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ZEPHYR
TEXTILES LIMITED

Zephyr Textiles Limited

ANNUAL REPORT 2019

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Company Information

BOARD OF DIRECTORS:	Mr. Mussaid Hanif	CEO
	Mr. Burhan Muhammad Khan	
	Mr. Rana Kamal Ud Din	
	Ms. Tahniat Mussaid	Chairperson
	Ms. Sabah Burhan	
	Ms. Sarah Naviwala	
	Ms. Nuzhat Kamran	
AUDIT COMMITTEE:	Ms. Nuzhat Kamran	Chairperson/Member
	Mr. Rana Kamal Ud Din	Member
	Ms. Tahniat Mussaid	Member
HR & REMUNERATION COMMITTEE:	Ms. Nuzhat Kamran	Chairperson/Member
	Mr. Burhan Muhammad Khan	Member
	Ms. Subah Burhan	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	National Bank of Pakistan
	Allied Bank Limited	Mcb Bank Limited
	Askari Bank Limited	The Bank Of Punjab
	United Bank Limited	Faysal Bank Limited
	Habib Metropolitan Bank LTD	Meezan Bank Limited
	Bank Al Habib Limited	Silk Bank Limited
MILLS:	1 km, Balloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512011	(Weaving unit & Power plant)
	63 km, Gulshan Adda, Jumber Khurd, District Kasur.	(Towel Unit)
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	

Note: Zephyr's Company Information & Financial Statements are also available at the above website.

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NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of Zephyr Textiles Limited ("ZTL" or "the Company") will be held at the Registered Office of the Company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on Monday, October 28, 2019, at 10:30 AM to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting dated October 27, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Chairperson's Review Report, Directors' and Auditor's report thereon.
3. To approve Final Cash Dividend @ Rs.0.50 per share for the year ended June 30, 2019 as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2020 and to fix their remuneration. The present Auditors M/S Azhar Zafar & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board



Abdul Jabbar
Company Secretary
Lahore:
Monday October 07, 2019.

NOTES

- **BOOK CLOSURE NOTICE:**
  Share transfer books of the company will remain closed from October 21, 2019 to October 28, 2019 (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 naturally 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.
- CDC Account holders will further have to observe the following guidelines, as laid down in Circular O 1 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

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Submission of copies of CNIC (Mandatory):

Pursuant to the Notification SRO.275(I)/2016 dated March 31, 2016 read with S.R.O.19(I)/2014 dated January 10, 2014 and SRO.831(I)/2012 dated July 5, 2012 of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrant(s) shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC or NTN in case of corporate entities (if not already provided) to the Company's Share Registrar.

Deduction of Withholding Tax on Dividend:

Pursuant to the provisions of the Finance Act 2019 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

i. Filler 15%

ii. Non - Filler 20%

All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and may, if required, take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.

Deduction of Withholding Tax on Dividend in case of Joint Account Holders:

All shareholders who hold shares jointly are requested to provide following information regarding shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar THK Associates (Pvt) Limited, Karachi Office: 1st Floor, 40-C, Block-6, PECHS, Karachi, Lahore Office: 1st Floor, DYL Motorcycles Ltd. Office, 147-Q Block, behind Emporium Mall, Johar Town, Lahore, latest by October 21, 2019, otherwise each joint holder shall be assumed to have an equal number of shares.

Name of the Company		Zephyr Textiles Limited
Folio No. / CDC A/C No.		
No. of Shares Held		
Principal Shareholder	Name & CNIC	
	Shareholding Proportion (No. of Shares)	
Joint Shareholder(s)	Name & CNIC	
	Shareholding Proportion (No. of Shares)	

Signature of Primary Shareholder_____

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Exemption of Withholding Tax:-

Withholding tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar Office, Share Registrar THK Associates (Pvt) Limited, Karachi Office: 1st Floor, 40-C, Block-6, PECHS, Karachi, Lahore Office: 1st Floor, DYL Motorcycles Ltd. Office, 147-Q Block, behind Emporium Mall, Johar Town, Lahore, up to October 21, 2019.

Zakat Declaration (CZ-50):-

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company of Pakistan Limited (in case the shares are held in CDC-Sub Account or CDC Investor Account) or to our Share Registrar, M/s. THK Associates (Pvt) Limited, Karachi Office: 1st Floor, 40-C, Block-6, PECHS, Karachi, Lahore Office:1st Floor, DYL Motorcycles Ltd. Office, 147-Q Block, behind Emporium Mall, Johar Town, Lahore. The Shareholders while sending the Zakat Declarations, as the case may be must quote company name and their respective folio numbers.

Shareholders should also notify our Share Registrar, THK Associates (Pvt) Limited regarding any change in their addresses.

Mandatory Payment of Cash Dividend through Electronic Mode:-

Securities and Exchange Commission of Pakistan through its Circular No. 18 dated August 01, 2017 has made it mandatory that Cash Dividend payments after November 01, 2017 shall be through electronic mode only and physical dividend warrants will not be issued / dispatched therefore the shareholders who have not provided their bank account details so far are advised to provide their below electronic dividend mandate information to our Share Registrar, M/s. THK Associates (Pvt) Limited, Karachi Office: 1st Floor, 40-C, Block-6, PECHS, Karachi, Lahore Office: 1st Floor, DYL Motorcycles Ltd. Office, 147Q Block, behind Emporium Mall, Johar Town, Lahore, and update their CDC accounts/ Sub accounts as the case may be, up to October 20, 2018, enabling the Company to credit your dividend promptly.

Folio No. / Investor Account Number / CDC Sub Account No.																							
Title of Account																							
IBAN Number																							
Bank Name																							
Branch																							
Branch Address																							
Mobile Number																							
Name of Network (if ported)																							
Email Address																							

Signature of Shareholder_____

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Transmission of audited financial statements / notices through email

As notified by the SECP vide SRO.787(I)/2014 dated September 8, 2014, all listed companies are allowed to circulate audited financial statements along with notice of annual general meetings to its shareholders through their e-mail addresses subject to written consent of the shareholders. Standard Request Form available on the Company's website:
http://www.zephyr.com.pk

Transmission of annual financial statements through cd/dvd/usb

SECP through its SRO.470(I)/2016 dated May 31, 2016 have allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report and directors' report to its members through CD/DVD/USB at their registered addresses. In view of the above the Company has sent its Annual Report to the shareholders in the form of CD/DVD. Any Member can send request for printed copy of the Annual Report to the Company on standard request form placed under the Investor Information section on its website http://zephyr.com.pk/investor-information

Unclaimed Dividends:

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable are required to be deposited with the Commission for the credit of Federal Government after issuance of notices to the shareholders to file their claim. In this regards, a notice to shareholder was sent at their provided addresses and subsequently final notice was published in newspapers having nationwide circulation.

Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged timely. In case, no claim is lodged with the Company in the given time, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244 (2) of companies Act, 2017.

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Dear Shareholders,

On behalf of The Board of Directors, I am pleased to present the annual financial results of our organization. I would like to highlight the proactive efforts of the Board in providing the management with policy direction and support in the period under review.

I would like to begin by acknowledging the hardwork and dedication with which your management has steered the Company during this challenging period. At a time when most sectors with deep economic linkages to our industry are at a virtual standstill, your Company's performance remained relatively sound. We continued to distribute a fair return to our valued shareholders by way of final dividend.

Board Performance

The previous board completed its term on August 16, 2018 and a new Board was elected for a term of three (3) years and its term expires on August16, 2021. The BOD consists of seven (7) Directors.

The Board has performed its duties and responsibilities diligently, and has contributed effectively in guiding the Company in its strategic affairs. The Board also played a key role in monitoring of management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company.

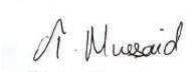
The Board recognizes that well defined Corporate Governance processes are vital to enhancing corporate accountability and is committed to ensure high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed in the decision making process of the Board.

As Chairperson of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during whichall views are heard and ensure that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations, and that the management continues to take decisions which create value for you in the short, medium and long term.

During the year, the board recommended and approved among other things:

- Routine BMR
- Budget
- Quarterly and annual financial statements
- Internal audit and audit committee reports and findings
- Appointment of external auditors, and
- Distribution of dividend & WPPF

Accordingly, the Board has completed its annuals elf-evaluation for the year 2019 and I am pleased to report that the overall performance benchmarked on the basis of criteria set for the year 2019, remained satisfactory.



Tahniat Mussaid
Chairperson

Lahore
September 27, 2019.

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Dear members,

The Directors of your Company takes pleasure in presenting before you the Annual Report along with audited financial statements and independent auditors' report thereon for the period ended June 30, 2019.

Business Review

Business Performance

The Company recorded sales of PKR 5.091 billion, which is 20% higher than the last year's sales of PKR 4.252 billion. The Company achieved this milestone with the diligent marketing strategy in both local as well as international markets. Exports sales significantly increased at PKR 2,396.68 million from PKR 1,676.03 million last year which is 43% higher. Gross profit for the year amounted to PKR 523.744 million compared to last year's gross profit of PKR 465.472 million. Distribution and administration costs for the year are higher than previous year because of increase in export sales and inflationary effect. Finance cost for the year reduced by 8.61% despite the increased interest rates by the SBP because the management implemented an efficient portfolio of funds along with minimum spreads to keep the cost at the lowest possible rates.

The Company managed to earn a profit after tax of PKR 117.838 million compared to PKR 103.175 million in the same period of last year in the very challenging domestic and international business environment.

Description	2019	2018	% Increase
Net sales	**5,091,139,422**	4,252,317,435	19.73
Gross profit	**523,744,040**	465,471,555	12.52
EBITDA	**318,073,672**	298,119,173	6.69
Depreciation	**169,426,668**	168,906,832	0.31
Finance cost	**144,362,515**	157,956,372	(8.61)
Pre-tax profit	**148,647,004**	129,212,341	15.04
After tax profit	**117,838,469**	103,174,825	14.21
EPS	**1.98**	1.74	14.21

Capital Expenditures

The Company acknowledges the importance of Balancing Modernization and Replacement and regularly reinvests in existing as well as new projects. The Company reinvested PKR 131.26 million in the period under review.

