	-	-	-	-	102,145,486	27,900	10,024,607	1,200,354	1,489,889	114,888,236
Disposals	-	-	-	-	(3,373,626)	-	(1,168,655)	-	-	(4,542,281)
Balance as at June 30, 2016	176,505,000	473,411,983	29,702,478	59,494,334	1,518,439,112	5,774,290	43,574,186	64,344,000	24,017,126	2,395,262,508
DEPRECIATION										
Balance as at July 01, 2014	-	29,099,812	9,330,232	32,607,958	163,821,034	2,787,003	16,820,246	31,991,338	11,131,200	297,588,822
Accumulated depreciation eliminated on disposal	-	-	-	-	-	-	(3,794,613)	(554,065)	-	(4,348,678)
Depreciation expense	-	22,072,974	1,018,608	2,688,636	121,380,559	292,472	3,953,448	2,948,077	1,103,506	155,458,279
Balance as at June 30, 2015	-	51,172,786	10,348,840	35,296,594	285,201,593	3,079,475	16,979,081	34,385,350	12,234,706	448,698,423
Accumulated depreciation eliminated on disposal	-	-	-	-	(953,535)	-	(929,698)	-	-	(1,883,233)
Depreciation expense	-	21,111,960	967,680	2,419,776	117,533,954	267,165	4,623,360	2,914,082	1,093,709	150,931,686
Balance as at June 30, 2016	-	72,284,746	11,316,520	37,716,370	401,782,012	3,346,640	20,672,743	37,299,432	13,328,415	597,746,876
Written down value as at June 30, 2016										
Written down value as at June 30, 2015	176,505,000	422,239,197	19,353,638	24,197,740	1,134,465,659	2,666,915	17,739,153	28,758,296	10,292,531	1,836,218,130
Rate of depreciation	0%	5%	5%	10%	10%	10%	20%	10%	10%	

Note	2016 (Rupees)	2015 (Rupees)
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15.1 Depreciation for the year has been allocated as under :

Cost of sales	26	144,947,452	150,108,854
Distribution cost	27	2,992,117	2,674,712
Administrative expenses	28	2,992,117	2,674,712
		150,931,686	155,458,279

15.2 The Company has revalued its free - hold land, building on free - hold land and plant and machinery by an independent valuer Unicorn International Surveyors on the basis of market value. There is no significant change in the carrying amount of free - hold land, building on free - hold land and plant and machinery due to revaluation made during the year.

Free-hold land, buildings on free-hold land and plant and machinery represents values subsequent to revaluation as at March 31, 2013. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2016 would have been as follows:

Notes to the Financial Statements

For the year ended June 30, 2016

	Cost as at June 30, 2016	Accumulated depreciation as at June 30, 2016	Book value as at June 30, 2016	Book value as at June 30, 2015
Free - hold land	106,864,276	-	106,864,276	102,242,676
Buildings on free - hold land	360,775,899	146,317,313	214,458,586	225,745,880
Plant and machinery	1,668,260,689	1,064,653,108	603,607,581	672,900,196
	2,135,900,864	1,210,970,421	924,930,443	1,000,888,752

15.3 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

Particulars	Cost/ Assessed value	Book value	Sale proceed	Gain / (loss)	Mode of disposal	Name and Address of buyers
Vehicles						
Honda City LEF 08-7308	1,168,155	238,958	600,000	361,042	Negotiation	Mr. Syed Ibrar Hussain Shah s/o Syed Sajjad Hussain Shah, Suok Kallah Dakkahana Khas, District Gujrat.
Plant and Machinery						
Sewing Machine Joki	485,395	361,421	82,800	(278,621)	Negotiation	SM Traders, 34 Ittefaq Market, Mcload Road, Lahore.
Generator	2,888,231	2,119,790	300,000	(1,819,790)	Negotiation	Subhan Enterprises, 154-E, Mominpura, Daroghawala, Opposite PTCL Exchange, G.T. Road, Lahore.
2016 Rupees	4,541,781	2,720,169	982,800	(1,737,369)		
2015 Rupees	5,821,741	1,473,063	3,601,864	2,128,801		

Note	2016 (Rupees)	2015 (Rupees)
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16 CAPITAL WORK IN PROGRESS