Working Capital Management

Liquidity position of the Company is stable. The Company managed its working capital requirements in the period under review through smart working capital management.The Company requires more working capital in the following year due to targetedsales revenue.

Capital Structure

The Company's financial leverage and gearing ratios are improving year by year due to effective and efficient utilization of available borrowing facilities. The management has a BMR plan and new project for coming years and intends to borrow more LTFF as per available space in financial leverage.

Appropriations

The Board of Directors recommended payment of PKR 0.50 per share (5%) as final cash dividend for the year ended June 30, 2019 (2018:PKR 0.50).There is no other appropriation of profit.

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Earnings per Share

Earnings per share of the Company remained steady at PKR 1.98 as compared to PKR 1.74 in corresponding last year.

Industry Review

Financial year 2018-2019 was very challenging for textile sector on different grounds. The sector is facing a number of difficulties which may slow down growth in the next year. One of the major problem is liquidity issue on account of delayed sales tax refund payments, disbursement of duty drawback incentive and payment of export rebate to textile sector. There is massive increase in sales tax refunds for export sector after abolishing SRO 1125 through finance bill 2019-2020. This situation may become fatal for the textile sector if continues and the problem must be addressed immediately.

Another issue is availability of gas and electricity at discounted price for the textile sector in order to compete in the international market. The government's initiative to offer RLNG at reduced rate of USD6.5/MMBTU has been a savior for the industry located in Punjab but continuity of this arrangement is highly uncertain. Some of the matters like GIDC are still pending before the honorable courts for judgment which can impact negatively on growth of the sector as well.

Business Risks and Uncertainty

No business exists without taking risks and meeting uncertainties but only those survive which properly tackle and address them appropriately. The Board Of Directors of the Company has carried out a vigilant and thorough assessment of both internal and external risks that the Company might face. Following are some of them:

- Technological advancement making it more challenging for the Company to compete on the national and international level.
- Impact on sales due to trade war, slowing down western economies and increasing competition at global as well as regional level.
- Currency volatility, abrupt rupee devaluation, causing imported raw material, machinery and their parts expensive.
- Rising trend in the cost of manufacturing due to increase in power/gas, salaries and overall inflationary impact.
- Rising interest rates resulting in increased financing cost.
- Withdrawal of zero rating for the five export oriented sectors will impact negatively on local sales along with additional working capital requirements.

Corporate Social Responsibility

The social and environmental responsibility reflects the company's recognition that there is as strong-positive correlation between financial performance and corporate, social and environmental responsibility. Social and environment responsibility include the following:

- Community investment and welfare schemes.
- Environmental protection measures.
- Occupational health and safety.
- Business ethics and anti-corruption measures.
- Energy conservation.
- Industrial relations.
- Contribution to national exchequer.
- Consumer protection measures.

Our role as a corporate citizen is as important to us as satisfaction of our customers and earning afair return for our shareholders. We are committed to work for the betterment and prosperity of ourstakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, vendors, contractors, suppliers and customers.

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Corporate Governance

Board of Directors

Following are the re-elected directors of the Company:

1. Mr. Mussaid Hanif	Executive Director/CEO
2. Mr. Burhan Muhammad Khan	Executive Director
3. Mr. Rana Kamal Ud Din	Non-Executive Independent Director
4. Ms. Tahniat Mussaid	Non-Executive Director/Chairperson
5. Ms. Sabah Burhan	Non-Executive Director
6. Ms. Nuzhat Kamran	Non-Executive Independent Director
7. Ms. Sarah Naviwala	Non-Executive Director

Directors' Training Program

The Board of Directors of the Company consist of 7 Directors out of which the following four Directors have obtained a certificate for the Directors' Training Program offered by a local institution that meets the criteria specified by the Securities and Exchange Commission of Pakistan ("SECP"):

- Ms. Tahniat Mussaid
- Ms. Sabah Burhan
- Ms. Sarah Naviwala
- Ms. Nuzhat Kamran

The remaining three Directors have undertaken to either apply to SECP for an exemption or be certified prior to the expiration of the requisite deadline.

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 Regulation 2017 (CCG 2017) included in the listing regulations of Pakistan Stock Exchange Limited. The statement of compliance with the CCG 2017 is enclosed.

Board Committees

Audit Committee

The Audit Committee is comprised of all three non-executive members of the board. The chairperson of the committee is an independent director. The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors. During the year under review, four audit committee meetings were held, attendance position was as under:

Name	Designation	Meetings attended
Ms. Nuzhat Kamran	Chairperson/Member	4
Ms. Tahniat Mussaid	Member	4
Mr. Rana Kamal Ud Din	Member	4

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Human Resource & Remuneration Committee

The HR and remuneration committee comprised of three members of whom two are non-executive directors and the Chairperson is an independent director. The Human Resource & Remuneration Committee is performing its duties in line with its terms of reference as determined by the Board of Directors. During the year under review, only one HR and Remuneration committee meeting were held and attendance position was as under:

Name	Designation	Meetings attended
Ms. Nuzhat Kamran	Chairperson/Member	1
Mr. Burhan Muhammad Khan	Member	1
Ms. Sabah Burhan	Member	1

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:

S.No.	Name of Directors	No. of meetings attended
1.	Mr. Mussaid Hanif	4
2.	Mr. Burhan Muhammad Khan	4
3.	Mr. Rana Kamal Ud Din	4
4.	Ms. Nuzhat Kamran	4
5.	Ms. Tahniat Mussaid	4
6.	Ms. Sabah Burhan	4
7.	Ms. Sarah Naviwala	2

Directors' Statement

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

1. 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.

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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, 2019, 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, 2020.

Acknowledgement

The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the Company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the Company.

Mussaid Hanif
Chief Executive

Burhan Muhammad Khan
Director

Lahore
September 27, 2019

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Horizontol Analysis

(Rupees in Million)

	2019	Variance vs Last Year Increase/ (Decrease)	2018	Variance vs Last Year Increase/ (Decrease)	2017	Variance vs Last Year Increase/ (Decrease)	2016	Variance vs Last Year Increase/ (Decrease)	2015
OPERATING RESULTS									
Sales - net	5,091.14	36.53	4,252.32	8.12	3,728.96	(4.66)	3,932.86	4.68	3,756.91
Cost of sales	4,567.40	37.60	3,786.85	7.10	3,319.30	(6.12)	3,535.64	3.11	3,429.04
Gross Profit	523.74	27.85	465.47	17.18	409.66	8.28	397.21	21.15	327.86
Distribution cost	140.24	51.80	101.31	37.11	92.38	25.03	73.89	(4.95)	77.74
Administrative expenses	85.00	30.45	68.68	8.18	65.16	2.64	63.49	11.29	57.05
Other operating expenses	9.81	(84.49)	11.72	(2.97)	63.28	423.88	12.08	205.29	3.96
Financial cost	144.36	18.50	157.96	25.03	121.82	(3.57)	126.33	(24.05)	166.34
Other operating income	4.32	86.53	3.41	(68.73)	2.32	(78.76)	10.91	(94.62)	202.73
Profit/(Loss) before taxation	148.65	65.61	129.21	(2.36)	89.76	(32.17)	132.33	(41.32)	225.51
Provision for taxation	30.81	47.90	26.04	2.93	20.83	(17.65)	25.30	12.69	22.45
PROFIT/(LOSS) FOR THE YEAR	117.84	70.96	103.17	(3.61)	68.93	(35.60)	107.03	(47.29)	203.07
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,909.71	(4.30)	1,981.44	10.23	1,995.53	11.02	1,797.52	(2.11)	1,836.22
Capital work in progress	31.08	(100.00)	-	100.00	9.70	-	-	-	10.86
Long term deposits	22.46	16.44	22.50	187.61	19.29	146.55	7.82	(0.64)	7.87
TOTAL NON-CURRENT ASSETS	1,963.24	(3.03)	2,003.93	11.00	2,024.52	12.14	1,805.34	(2.67)	1,854.96
CURRENT ASSETS									
Stores, spare parts and loose tools	109.80	(18.59)	103.59	(7.72)	134.87	20.14	112.26	3.57	108.39
Stock in trade	914.62	1.07	1,069.58	37.99	904.90	16.75	775.09	8.42	714.91
Trade debts	712.46	103.42	658.60	47.42	350.24	(21.60)	446.75	19.88	372.66
Loans and advances	100.50	201.97	35.97	1.72	33.28	(5.87)	35.36	(14.01)	41.12
Trade deposits and short term prepayments	213.16	8.28	188.74	25.26	196.86	30.64	150.68	32.73	113.52
Other receivables	126.77	275.45	117.89	335.19	33.76	24.64	27.09	29.76	20.88
Investments	0.99	(41.11)	0.73	(54.09)	1.68	5.08	1.60	4.73	1.53
Cash and bank balances	55.62	11.49	28.99	(55.25)	49.89	(22.99)	64.79	74.26	37.18
TOTAL CURRENT ASSETS	2,233.91	30.98	2,204.09	36.59	1,705.48	5.69	1,613.61	14.43	1,410.18
TOTAL ASSETS	4,197.16	12.52	4,208.02	23.08	3,730.00	9.10	3,418.94	4.71	3,265.14
CURRENT LIABILITIES									
Trade and other payables	583.99	59.32	650.71	67.91	366.56	(5.41)	387.54	8.76	356.31
Accrued mark-up	22.82	44.05	21.67	51.32	15.84	10.59	14.32	213.83	4.56
Short term borrowings	1,250.02	27.34	1,171.20	64.86	981.62	38.18	710.42	17.44	604.90
Current portion of long term financing	167.01	(16.37)	164.91	(6.49)	199.70	13.24	176.35	16.34	151.59
TOTAL CURRENT LIABILITIES	2,023.84	29.42	2,008.49	55.86	1,563.72	21.35	1,288.63	15.33	1,117.36
WORKING CAPITAL	210.08	48.19	195.60	(39.81)	141.76	(56.38)	324.98	10.98	292.82
TOTAL CAPITAL EMPLOYED	2,173.32	0.33	2,199.54	3.25	2,166.28	1.69	2,130.31	(0.81)	2,147.78
NON-CURRENT LIABILITIES									
Long term financing	304.82	(44.00)	416.22	(27.04)	544.32	(4.58)	570.45	(15.72)	676.85
Deferred liabilities	241.10	7.09	242.57	4.73	225.13	(2.80)	231.62	(0.41)	232.58
TOTAL NON-CURRENT LIABILITIES	545.92	(29.05)	658.80	(17.86)	769.45	(4.07)	802.07	(11.81)	909.43
NET WORTH	1,627.40	16.51	1,540.74	16.00	1,396.83	5.16	1,328.25	7.26	1,238.35
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated Profit / Loss	707.09	50.78	595.21	60.99	468.97	26.85	369.71	45.96	253.30
Surplus on revaluation of property, plant and equipment	326.02	(2.26)	351.24	(3.57)	333.57	(8.42)	364.25	(6.79)	390.76
TOTAL NET WORTH	1,627.40	16.51	1,540.74	16.00	1,396.83	5.16	1,328.25	7.26	1,238.35
TOTAL LIABILITIES	4,197.16	12.52	4,208.02	23.08	3,730.00	9.10	3,418.94	4.71	3,265.14