Plant and machinery	-	10,864,816
Building	-	-
16.1	-	10,864,816

16.1 Movement in the account is as follows

Opening balance as at July 01, 2015	10,864,816	-
Addition made during the year:		
- Plant and machinery	2,510,074	40,645,514
- Building	12,398,796	3,111,982
	14,908,870	43,757,496
Capitalized during the year:		
- Plant and machinery	13,374,890	29,780,698
- Building	12,398,796	3,111,982
	25,773,686	32,892,680
	-	10,864,816

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
17	LONG TERM DEPOSITS		
	Security deposits - WAPDA	6,593,152	6,593,152
	Security deposits - OTHERS	1,229,534	1,279,534
		7,822,686	7,872,686
18	STOCK IN TRADE		
	Raw material	163,005,504	155,647,351
	Work in process	142,034,763	141,720,387
	Finished goods	470,046,298	417,543,176
		775,086,565	714,910,914
	18.1 Finished goods includes stock in transit amounting to Rs. 46.830 million (2015: Rs. 34.833 million).		
	18.2 Finished goods includes stock held by third parties amounting to Rs. 32.796 million (2015: Rs. 16.541 million).		
19	TRADE DEBTS		
	Considered good		
	Export - Secured against letters of credit	64,476,601	54,402,352
	Local - Unsecured	382,274,053	318,255,194
		446,750,654	372,657,546
20	LOANS AND ADVANCES		
	Considered good:		
	Loan due from employees - interest free	14,488,783	11,232,602
	Advances to:		
	Suppliers	19,600,564	22,889,666
	Suppliers against letters of credit	1,268,114	6,995,289
		35,357,461	41,117,557
21	TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES		
	Prepayments	3,456,543	2,318,354
	Advance income tax	4,262,067	1,661,586
	Margin deposits	24,730,580	10,105,000
	Sales tax refundable	108,205,074	90,202,771
	Export rebate receivable	10,026,509	9,235,519
		150,680,773	113,523,230
22	OTHER RECEIVABLES		
	Other receivables	27,088,511	20,876,283
		27,088,511	20,876,283

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 Number of shares/ units	2015	2016 (Rupees)	2015 (Rupees)
23 SHORT TERM INVESTMENTS					
Investment in Funds	23.1				
Atlas Money Market Fund		9	9	4,734	4,534
Faysal Money Market Fund		8,790	8,474	888,895	856,250
		8,799	8,483	893,629	860,784
Investments at fair value through profit or loss - listed securities					
Pak Electron Limited		944	944	61,029	78,106
JS Growth Fund Limited		37,132	37,132	450,410	450,410
Attock Refinery Limited		11	11	3,082	2,513
Samba Bank Limited		24,500	24,500	187,425	131,075
Summit Bank Limited		1,111	1,111	3,320	3,766
		63,698	63,698	705,266	665,870
Un-quoted Securities:					
Innovative Investment Bank Limited		-	-	-	-
		-	-	-	-
		72,497	72,181	1,598,895	1,526,654

23.1 Atlas Money Market Fund and Faysal Money Market Fund is an open ended money market mutual funds managed by Atlas Asset Management Company Limited and Faysal Asset Management Company Limited. The said investment is valued at fair value and any gain or loss resulting from fair value adjustment is charged to profit or loss.

	Note	2016 (Rupees)	2015 (Rupees)
24 CASH AND BANK BALANCES			
Cash in hand		1,521,252	662,370
Cash at banks			
- current accounts	24.1	62,752,821	35,894,535
- saving account	24.2	18,294	17,631
Cash at banks - foreign currency		492,652	602,019
		64,785,019	37,176,555

24.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 445,096 (2015: Rs.445,096).