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Vertical Analysis

(Rupees in Million)

	2019	% of Total Value	2018	% of Total Value	2017	% of Total Value	2016	% of Total Value	2015
OPERATING RESULTS									
Sales - net	5,091.14	100.00	4,252.32	100.00	3,728.96	100.00	3,932.86	100.00	3,756.91
Cost of sales	4,567.40	89.71	3,786.85	89.05	3,319.30	88.53	3,535.64	89.90	3,429.04
Gross Profit	523.74	10.29	465.47	10.95	409.66	11.47	397.21	10.10	327.86
Distribution cost	140.24	2.75	101.31	2.38	92.38	2.46	73.89	1.88	77.74
Administrative expenses	85.00	1.67	68.68	1.62	65.16	1.74	63.49	1.61	57.05
Other operating expenses	9.81	0.19	11.72	0.28	63.28	1.69	12.08	0.31	3.96
Financial cost	144.36	2.84	157.96	3.71	121.82	3.25	126.33	3.21	166.34
Other operating income	4.32	0.08	3.41	0.08	2.32	0.06	10.91	0.28	202.73
Profit/(Loss) before taxation	148.65	2.92	129.21	3.04	89.76	2.39	132.33	3.36	225.51
Provision for taxation	30.81	0.61	26.04	0.61	20.83	0.56	25.30	0.64	22.45
PROFIT/(LOSS) FOR THE YEAR	117.84	2.31	103.17	2.43	68.93	1.84	107.03	2.72	203.07
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,909.71	45.50	1,981.44	47.09	1,995.53	53.50	1,797.52	52.58	1,836.22
Capital work in progress	31.08	0.74	-	-	9.70	0.26	-	-	10.86
Long term deposits	22.46	0.54	22.50	0.53	19.29	0.52	7.82	0.23	7.87
TOTAL NON-CURRENT ASSETS	1,963.24	46.78	2,003.93	47.62	2,024.52	54.28	1,805.34	52.80	1,854.96
CURRENT ASSETS									
Stores, spare parts and loose tools	109.80	2.62	103.59	2.46	134.87	3.62	112.26	3.28	108.39
Stock in trade	914.62	21.79	1,069.58	25.42	904.90	24.26	775.09	22.67	714.91
Trade debts	712.46	16.97	658.60	15.65	350.24	9.39	446.75	13.07	372.66
Loans and advances	100.50	2.39	35.97	0.85	33.28	0.89	35.36	1.03	41.12
Trade deposits and short term prepayments	213.16	5.08	188.74	4.49	196.86	5.28	150.68	4.41	113.52
Other receivables	126.77	3.02	117.89	2.80	33.76	0.91	27.09	0.79	20.88
Investments	0.99	0.02	0.73	0.02	1.68	0.05	1.60	0.05	1.53
Cash and bank balances	55.62	1.33	28.99	0.69	49.89	1.34	64.79	1.89	37.18
TOTAL CURRENT ASSETS	2,233.91	53.22	2,204.09	52.38	1,705.48	45.72	1,613.61	47.20	1,410.18
TOTAL ASSETS	4,197.16	100.00	4,208.02	100.00	3,730.00	100.00	3,418.94	100.00	3,265.14
CURRENT LIABILITIES									
Trade and other payables	583.99	13.91	650.71	15.46	366.56	9.83	387.54	11.34	356.31
Accrued mark-up	22.82	0.54	21.67	0.52	15.84	0.42	14.32	0.42	4.56
Short term borrowings	1,250.02	29.78	1,171.20	27.83	981.62	26.32	710.42	20.78	604.90
Current portion of long term financing	167.01	3.98	164.91	3.92	199.70	5.35	176.35	5.16	151.59
TOTAL CURRENT LIABILITIES	2,023.84	48.22	2,008.49	47.73	1,563.72	41.92	1,288.63	37.69	1,117.36
WORKING CAPITAL	210.08	5.01	195.60	4.65	141.76	3.80	324.98	9.51	292.82
TOTAL CAPITAL EMPLOYED	2,173.32	51.78	2,199.54	52.27	2,166.28	58.08	2,130.31	62.31	2,147.78
NON-CURRENT LIABILITIES									
Long term financing	304.82	7.26	416.22	9.89	544.32	14.59	570.45	16.68	676.85
Deferred liabilities	241.10	5.74	242.57	5.76	225.13	6.04	231.62	6.77	232.58
TOTAL NON-CURRENT LIABILITIES	545.92	13.01	658.80	15.66	769.45	20.63	802.07	23.46	909.43
NET WORTH	1,627.40	38.77	1,540.74	36.61	1,396.83	37.45	1,328.25	38.85	1,238.35
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	14.16	594.29	14.12	594.29	15.93	594.29	17.38	594.29
Accumulated Profit / Loss	707.09	16.85	595.21	14.14	468.97	12.57	369.71	10.81	253.30
Surplus on revaluation of property, plant and equipment	326.02	7.77	351.24	8.35	333.57	8.94	364.25	10.65	390.76
TOTAL NET WORTH	1,627.40	38.77	1,540.74	36.61	1,396.83	37.45	1,328.25	38.85	1,238.35
TOTAL LIABILITIES	4,197.16	100.00	4,208.02	100.00	3,730.00	100.00	3,418.94	100.00	3,265.14

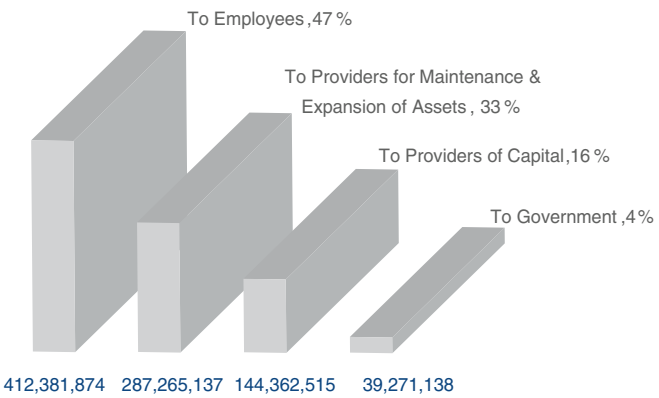
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Statement of Value Addition

Wealth Generated	Year 2019 Amount Rs.	%	Year 2018 Amount Rs.	%
Sales Revenue	**5,091,139,422**		4,252,317,435	
Other Income	**4,321,159**		3,410,408	
	5,095,460,581		4,255,727,843	
Less:				
Material & Services				
Material & Factory Cost	**4,048,556,455**		3,297,770,081	
Administrative Cost	**44,187,659**		30,853,639	
Distribution & Other Cost	**119,435,803**		87,028,022	
	4,212,179,917		3,415,651,742	
Total Wealth Generated	**883,280,664**	**100%**	840,076,101	100%

Wealth Distributed	Year 2019 Amount Rs.	%	Year 2018 Amount Rs.	%
To Employees				
Salaries & Benefits	**412,381,874**	**46.69%**	375,969,087	44.75%
To Government				
Tax	**30,808,535**	**3.49%**	26,037,516	3.10%
Worker Profit Participation Fund	**7,855,480**	**0.89%**	6,862,192	0.82%
Worker Welfare Fund	**607,123**	**0.07%**	1,169,301	0.14%
To Providers of Capital				
Dividends to Share Holders	-	-	-	-
Mark Up/Interest on Borrowed Funds	**144,362,515**	**16.34%**	157,956,372	18.80%
To Providers for Maintenance & Expansion of Assets				
Depreciation	**169,426,668**	**19.18%**	168,906,860	20.11%
Profit Retained	**117,838,469**	**13.34%**	103,174,777	12.28%
	883,280,664		840,076,105	

Distribution Of Wealth



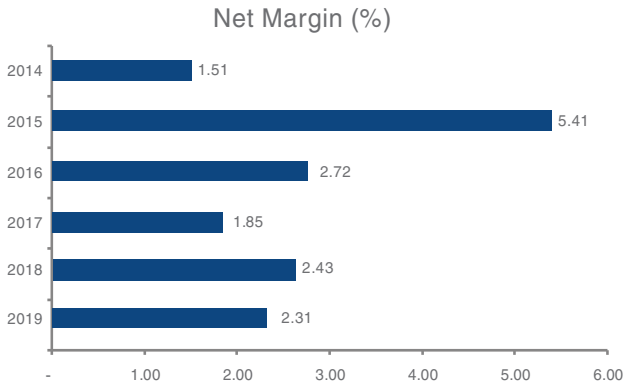
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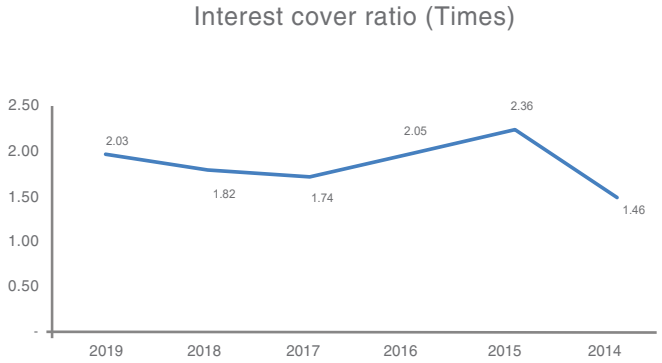
Key Operating and Financial Data of Last Six Years

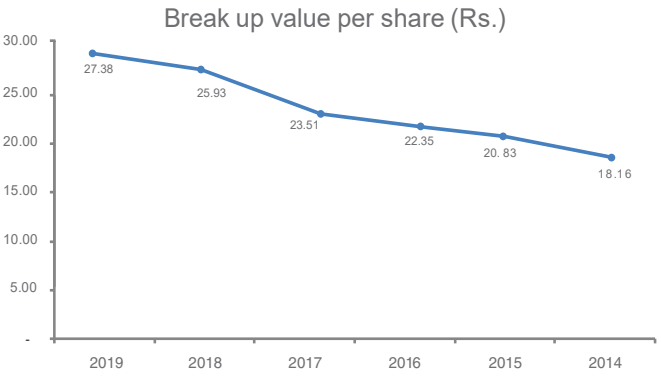
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
			(Rupees in Thousand)			
PROFIT AND LOSS						
Sales	**5,091,139**	4,252,317	3,728,955	3,932,857	3,756,907	4,199,161
Cost of Sales	**4,567,395**	3,786,846	3,319,300	3,535,642	3,429,043	3,793,808
Gross Profit	**523,744**	465,472	409,656	397,215	327,864	405,353
Operating Profit plus other income	**293,010**	287,169	211,582	258,663	391,854	281,962
Financial & Other charges	**144,363**	157,956	121,825	126,334	166,341	193,112
Taxation	**30,809**	26,038	20,831	25,295	22,446	25,396
NET PROFIT AFTER TAX	**117,838**	103,175	68,927	107,035	203,067	63,454
BALANCE SHEET						
Capital	**594,287**	594,287	594,287	594,287	594,287	594,287
Reserves	**707,091**	595,211	468,969	369,712	253,297	65,509
Surplus on revaluation of fixed assets	**326,024**	351,241	333,573	364,247	390,762	419,572
NET WORTH	**1,627,403**	1,540,739	1,396,829	1,328,246	1,238,347	1,079,368
Long Term Liabilities	**304,819**	416,224	544,322	570,447	676,849	198,760
Deferred Liabilities	**241,098**	242,573	225,127	231,622	232,580	236,179
Current Liabilities	**2,023,837**	2,008,488	1,563,179	1,288,630	1,117,362	1,857,645
TOTAL LIABILITIES	**2,569,753**	2,667,285	2,333,168	2,090,698	2,026,790	2,292,584
TOTAL EQUITY & LIABILITIES	**4,197,156**	**4,208,024**	3,729,997	3,418,944	3,265,137	3,371,952
Fixed Assets	**1,909,708**	1,981,436	1,995,530	1,797,516	1,836,218	1,927,075
Capital Work in Progress	**31,075**	-	9,702	-	10,865	-
Long Term Deposits	**22,459**	22,499	19,287	7,823	7,873	7,873
Current Assets	**2,233,914**	2,204,090	1,705,478	1,613,606	1,410,181	1,437,004
TOTAL ASSETS	**4,197,156**	**4,208,024**	3,729,997	3,418,944	3,265,137	3,371,952
INVESTOR INFORMATION						
Break up value per share (Rs.)	**27.38**	25.93	23.50	22.35	20.84	18.16
Earning Per Share (Rs.)	**1.98**	1.74	1.16	1.80	3.42	1.07
Return on Equity (%)	**7.24**	6.70	4.93	8.06	16.40	5.88
Return on Assets (%)	**2.81**	2.45	1.85	3.13	6.22	1.88
FINANCIAL RATIOS						
Gross Margin (%)	**10.29**	10.95	10.99	10.10	8.73	9.65
Net Margin (%)	**2.31**	2.43	1.85	2.72	5.41	1.51
Current Ratio	**1.10**	1.10	1.09	1.25	1.26	0.77
Long Term Debt to Equity ratio (%)	**0.29**	0.38	0.53	0.77	0.86	0.66
Interest cover ratio (Times)	**2.03**	1.82	1.74	2.05	2.36	1.46
Gearing ratio (%)	**0.51**	0.53	0.55	0.61	0.60	0.74

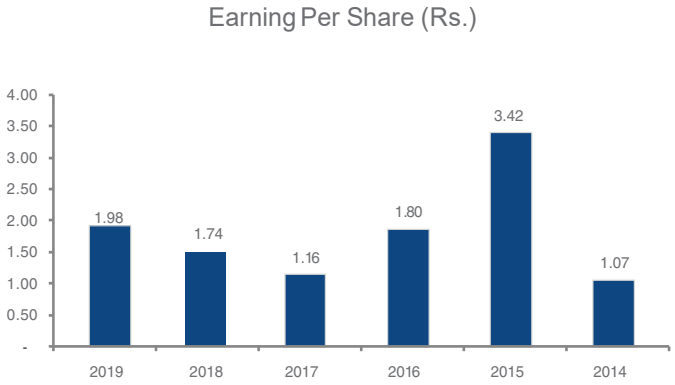
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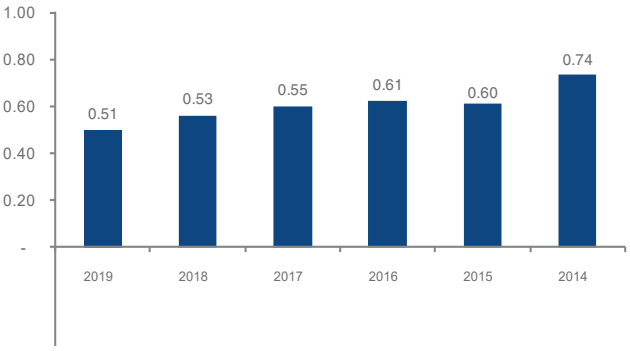
Graphical Representation