24.2 The balances in saving accounts carry rate of profit ranging from 3.12% to 3.76% (2015: 4% to 6%).

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
25 SALES - NET			
Export		1,389,379,934	1,110,990,280
Exchange (loss)/gain		10,998,804	1,013,540
Total export sales		1,400,378,738	1,112,003,820
Local		2,567,905,021	2,684,915,784
Total sales		3,968,283,759	3,796,919,604
Export rebate		14,851,687	15,587,601
		3,983,135,446	3,812,507,205
Commission and claims		(42,736,004)	(50,242,958)
Trade discount		(7,542,572)	(5,357,479)
		3,932,856,870	3,756,906,768
26 COST OF SALES			
Raw material consumed	26.1	2,243,624,807	2,227,857,818
Stores, spare parts and loose tools consumed		92,408,787	96,420,489
Packing, sizing and lubricants consumed		255,752,176	213,459,273
Fuel and power		381,264,905	388,078,216
Salaries, wages and other benefits	26.2	296,764,786	259,869,348
Processing charges		140,995,750	66,895,373
Insurance		5,549,041	5,211,204
Repairs and maintenance		8,076,042	8,151,908
Traveling and conveyance		2,550,538	2,346,683
Depreciation	15.1	144,947,452	150,108,854
Other production overheads		16,525,532	12,837,787
		3,588,459,816	3,431,236,953
Adjustment of work-in-process			
Opening stock		141,720,387	156,166,104
Closing stock		(142,034,763)	(141,720,387)
		(314,376)	14,445,717
		3,588,145,440	3,445,682,670
Adjustment of finished goods and waste			
Opening stock		417,543,176	400,903,665
Closing stock		(470,046,298)	(417,543,176)
		(52,503,122)	(16,639,511)
		3,535,642,318	3,429,043,159

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
26.1 Raw material consumed			
Opening stock		155,647,351	174,982,116
Purchases		2,275,847,492	2,224,518,286
Return / discount on purchases		(40,030,762)	(26,634,758)
		2,235,816,730	2,197,883,528
Freight		15,166,230	10,639,525
		2,406,630,311	2,383,505,169
Closing stock		(163,005,504)	(155,647,351)
		2,243,624,807	2,227,857,818

26.2 This includes employee benefits amounting to Rs. 16.629 million (2015: Rs. 16.553 million).

27 DISTRIBUTION COST

Salaries, wages and other benefits	27.1	11,112,392	9,628,116
Traveling and conveyance		1,137,792	425,762
Sales promotion		1,280,417	485,140
Communication		4,249,457	4,305,810
Vehicles running and maintenance		640,173	813,398
Freight		38,662,018	51,748,408
Clearing and forwarding		4,753,642	3,611,594
Depreciation	15.1	2,992,117	2,674,712
Others		9,063,120	4,047,485
		73,891,128	77,740,425

27.1 This includes employee benefits amounting to Rs. 1.521 million (2015: Rs. 1.647 million).

28 ADMINISTRATIVE EXPENSES

Directors' remuneration		6,110,200	6,810,000
Salaries and other benefits	28.1	22,819,305	22,220,643
Traveling and conveyance		7,643,081	6,603,755
Rent, rates and taxes		4,068,372	2,870,358
Printing and stationery		1,561,018	1,335,457
Communication		2,314,808	2,487,553
Vehicle running and maintenance		3,610,379	3,876,938
Repairs and maintenance		4,821,926	673,619
Auditors' remuneration	28.2	880,000	880,000
Fee and subscription		2,090,481	1,281,606
Legal and professional		1,134,100	2,283,667
Electricity, gas and water		1,736,378	1,744,441
Insurance		983,329	990,209
Advertisement		78,450	36,100
Depreciation	15.1	2,992,117	2,674,712
Others		643,180	276,809
		63,487,124	57,045,867

Notes to the Financial Statements

For the year ended June 30, 2016

28.1 This includes employee benefits amounting to Rs. 2.368 million (2015: Rs.2.357 million).

	Note	2016 (Rupees)	2015 (Rupees)
28.2 Auditors' remuneration			
Audit fee		660,000	660,000
Half yearly review		137,500	137,500
Code of corporate governance review		82,500	82,500
		880,000	880,000

29 OTHER OPERATING EXPENSES

Exchange loss		522,704	-
Loss on disposal of property, plant and equipment	15.3	1,737,369	-
Loss on investments at fair value		-	203,214
Provision for workers' profit participation fund		7,106,857	2,229,640
Provision for workers' welfare fund		2,700,606	847,263
Others		12,234	676,651
		12,079,769	3,956,768

30 OTHER OPERATING INCOME

Profit on investments at fair value		37,940	-
Gain on sale of investments		30,565	1,339,966
Dividend income		55,728	61,686
Profit on bank deposits		19,656	20,485
Gain on disposal of property, plant and equipment		-	2,128,801
Amortization of interest free loan		-	183,997,305
Other Income - fair price shop		4,857,263	5,557,103
Others		5,905,620	9,627,829
		10,906,772	202,733,175

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
31 FINANCE COST			
Mark-up on long term financing		38,817,384	44,350,853
Mark-up on short term borrowings		34,504,736	80,478,971
Interest on Workers' Profit Participation Fund	11.1	3,325,898	3,510,821
Bank charges and others		9,838,957	14,434,981
Unwinding of discount		39,846,657	23,564,897
		126,333,632	166,340,523
32 TAXATION			
Provision for taxation- current	32.1	39,572,850	37,959,061
Deferred taxation	32.2	(14,277,717)	(15,512,587)
		25,295,132	22,446,473
32.1 The Company is under the ambit of final tax up to the extent of export sales under Section 169 of Income Tax Ordinance 2001. Provision for income tax is made accordingly. Income tax provision for income which is not subject to final tax under Section 169 of Income Tax Ordinance, 2001 has been calculated in accordance with Section 113 of the Income Tax Ordinance, 2001. No provision for deferred tax has been charged except as explained in note 10.			
32.2 This represents deferred tax associated with surplus on revaluation of property, plant and equipment transferred to retained earnings on account of incremental depreciation.			
32.3 Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.			
33 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earnings attributable to ordinary shareholders		107,034,539	203,066,728
Weighted average number of ordinary shares	6	59,428,729	59,428,729
		1.80	3.42

33.1 There is no dilutive effect on the basic earning per share.

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees)	2015 (Rupees)
34 CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		132,329,671	225,513,201
Adjustments for:			
Depreciation on property, plant and equipment	15.1	150,931,686	155,458,279
Loss/ (gain) on disposal property, plant and equipment		1,737,369	(2,128,801)
Profit on investments at fair value		(37,940)	-
Gain on sale of investments		(30,565)	(1,339,966)
Dividend income		(55,728)	(61,686)
Staff retirement benefits - gratuity		20,517,409	20,556,901
Unrecognized actuarial gain		2,780,362	832,580
Provision for WPPF & WWF		9,807,462	3,076,903
Interest on Workers' Profit Participation Fund		3,325,898	3,510,821
Amortization of interest free loans		-	(183,997,305)
Unwinding of discount		39,846,657	23,564,897
Finance cost		83,161,077	139,264,805
Profit before working capital changes		444,313,359	384,250,629
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(3,866,103)	(663,574)
Stock in trade		(60,175,651)	17,140,971
Trade debts		(74,093,108)	(77,624,350)
Loans and advances		5,760,096	(13,016,771)
Other receivables		(6,212,228)	(6,032,912)
Trade deposits, prepayments and balances with statutory authorities		(34,557,062)	1,850,955
Increase / (decrease) in current liabilities			
Trade and other payables		52,525,026	53,987,296
Payment of workers' profit participation fund		(12,228,826)	-
Net changes in working capital		(132,847,856)	(24,358,385)
		311,465,503	359,892,244

35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non mark-up bearing		TOTAL 2016	TOTAL 2015
	Maturity up to One year (Rupees)	Maturity after One year (Rupees)	Maturity up to One year (Rupees)	Maturity after One year (Rupees)	(Rupees)	(Rupees)
Financial Assets						
- Loans and receivables						
Long term deposits	-	-	-	7,822,686	7,822,686	7,872,686
Trade debts	-	-	446,750,654	-	446,750,654	372,657,546
Loans and advances	-	-	14,488,783	-	14,488,783	11,232,602
Trade deposits and other receivables	-	-	24,730,580	-	24,730,580	10,105,000
Cash and bank balances	510,946	-	64,274,073	-	64,785,019	37,176,555
- At fair value through profit or loss						
Investments	1,598,895	-	-	-	1,598,895	1,526,654
	2,109,841	-	550,244,090	7,822,686	560,176,617	440,571,043
Financial Liabilities						
- At amortized cost						
Long term financing	176,352,671	570,446,790	-	-	746,799,461	828,436,359
Trade and other payables	-	-	322,113,298	-	322,113,298	274,587,062
	176,352,671	570,446,790	322,113,298	-	1,068,912,759	1,103,023,421
On balance sheet gap	(174,242,830)	(570,446,790)	228,130,792	7,822,686	(508,736,142)	(662,452,378)
Off balance sheet items						
Bills discounted with recourse					68,422,203	174,815,869
Bank guarantees issued in the ordinary course of business					43,508,000	43,508,000
Letters of credit					52,616,389	13,413,794

Notes to the Financial Statements

For the year ended June 30, 2016

36 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing	6.35% to 8.01% (2015: 6% to 11.69%) per annum
Short term borrowings	3.50% to 8.48% (2015: 6% to 12.21%) per annum

36.1 Financial risk factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (Currency risk, other price risk and interest rate risk)

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Concentration and management of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 560.177 million (2015: Rs. 440.571 million), the financial assets that are subject to credit risk amounted to Rs. 493.793 million (2015: Rs. 401.868 million).