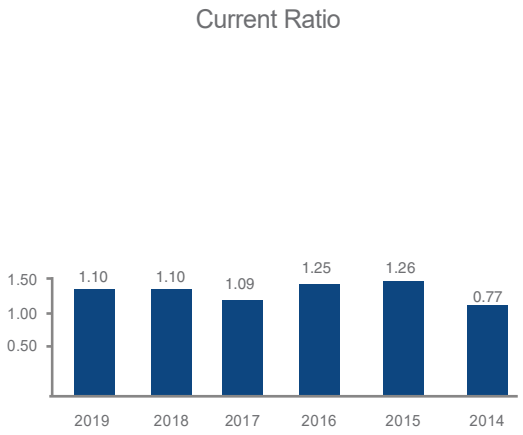




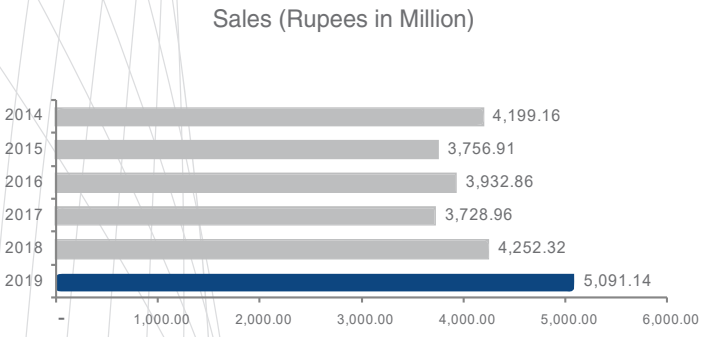


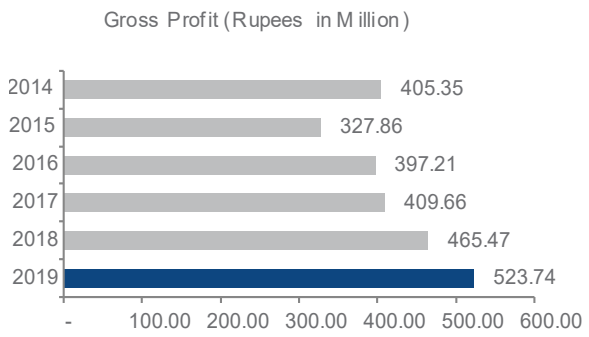


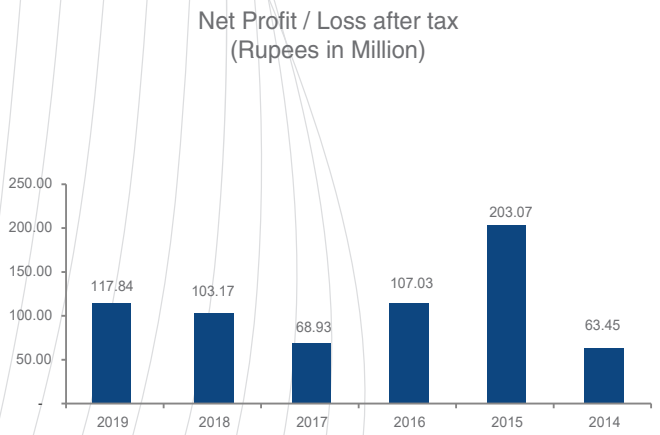


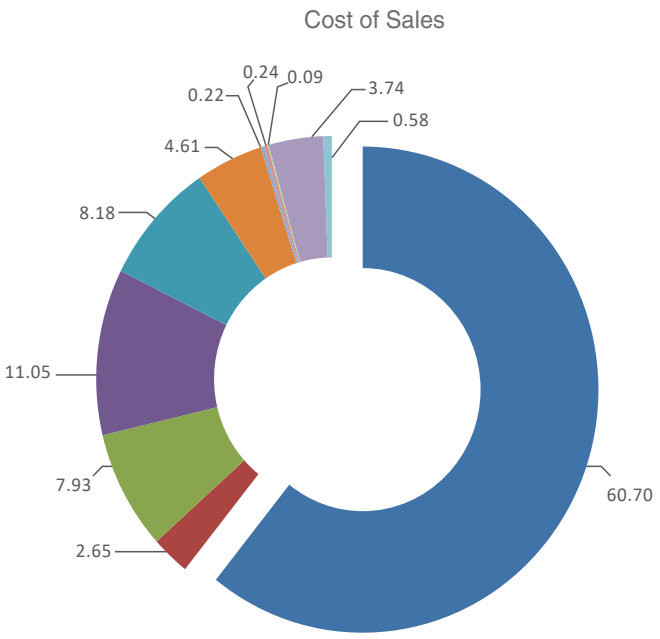


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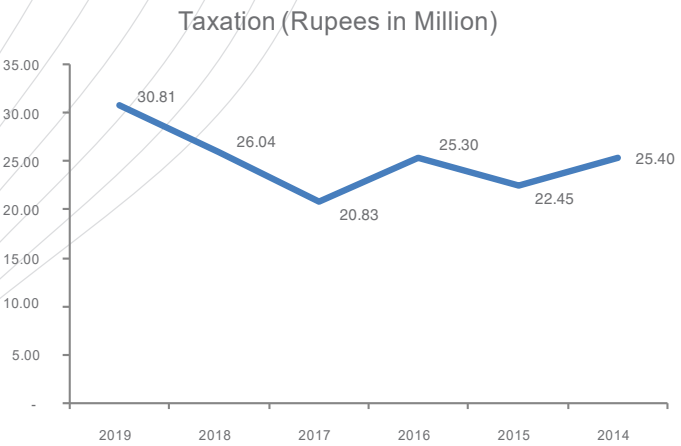








- Raw materials consumed 60.70
- Stores consumed 2.65
- Packing, Sizing and lubricants consumed. 7.93
- Fuel and power 11.05
- Salaries, wages and other benefits 8.18
- Processing charges 4.61
- Insurance 0.22
- Repairs and maintenance 0.24
- Travelling & Conveyance 0.09
- Depreciation 3.74
- Other production overheads 0.58



Details	%	Value in Millions
Raw materials consumed	60.70	2,642.08
Stores consumed	2.65	115.13
Packing, Sizing and lubricants consumed.	7.93	345.30
Fuel and power	11.05	480.89
Salaries, wages and other benefits	8.18	355.86
Processing charges	4.61	200.50
Insurance	0.22	9.79
Repairs and maintenance	0.24	10.51
Travelling & Conveyance	0.09	4.10
Depreciation	3.74	162.98
Other production overheads	0.58	25.21
Total	100.00	4,352.34

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DuPont Analysis

Details	Amount in "000"
Gross Revenues	5,091,139
Cost of Sales	4,567,395
Admin & Selling Exp	235,056
Interest Expense	144,363
Taxation	30,809
Other Income	4,321
Total Assets	4,197,156
Total Liabilities	2,569,753

Values for the year ended	2019
Tax burden	**0.61%**
Interest burden	**2.84%**
Net profit margin	**2.31%**
Return on Assets	**2.81%**
Ownership Ratio	**38.77%**
Return on Equity	**7.24%**

1- Operating Profit Margin

Gross Revenue	(-)	Admin & Selling Exp	(-)	Cost of Sales	(=)	Net Operating Income
5,091,139		235,056		4,567,395		288,688
Net Operating Income	(+)	Other Income	(-)	Interest Expense	(=)	Net Income
288,688		4,321		144,363		148,647
Net Income	(-)	Taxation	(÷)	Gross Revenue	(=)	Net Profit Margin
148,647		30,809		5,091,139		2.31%

2- Asset Turnover Ratio

Gross Revenue	(÷)	Total Assets	(=)	Asset Turnover Ratio	Times
5,091,139		4,197,156		1.213	

3- Owner's Equity

Total Assets	(-)	Total Liabilities	(=)	Owner's Equity
4,197,156		2,569,753		1,627,403

4- Total Assets

Total Liabilities	(+)	Total Equity	(=)	Total Assets
2,569,753		1,627,403		4,197,156

5- Return on Assets

Net Profit Margin	(X)	Asset Turnover Ratio	(=)	Return on Assets
2.31%		1.21		2.81%

6- Ownership Ratio

Owner's Equity	(÷)	Total Assets	(=)	Ownership Ratio
1,627,403		4,197,156		38.77%

7- Return on Equity

Return on Assets	(÷)	Ownership Ratio	(=)	Return on Equity
2.81%		38.77%		7.24%

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Pattern of Share Holding

As on June 30, 2019

Incorporation Number 0039902

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

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
63	1	100	825
149	101	500	73,727
57	501	1000	56,611
92	1001	5000	268,781
26	5001	10000	204,500
13	10001	15000	160,500
9	15001	20000	158,298
8	20001	25000	189,000
8	25001	30000	228,000
3	30001	35000	98,000
1	35001	40000	36,000
3	45001	50000	146,000
1	50001	55000	52,000
2	55001	60000	113,000
1	60001	65000	60,500
1	65001	70000	68,000
1	70001	75000	75,000
1	85001	90000	87,500
1	90001	95000	91,000
5	95001	100000	495,500
2	100001	105000	206,000
1	105001	110000	110,000
1	120001	125000	124,500
1	135001	140000	137,000
1	165001	170000	170,000
2	195001	200000	400,000
1	395001	400000	396,500
1	530001	535000	532,000
1	1560001	1565000	1,561,000
1	2165001	2170000	2,166,800
1	2465001	2470000	2,465,300
1	2855001	2860000	2,857,300
1	4460001	4465000	4,460,651
1	4485001	4490000	4,485,151
1	4760001	4765000	4,761,056
1	15105001	15110000	15,109,364
1	16820001	16825000	16,823,365
464			**59,428,729**

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Categories of Shareholders

As on June 30, 2019

	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
	Ms. Sabah Burhan	4	5,616,600	9.4510
	Ms. Tahniat Mussaid	2	4,026,300	6.7750
	Ms. Sarah Naviwala	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	**Executives**	0	-	-
4	**Public Sector Companies and Corporation**	0	-	-
5	**Banks, Development Financial Institutions, Non-Banking Financial Institutions**	1	4,761,056	8.0114
6	**General public -** Local	438	3,802,241	6.3980
7	**General public -** Foreign	7	50,000	0.0841
8	**Others**	5	213,501	0.3593
	Total	451	8,826,798	14.85
	Grand Total	464	59,428,729	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. Sabah Burhan	5,616,600	9.4510
Ms. Tahniat Mussaid	4,026,300	6.7750
The Bank of Punjab, Treasury Division	4,761,056	8.0114
General public - Local	3,802,241	6.3980

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STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company: **ZEPHYR TEXTILES LIMITED (**the **"Company")**

For the year ended: June 30, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are "seven" as per the following:

    a) Male: 3
    b) Female: 4

2. The composition of the Board of Directors is as follow:

Category	Names
Independent Director	1- Ms. Nuzhat Kamran 2- Mr. Rana Kamal Ud Din
Executive Directors	3- Mr. Mussaid Hanif (CEO) 4- Mr. Burhan Muhammad Khan
Non-Executive Directors	5- Ms. Tahniat Mussaid (Chairperson) 6- Ms. Sabah Burhan 7- Ms. Sarah Naviwala

The Independent Directors meet the criteria of independence as defined under the Companies Act 2017.

3. The Directors have confirmed that none of them is serving as a Director of more than five listed Companies (Excluding the listed subsidiaries of listed holding companies where applicable), including this Company.

4. 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.

5. 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.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a Director elected by the Board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of Meeting of Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

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9. The Board of Directors of the Company consist of Seven Directors out of which the following four Directors have obtained a certificate for the Directors' Training Program offered by a local institution that meets the criteria specified by the Securities and Exchange Commission of Pakistan **("SECP"):**

   - Ms. Tahniat Mussaid
   - Ms. Sabah Burhan
   - Ms. Sarah Naviwala
   - Ms. Nuzhat Kamran

   The remaining three Directors have undertaken to either apply to SECP for an exemption or be certified prior to the expiration of the requisite deadline.

10. No new appointments of the Chief Financial Officer, Company Secretary and Head of Internal Audit were made during the year.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The Board of Directors have formed committees comprising of the members given bellow:

Audit Committee:	Ms. Nuzhat Kamran Ms. Tahniat Mussaid Mr. Rana Kamal Ud Din	Chairperson/ Member Member Member
Human Resource & Remuneration Committee:	Ms. Nuzhat Kamran Mr. Burhan Muhammad Khan Ms. Sabah Burhan	Chairperson/ Member Member Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a. Audit Committee	4 quarterly meetings
b. HR and Remuneration Committee	1 annual meeting

15. 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.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), and registered with Audit Oversight Board of Pakistan, 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.

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17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirments of the regulation been complied with.