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration risk.

The Company monitors the credit quality of the financial assets with reference to the historical performance of such assets and available external credit ratings. The carrying value of financial assets which are neither past due nor impaired are as under:

	2016 (Rupees)	2015 (Rupees)
Long term deposits	7,822,686	7,872,686
Trade debts	446,750,654	372,657,546
Loans and advances	14,488,783	11,232,602
Trade deposits and other receivables	24,730,580	10,105,000
Bank balances	63,263,767	36,514,185
	557,056,470	438,382,019

Notes to the Financial Statements

For the year ended June 30, 2016

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating agency	Long term Rating	Short term Rating
Bank Alfalah Limited	PACRA	AA	A1+
Askari Bank Limited	JCR-VIS	AA	A1+
Faysal Bank Limited	PACRA	AA	A1+
	JCR-VIS	AA	A1+
Meezan Bank Limited	JCR-VIS	AA	A1+
MCB Bank Limited	PACRA	AAA	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	PACRA	AAA	A1+
Silk Bank Limited	JCR-VIS	A-	A-2
SME Bank Limited	PACRA	BB	B
Bank of Punjab	PACRA	AA-	A1+
United Bank Limited	JCR-VIS	AA+	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCR-VIS	AAA	A1+
Allied Bank Limited	PACRA	AA+	A1+
NIB Bank Limited	PACRA	AA-	A1+
Bank Al Habib Limited	PACRA	AA+	A1+

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as the Company has obtained short term borrowings from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments. In addition, the Company uses different methods including restructuring and rescheduling of existing loan facilities which assists it in monitoring cash flow requirements. Therefore, the management envisages that sufficient financial resources will be available for the continuing operations of the Company.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to market risk on account of foreign currency balances, interest bearing borrowings, investments and foreign currency receivables.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars, Pound Sterling and Euro is as follows:

Notes to the Financial Statements

For the year ended June 30, 2016

	2016 (Rupees)	2015 (Rupees)
Foreign debtors	64,476,601	54,402,352
Foreign currency bank account	492,652	602,019
Gross balance sheet exposure	64,969,253	55,004,371
Letters of credit	52,616,389	13,413,794
	117,585,642	68,418,165

	Average rate		Reporting date rate	
	2016	2015	2016	2015
Rupees per USD	104.08	101.31	104.29	101.50
Rupees per Euro	115.16	120.86	115.85	113.57
Rupees per Pound Sterling	153.22	159.50	139.83	159.59

As at reporting date, had the exchange of USD, Euro and Pound Sterling depreciated or appreciated by 10% against the currency with all other variables held constant, the change in post tax profit/(loss), mainly as a result of foreign exchange gain/(loss) on translation of foreign currency denominated payables, would have been as follows:

	30-Jun-16		30-Jun-15	
	% Change (+ -)	Impact (+ -)	% Change (+ -)	Impact (+ -)

Effect on profit or loss

USD	10	1,461,639	10	580,732
Euro	10	4,983,495	10	4,362,051
Pound Sterling	10	2,526	10	497,452

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/(loss) for the year and assets/liabilities of the Company.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate.

At the reporting date the variable interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2016 Effective interest rate %	2015	2016 Carrying value in Rupees	2015
Long term financing	6.35% to 8.01%	6% to 11.69%	746,799,461	828,436,359
Short term financing	3.50% to 8.48%	6% to 12.21%	710,417,398	604,897,441

Notes to the Financial Statements

For the year ended June 30, 2016

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased/(increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit and loss 100 bps Increase	decrease
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial liabilities	14,572,169	(14,572,169)

As at 30 June 2015		
Cash flow sensitivity-Variable rate financial liabilities	14,333,338	(14,333,338)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets/ liabilities of the Company.