Mussaid Hanif
Chief Executive

Burhan Muhammad Khan
Director

Lahore
September 27, 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZEPHYR TEXTILES LIMITED,REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies Code of Corporate Governance Regulations, 2017 [the **"Regulations"**] prepared by the Board of Directors of **Zephyr Textiles Limited** ("the **Company**") for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As 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 Regulations require the Company to place before the Board Audit Committee, and upon recommendation of the Board Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 the Board Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Azhar Zafar & Co

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

Lahore
September 27, 2019

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OPINION

We have audited the annexed financial statements of **ZEPHYR TEXTILES LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matter is a matter that, in our professional judgment, is a most significance in our audit of the financial statements of the current period. This matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined the matter described below to be the key audit matter to be communicated in our report.

S.NO	Key audit matters	How the matter was addressed in our audit
1.	**Control environment relating to the financial reporting process and related IT systems**	
	The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.

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INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) the statement of financial position, the statement of profit and loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act,2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Zafar Iqbal.

Azhar Zafar & Co.

Lahore
September 27, 2019

Azhar Zafar & Co.
Chartered Accountants

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Statement of Financial Position

As at June 30, 2019

	Note	2019 (Rupees)	2018 (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		**707,091,348**	595,210,555
Surplus on revaluation of property, plant and equipment	7	**326,024,212**	351,241,048
Total equity		**1,627,402,850**	1,540,738,893
Liabilities			
Non-current			
Long term financing	8	**304,818,570**	416,224,442
Deferred liabilities	10	**241,097,866**	242,572,800
Total non-current liabilities		**545,916,436**	658,797,242
Current			
Trade and other payables	11	**558,646,213**	629,504,390
Contract liabilities		**24,686,460**	20,784,431
Accrued mark-up	12	**22,815,205**	21,672,114
Short term borrowings	13	**1,250,018,577**	1,171,196,746
Unclaimed Dividend		**659,831**	425,102
Current portion of long term borrowings	9	**167,010,393**	164,905,244
Total current liabilities		**2,023,836,679**	2,008,488,027
Contingencies and commitments	14	**-**	-
Total liabilities		**2,569,753,115**	2,667,285,269
Total equity and liabilities		**4,197,155,965**	4,208,024,162
Assets			
Non-current			
Property, plant and equipment	15	**1,909,707,867**	1,981,435,617
Capital work in progress	16	**31,075,383**	-
Long term deposits	17	**22,458,501**	22,498,601
Total non-current assets		**1,963,241,751**	2,003,934,218
Current			
Stores, spare parts and loose tools		**109,799,001**	103,588,222
Stock in trade	18	**914,618,433**	1,069,576,465
Trade debts	19	**712,461,961**	658,604,786
Loans and advances	20	**100,498,346**	35,965,460
Trade deposits, prepayments and balances with statutory authorities	21	**213,159,166**	188,742,833
Other receivables	22	**126,766,078**	117,887,501
Short Term Investments	23	**989,516**	734,124
Cash and bank balances	24	**55,621,713**	28,990,553
Total current assets		**2,233,914,214**	2,204,089,944
Total assets		**4,197,155,965**	4,208,024,162

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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Statement of Profit and Loss Account

For the year ended June 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Sales - net	25	**5,091,139,422**	4,252,317,435
Cost of sales	26	**(4,567,395,382)**	(3,786,845,880)
Gross profit		**523,744,04**	465,471,555
Distribution cost	27	**(140,236,463)**	(101,313,764)
Administrative expenses	28	**(85,004,774)**	(68,678,670)
Other operating expenses	29	**(9,814,443)**	(11,720,841)
Operating profit		**288,688,360**	283,758,280
Other income	30	**4,321,159**	3,410,433
Operating profit before finance cost		**293,009,519**	287,168,713
Finance cost	31	**(144,362,515)**	(157,956,372)
Profit before tax		**148,647,004**	129,212,341
Taxation	32	**(30,808,535)**	(26,037,516)
Profit after taxation		**117,838,469**	103,174,825
Earnings per share:			
Basic and diluted earnings per share	33	**1.98**	1.74

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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Statement of Comprehensive Income

For the year ended June 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Profit after taxation		**117,838,469**	103,174,825
Other comprehensive income / loss			
Items that will not be reclassified to profit and loss account:			
Surplus on revaluation of property, plant &equipment's - net of deferred tax		-	40,445,034
Gains / (losses) on remeasurement of staff retirement benefit plan	**10.4**	**(1,460,147)**	289,678
Total comprehensive income for the year		**116,378,322**	143,909,537

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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Statement of Cash Flows

For the year ended June 30, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Cash flows from operating activities			
Cash generated from operations	34	**421,086,815**	250,839,742
Finance cost paid		**(129,932,105)**	(101,685,178)
Taxes paid		**(43,507,358)**	(32,756,788)
Staff retirement benefits - gratuity paid		**(22,153,125)**	(13,438,734)
Net cash flow from operating activities		**225,494,227**	102,959,042
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,852,210**	438,000
Purchase of property, plant and equipment		**(131,216,944)**	(87,751,195)
Long term deposits		**40,100**	(3,211,400)
Purchase of short term investments _ net		**(255,392)**	1,207,847
Dividend _ net		**(29,459,866)**	110,715
Net cash flow from investing activities		**(158,039,892)**	(89,206,033)
Cash flows from financing activities			
Short term borrowings - net		**78,821,831**	177,077,461
Long term financing - net		**(119,645,006)**	(211,728,538)
Net cash flow from financing activities		**(40,823,175)**	(34,651,077)
Net (decrease)/ increase in cash and cash equivalents		**26,631,160**	(20,898,068)
Cash and cash equivalents at beginning of the year		**28,990,553**	49,888,620
Cash and cash equivalents at end of the year		**55,621,713**	28,990,553

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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Statement of Changes in Equity

For the year ended June 30, 2019

	Share capital (Rupees)	Accumulated profit/(loss) (Rupees)	Revaluation surplus (Rupees)	Total equity (Rupees)
Balance as at July 01, 2017 (restarted)	594,287,290	468,969,188	333,572,878	1,396,829,356
Total comprehensive income for the year.	-	103,464,503	40,445,034	143,909,537
Current year incremental depreciation - net of tax	-	22,776,864	(22,776,864)	-
Balance as at June 30, 2018	594,287,290	595,210,555	351,241,048	1,540,738,893
Balance as at July 1, 2018	**594,287,290**	**595,210,555**	**351,241,048**	**1,540,738,893**
Total comprehensive income for the year	**-**	**116,378,322**	**-**	**116,378,322**
Transfer of surplus on revalution on disposal of property, plant & equipment	**-**	**(1,583,181)**	**1,583,181**	**-**
Final dividend at Rs. 0.5 per ordinary share	**-**	**(29,714,365)**	**-**	**(29,714,365)**
Current year incremental depreciation - net of tax	**-**	**26,800,017**	**(26,800,017)**	**-**
Balance as at June 30, 2019	**594,287,290**	**707,091,348**	**326,024,212**	**1,627,402,850**

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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Notes to the Financial Statements

For the year ended June 30, 2019

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 (now Companies Act, 2017). Subsequently on October 04, 2004 it was converted into a public limited Company and its shares are quoted on 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, 97 B/D-1, Gulberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jumber.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at fair values and staff retirement benefit - gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

2.3 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.

2.4 Critical 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 the reported amount of assets, liabilities,income and expenses.The estimates and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are continually evaluated. The resulting accounting estimates will, by definition,seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas involving significant estimates or judgments are:

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(i) Estimate of payables and receivables in respect of staff retirement benefit schemes [notes 5.1];
(ii) Estimated useful life of property, plant and equipment [notes 5.2];
(iii) Provision for slow moving inventories [notes 5.4 and 5.5];
(iv) Provision for expected credit loss [note 5.10].
(v) Estimation of current and deferred tax [note 5.14].

3 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

3.1 During the year, the Company incurred major capital expenditure as part of its plan for capacity expansion. This is reflected in operating fixed assets [note 15].

For detail performance review of the Company, refer Directors Report.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

New standards, amendments to approved accounting standards and new interpretations

Standards and amendments to approved accounting standards which became effective during the year ended June 30, 2019

There were standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2019 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for IFRS 15 and IFRS 9 which are disclosed below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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The Company adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 are as follows:

Statement of financial position

	Re-classified from	Re-classified to
Advances from customers	Trade and other payables	Contract liabilities (presented on face of the statement of financial position)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Classification and measurement of Financial Assets

Under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Other financial assets are classified and subsequently measured, as follows:

Equity instruments at Fair Value through Other Comprehensive Income (FVOCI), with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which are irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

Financial assets at Fair Value through Profit or loss (FVPL) comprise derivative instruments and quoted equity instruments which the company had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. The company classified its equity instruments at FVPL. This category would also include debt instruments whose cash flow characteristics fail the solely payments of principal and interest (SPPI) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Company's quoted equity securities and open ended mutual fund investments were classified as AFS financial assets.

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In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications:

	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Long term deposits	Loans and receivables	Amortized cost
Trade debts	Loans and receivables	Amortized cost
Loans and advances	Loans and receivables	Amortized cost
Trade deposits	Loans and receivables	Amortized cost
Cash and bank balances	Loans and receivables	Amortized cost
Investments	At fair value through profit and loss	At fair value through profit and loss
Financial liabilities		
Long term financing	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Accrued mark-up	Amortized cost	Amortized cost
Short term borrowings	Amortized cost	Amortized cost
Unclaimed Dividend	Amortized cost	Amortized cost
Current portion of long term borrowings	Amortized cost	Amortized cost

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39.

Amendments to approved accounting standards that are effective for the Company's accounting periods beginning after July 01, 2019

There are certain new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning on or after July 01, 2019 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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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, 2019 are as follows:

- Discount rate 13.25% (2018: 7.75%)
- Expected rate of salary increase in future 12.25% (2018: 6.75%)

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.

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.

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5.3 Investments

Investments are stated at fair value plus directly attributable transaction costs. Subsequently investments which are traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

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 onweighted 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.

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.

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5.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

- Financial assets at fair value through profit or loss.

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Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes long term deposits, trade debts, trade deposits and other receivables as disclosed in Note 4.

Financial assets at fair value through OCI (debt instruments)

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

i) The rights to receive cash flows from the asset have expired, or

ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrange ment; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are significantly past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective interest rate (EIR) method.

Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to the liabilities as disclosed in Note 35.

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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

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:

Local sales are recognised as revenue when invoiced with the transfer of control of goods, which coincides with delivery.

Export sales are recognised as revenue when invoiced with the transfer of control of goods, which coincides either with the date of bill of lading or upon delivery to customer or its representative, based on the terms of arrangement.

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.

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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

The Company recognises deferred tax liability on surplus on revaluation of property, plant and equipment which is adjusted against the related surplus.

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 determined, 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 determined 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.

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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 referenceto comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

5.19 Dividend and other appropriations

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

	2019 (Number of shares)	2018	2019 (Rupees)	2018 (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	2019 (Rupees)	2018 (Rupees)
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arising on revaluation	7.1	**471,812,778**	507,294,653
Less: Deferred tax arising on surplus on revaluation	7.2	**145,788,566**	156,053,605
		326,024,212	351,241,048

7.1 Surplus on revaluation of property plant and equipment

Opening surplus on revaluation of property plant and equipment	**507,294,653**	482,243,410
Surplus arising on revaluation	**-**	57,589,620
	507,294,653	539,833,030
Incremental depreciation on :		
Buildings on freehold land	**(6,015,965)**	(8,721,892)
Non factory building	**(5,838,220)**	-
Plant and machinery	**(25,892,319)**	(23,816,485)
	(37,746,503)	(32,538,377)
Adjustment on disposal of property, plant and equipment	**2,264,628**	-
	(35,481,875)	(32,538,377)
	471,812,778	507,294,653

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This represents surplus over book value resulting from the revaluation of land - freehold, buildings on freehold land, non factory building and plant and machinery. The valuation was carried out on June 30, 2018 by Unicorn International Surveyors an independent valuer not connected with the Company and is on the panel of Pakistan Bankers Association and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

	Note	2019 (Rupees)	2018 (Rupees)
7.2 Relating deferred tax liability			
Relating deferred tax liability as on July 1,		**156,053,605**	148,670,532
Deferred tax relating to surplus arising on revaluation		**-**	17,144,586
Tax effect on incremental depreciation		**(10,265,039)**	(9,761,513)
		145,788,566	156,053,605

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	2019 (Rupees)	2018 (Rupees)
Term Finance	8.1	Jan-19	3 months Kibor + 2%	36	36 monthly	**25,833,333**	-
Long Term Finance	8.1	Jan-17	SBP + 2.5%	300	20 Quarterly	**156,206,484**	211,929,492
Subtotal - BOP						**182,039,817**	211,929,492
Demand Finance - III	8.1 & 8.2	Sep-15	3 months Kibor + 1%	327.502	28 Quarterly	**194,909,151**	238,134,968
Frozen Markup	8.1 & 8.3	Sep-15	Interest free	219.977	28 Quarterly	**94,879,995**	115,961,046
Subtotal - NBP						**289,789,146**	354,096,014
Term Finance	8.1 & 8.4	Sep-14	3 months Kibor	145	48 Monthly	**-**	15,104,180
Subtotal - MCB (formerly NIB Bank Limited)						**-**	15,104,180
Total						**471,828,963**	581,129,686
Current portion	9					**(146,750,153)**	(140,642,672)
Overdue portion	9					**(20,260,240)**	(24,262,572)
Total current portion						**(167,010,393)**	(164,905,244)
Total long term portion						**304,818,570**	416,224,442

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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 MCB Bank Limited (formerly: NIB Bank Limited) converted into term finance facility.

		Note	2019 (Rupees)	2018 (Rupees)
9	**CURRENT PORTION OF LONG TERM BORROWINGS**			
	Current portion of long term borrowing	**8**	**146,750,153**	140,642,672
	Overdue portion of long term borrowing	**8**	**20,260,240**	24,262,572
			167,010,393	164,905,244
10	**DEFERRED LIABILITIES**			
	Deferred tax relating to surplus on revaluation of property, plant and equipment	**7**	**145,788,566**	156,053,605
	Employee retirement benefits- gratuity	**10.1 to 10.8**	**95,309,300**	86,519,195
			241,097,866	242,572,800

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, 2019 using projected unit credit actuarial cost method.

10.2 The amount recognized in the balance sheet

	2019 (Rupees)	2018 (Rupees)
Present value of defined benefit obligations	**95,309,300**	86,519,195
Less: Fair value of plan assets	-	-
	95,309,300	86,519,195

10.3 Charge for the year

	2019 (Rupees)	2018 (Rupees)
Current service cost	**23,636,279**	18,734,769
Interest cost	**5,846,804**	5,055,969
	29,483,083	23,790,738

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	Note	2019 (Rupees)	2018 (Rupees)
10.4 Movement in liability			
Balance at begining of year		**86,519,195**	76,456,869
Charge for the year		**29,483,083**	23,790,738
Benefits paid during the year		**(22,153,125)**	(13,438,734)
Unrecognised actuarial (gains) / losses		**1,460,147**	(289,678)
		95,309,300	86,519,195
10.5 Allocation of charge for the year			
Cost of sales	**26.2**	**23,126,436**	18,467,554
Distribution Cost	**27.1**	**2,805,101**	1,984,535
Administrative expenses	**28.1**	**3,551,546**	3,338,649
		29,483,083	23,790,738

10.6 Expected expense for the year

The Company expects to charges Rs. 35.901 million of profit and loss account on account of defined benefit plan gratuity for the year ending June 30, 2020.

10.7 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the report ing date, had fluctuated by 100 bps with all other variables held constant, the impact on present value of the defined benefit obligation as at June 30, 2019 would have been as follows:

	(Rupees) Gratuity	(Rupees)
	Increase /(decrease) on present value of defined benefits obligation due to	
	Increase	Decrease
Discount rate 100 bps movement	84,612,129	108,138,408
Future salary 100 bps movement	108,138,408	84,436,655

	Year	Value (Rupees)
10.8 Historical information		
Present value of defined benefit obligation	**2019**	**95,309,300**
	2018	**86,519,195**
	2017	**76,456,869**
	2016	**66,434,617**
	2015	**53,114,796**

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	Note	2019 (Rupees)	2018 (Rupees)
11 TRADE AND OTHER PAYABLES			
Creditors		**358,988,343**	431,920,049
Accrued liabilities		**154,109,519**	139,521,476
With holding tax		**13,966,049**	19,700,998
Retention money payable		**700,000**	700,000
Workers' funds	**11.1 & 11.2**	**30,882,302**	37,661,867
		558,646,213	629,504,390
11.1 Workers' funds			
Workers' profit participation fund			
Opening balance		**26,645,875**	18,185,204
Provision for the year		**7,855,480**	6,862,192
Payment during the year		**(18,185,205)**	-
Interest on funds utilized in Company's business	**31**	**2,943,037**	1,598,479
		19,259,187	26,645,875
Workers' welfare fund			
Opening balance		**11,015,992**	9,846,691
Provision for the year		**607,123**	1,169,301
		11,623,115	11,015,992
		30,882,302	37,661,867

11. 2 Mark up on Workers' Profit Participation Fund has been provided @ 11.045% per annum (2018: 8.79% per annum).

12 ACCRUED MARK-UP			
Long term financing		**13,719,107**	14,306,281
Short term borrowings		**9,096,098**	7,365,833
		22,815,205	21,672,114

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13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Repayment terms	2019 (Rupees)	2018 (Rupees)
From banking companies _ secured:						
Pre - shipment	13.1 & 13.4	**1,597**	3.00% to 13.80%	Half yearly	**1,072,681,000**	994,470,000
Post - shipment	13.2 & 13.4	**100**	8.16% to 8.89%	Half yearly	**44,975,000**	16,105,000
Running finance	13.3 & 13.4	**187,476**	8.42% to 14.96%	Half yearly	**115,062,577**	148,121,746
From related parties _ unsecured:						
Loan from directors	13.5		Interest free	On demand	**17,300,000**	12,500,000
					1,250,018,577	1,171,196,746

13.1 The Company has aggregate sanctioned limits of pre - shipment facilities amounting to Rs. 1,597.00 million. The Company has availed these limits amounting to Rs. 50.00 million from United Bank Limited, Rs. 194.681 million from Habib Bank Limited, Rs. 320 million from National Bank of Pakistan Limited and Rs. 508.00 million from Bank of Punjab.

13.2 The Company has aggregate sanctioned limit of post - shipment facility amounting to Rs. 100 million. The Company has availed limit of Rs. 44.975 million from Bank of Punjab.

13.3 The Company has aggregate sanctioned limits of running finance facilities amounting to Rs. 187.476 million. The Company has availed these limits amounting to Rs. 28.081 million from Faysal Bank Limit ed and Rs. 86.982 million from National Bank of Pakistan 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.

13.5 It represents interest free loan from directors to meet working capital requirements and repayable on demand.

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.

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.

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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.

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 Limited 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 Millions 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 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 dismiss by the Court during the year.

- Sh. Zafar Iqbal v/s. M/s Zephyr Textiles Limited. Sh. Zafar Iqbal has filed a suit for cancelation of registry with respect to the said property purchased by the Company. The case is pending for adjudication.

The Company is hopeful for settlement of the above stated suits in its favor.

14.7 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. 49.976 million (2018: Rs. 47.108 million).