Past due balances

	2016 (Rupees)	2015 (Rupees)
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	404,470,534	342,368,302
Past due 30-150 days	32,587,868	11,837,463
Past due 150 days	9,692,252	18,451,781
	446,750,654	372,657,546

36.2 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares, as the case may be.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term financing" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves" and net debt.

Notes to the Financial Statements

For the year ended June 30, 2016

The salient information relating to capital risk management of the Company as of June 30, 2016 and 2015 were as follows:

	2016 (Rupees)	2015 (Rupees)
Total borrowings	1,457,216,859	1,433,333,800
Cash and bank balances	(64,785,019)	(37,176,555)
	1,392,431,840	1,396,157,245
Total equity	963,999,585	847,584,037
	2,356,431,425	2,243,741,282
Gearing ratio %	59.09	62.22

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	Chief Executive	2016 Directors	Executives	Chief Executive	2015 Directors	Executives
Managerial remuneration	2,000,000	2,110,200	17,039,329	2,000,000	2,540,000	12,592,267
House rent allowance	800,000	800,000	6,815,732	800,000	1,016,000	5,036,907
Utilities	200,000	200,000	1,703,933	200,000	254,000	1,259,227
	3,000,000	3,110,200	25,558,994	3,000,000	3,810,000	18,888,401
No. of persons	1	2	27	1	3	22

37.1 Some of the Directors and the Executives are provided with free use of Company cars as per rules.

37.2 No meeting fee was paid to the Directors for attending the meetings of the Board.

37.3 Gratuity expense related to Directors is classified under note 28.

38 TRANSACTIONS WITH RELATED PARTIES

There were no related parties other than those as disclosed in note # 37 above.

	2016 (Number)	2015 (Number)
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39 PLANT CAPACITY AND PRODUCTION

Grieg fabric unit

No. of looms installed	251	251
No. of looms worked	251	251
Shifts per day	3	3
No. of days actually worked	366	365
Installed capacity (square meters in millions @ 50 picks)	95.51	95.51
Actual production (square meters in millions @ 50 picks)	77.80	70.50

Notes to the Financial Statements

For the year ended June 30, 2016

	2016 (Number)	2015 (Number)
Towel unit		
No. of looms installed	30	30
No. of looms worked	30	30
Shifts per day	3	3
No. of days actually worked	366	365
Installed capacity (Tons)	4,074	4,074
Actual production (Tons)	2,782	2,386

Towel dyeing and processing unit

Installed capacity (Tons)	3,600	3,600
Actual production (Tons)	2,525	2,448

39.1 It is difficult to determine precisely the production capacity in textile weaving mills since it fluctuates widely depending on various factors such as speed, width and construction of cloth woven etc.

40 NUMBER OF EMPLOYEES

Number of employees as on June 30,	1,104	1,026
Average number of employees during the year	1,064	1,028

41 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 21, 2016.

42 CORRESPONDING FIGURES

Previous year figures have been re-arranged and re-classified, wherever, necessary for the purpose of comparison.

43 FIGURES

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


DIRECTOR

ZEPHYR TEXTILE LIMITED

3RD Floor IEP Building 97-B/D-1, Gulberg III, Lahore

PROXY FORM

I/ We, _____

of _____

Being a member of ZEPHYR TEXTILE LTD, hereby appoint

(NAME)

of _____ another member of the company

Or failing him/her _____

(NAME)

of _____ another member of the company

(being member of the company) as my/our proxy to attend vote for and on my/our behalf at the 18th Annual General Meeting of the Company to be held at its Registered Office, 3rd Floor IEP building 97-B/D-1 Gulberg III, Lahore on October 31st, 2016 at 10:30 AM and at every adjournment thereof.

As witnessed given under my/our hand (s) this _____ day of _____ 2016.

1. Witness: _____
Signature: _____
Name: _____
Address: _____

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Member

2. Witness: _____
Signature: _____
Name: _____
Address: _____

Shares held _____
Shareholders' _____
CDC A/c # _____
CNIC No,

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Notes:

- Proxies, in order to effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly sampled, signed and witnessed.
- CDC shareholders, entitled to attend and vote at this meeting, must bring with them their national identity Cards/Passport in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of Corporate members should bring the usual documents required for such purpose.