14.8 Foreign bills purchased by banks amounting to Rs. 245.868 million (2018: Rs. 254.069 million).

Commitments

14.9 Contracts for capital expenditure are Rs. 2.006 million (2018: Rs. Nil million)

14.10 Letters of credit other than for capital expenditure are Rs. 27.891 million (2018: Rs. 12.944 million).

14.11 Outstanding foreign currency forward contracts of Rs. 462.227 million (2018: Rs. 244.553 million).

Notes to the Financial Statements

For the year ended June 30, 2019

15 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on freehold land	Link road	Non factory building	Plant and machinery	Furniture and fittings	Vehicles	Electrical installation	Office equipments	Total
COST										
Balance as at July 01, 2017	176,505,000	484,610,971	29,702,478	62,567,053	1,806,454,724	5,808,790	48,957,310	70,401,181	26,136,504	2,711,144,010
Additions during the year	-	-	-	-	92,132,115	1,107,333	2,591,550	164,010	1,457,963	97,452,971
Revaluation adjustment	441,000	(157,601,723)	-	16,063,041	(579,293,233)	-	-	-	-	(720,390,915)
Disposals	-	-	-	-	-	-	(687,000)	-	(173,127)	(860,127)
Balance as at June 30, 2018	176,946,000	327,009,248	29,702,478	78,630,094	1,319,293,606	6,916,123	50,861,860	70,565,191	27,421,340	2,087,345,939
Additions during the year	-	372,800	-	-	83,392,906	924,450	11,083,110	673,400	3,694,895	100,141,561
Disposals	-	-	-	-	(2,000,000)	-	(3,958,745)	-	-	(5,958,745)
Balance as at June 30, 2019	**176,946,000**	**327,382,048**	**29,702,478**	**78,630,094**	**1,400,686,512**	**7,840,573**	**57,986,225**	71,238,591	31,116,235	2,181,528,755
DEPRECIATION										
Balance as at July 01, 2017	-	92,604,762	12,235,816	40,069,392	486,744,157	3,590,487	25,791,712	40,108,650	14,469,049	715,614,023
Accumulated depreciation eliminated on disposal	-	-	-	-	-	-	(572,456)	-	(57,542)	(629,998)
Depreciation expense	-	19,600,310	873,333	2,249,766	136,712,148	263,808	4,957,721	3,036,879	1,212,866	168,906,832
Revaluation adjustment	-	(112,205,072)	-	(42,319,158)	(623,456,305)	-	-	-	-	(777,980,535)
Balance as at June 30, 2018	-	-	13,109,149	-	-	3,854,295	30,176,977	43,145,529	15,624,373	105,910,322
Accumulated depreciation eliminated on disposal	-	-	-	-	(166,667)	-	(3,349,435)	-	-	(3,516,102)
Depreciation expense	-	16,355,122	829,666	7,863,009	135,132,849	379,798	4,711,349	2,800,981	1,353,893	169,426,668
Balance as at June 30, 2019	**-**	**16,355,122**	**13,938,815**	**7,863,009**	**134,966,182**	**4,234,093**	**31,538,891**	**45,946,510**	**16,978,266**	**271,820,888**
Written down value as at June 30, 2019	**176,946,000**	**311,026,926**	**15,763,663**	**70,767,085**	**1,265,720,330**	**3,606,480**	**26,447,334**	**25,292,081**	**14,137,969**	**1,909,707,867**
Written down value as at June 30, 2018	176,946,000	327,009,248	16,593,329	78,630,094	1,319,293,606	3,061,828	20,684,883	27,419,662	11,796,967	1,981,435,617
Rate of depreciation	0%	5%	5%	10%	10%	10%	20%	10%	10%	

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15.1 Land - freehold of the Company is located at Bhai Pheru and Jumber, Punjab, Pakistan, with an area of 96 kanals and 9.988 acres. Details of factory and residential buildings of the company constructed on this land are as follows:

Location	Particulars	Covered area Sqft
Weaving Unit, Bhai Pheru	Industrial: Lintals, pre stress, TR girder, power house/chiller area, looms shed, production area and godowns.	409,326
	Non - industrial: Senior staff residential flats, labour colony, office block, canteen and baths.	
Towel Unit, Jumber	Industrial: Lintals, pre stress, TR girder, stitching & dyeing hall, godown hall, store, workshop and shed.	110,318
	Non - industrial: Office block, canteen and rooms.	

15.2 The basis used for the revaluation of land - freehold, buildings on freehold land, non factory building and plant and machinery were as follows:

Land - freehold

Fair market rate of the land was assessed through inquiries in the vicinity of land and information obtained through property owners of the area.

Buildings on freehold land and non factory building

New construction value (new replacement value of each item of the buildings) was arrived at by looking at the condition of the buildings. Valuer has noted the type of construction and current construction status and then worked out the current cost of the like construction and have determined the ageing effect on the super structure and applied cost on sqft, basis as depreciated value.

Plant and machinery

For the valuation of the plant and machinery a depreciation factory of 5% and appreciation factor of 4% applied due to inflation in prices of imported as well as local machinery. Value of plant and machinery assessed on lump sum basis.

15.3 Forced sale value

The forced sale value of the revalued land - freehold has been assessed at Rs. 150.404 million, buildings (buildings on freehold land and non factory building) Rs. 365.075 million and plant and machinery has been assessed at Rs.1.055 billion.

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		Note	2019 (Rupees)	2018 (Rupees)
15.4	**Depreciation for the year has been allocated as under :**			
	Cost of sales	**26**	**162,981,628**	162,472,437
	Distribution cost	**27**	**3,222,520**	3,217,198
	Administrative expenses	**28**	**3,222,520**	3,217,198
			169,426,668	168,906,832

15.5 Land - freehold, buildings on freehold land, non factory building and plant and machinery represents values subsequent to revaluation as at June 30, 2019. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2019 would have been as follows:

	Cost as at June 30, 2019	Accumulated depreciation as at June 30, 2019	Book value as at June 30, 2019	Book value as at June 30, 2018
Land - freehold	**106,864,276**	**-**	**106,864,276**	106,864,276
Buildings on freehold land	**375,086,869**	**178,822,124**	**196,264,745**	206,594,468
Non factory building	**62,567,053**	**44,343,942**	**18,223,111**	20,247,901
Plant and machinery	**2,296,075,188**	**1,347,848,965**	**948,226,223**	1,058,055,195
	2,840,593,386	**1,571,015,031**	**1,269,578,355**	1,391,761,840

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15.6 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
Vehicle						
Hyundai Shehzore Pickup LES - 09 - 1956	874,940	96,881	350,000	253,119	Negotiation	Mr. Nasir Khan s/o Ahsan Khan, House # 07, Block # 07, Sector B-1, Township, Lahore.
Suzuki Cultus LEB - 14 - 7254	1,093,635	348,408	540,210	191,802	Negotiation	Mr. Amjad Javed s/o Muhammad Ashraf, Daak Khana Chak # 87/15 L, Chak 86/15 L, Tehsil Mian Channo, Khanewal.
Honda City LEF - 1736	1,030,235	115,230	750,000	634,770	Insurance Claim	Jubilee General Insurance Company Limited, 1 Captain Anwaar-ul-Haq (shaheed) Montgomery Road, Lahore.
Honda City LWH - 1134	959,935	48,792	412,000	363,208	Negotiation	Mr. Mubashir Younas s/o Muhammad Younas, House # 309-B, Mohalla Al Hamd Colony, Iqbal Town, Lahore.
Plant and Machinery						
Tsudakoma Air Jet Looms (4)	2,000,000	1,833,333	800,000	(1,033,333)	Negotiation	M/S Hashtex, F - 549, Near Central Ware House, S.H.E. Area, Karachi.
2019	**5,958,745**	**2,442,644**	**2,852,210**	**409,566**		
2018	860,127	230,128	438,000	207,872		

	Note	2019 (Rupees)	2018 (Rupees)
16 CAPITAL WORK IN PROGRESS			
Plant and machinery		**17,272,641**	-
Building		**13,802,742**	-
	16.1	**31,075,383**	-

16.1 Movement in the account is as follows

Opening balance as at July 01,	-	9,701,776
Addition made during the year		
- Plant and machinery	**60,868,758**	36,437,628
- Building	**13,802,742**	193,475
	74,671,500	36,631,103
Capitalized during the year:		
- Plant and machinery	**43,596,117**	46,139,404
- Building	**-**	193,475
	43,596,117	46,332,879
	31,075,383	-

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Notes to the Financial Statements

For the year ended June 30, 2019

		Note	2019 (Rupees)	2018 (Rupees)
17	**LONG TERM DEPOSITS**			
	Security deposits - WAPDA		**9,230,022**	9,230,022
	Security deposits - OTHERS		**13,228,479**	13,268,579
			22,458,501	22,498,601
18	**STOCK IN TRADE**			
	Raw material		**231,185,931**	171,084,033
	Work in process		**119,369,187**	138,176,521
	Finished goods		**564,063,316**	760,315,911
			914,618,433	1,069,576,465

18.1 Finished goods includes stock in transit amounting to Rs. 61.217 million (2018: Rs. 17.947 million).

18.2 Finished goods includes stock held by third parties amounting to Rs. 21.932 million (2018: Rs. 54.677 million).

19	**TRADE DEBTS**			
	Considered good			
	Export - secured against letters of credit		**86,014,359**	116,896,987
	Local - Unsecured		**626,447,602**	541,707,799
	Considered doubtful			
	Local - Unsecured		**5,575,951**	-
	Less: provision for expected credit loss		**(5,575,951)**	-
			712,461,961	658,604,786
20	**LOANS AND ADVANCES**			
	Considered good:			
	Loan due from employees - interest free		**23,633,468**	17,682,585
	Advances to:			
	Suppliers		**31,938,818**	15,886,630
	Suppliers against letters of credit		**44,926,060**	2,396,245
			100,498,346	35,965,460
21	**TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES**			
	Prepayments		**4,298,648**	3,006,297
	Advance income tax		**27,902,037**	25,468,253
	Margin deposits		**470,995**	546,688
	Sales tax refundable		**153,319,916**	138,655,940
	Export rebate receivable		**27,167,570**	21,065,655
			213,159,166	188,742,833
22	**OTHER RECEIVABLES**			
	Other receivables		**126,766,078**	117,887,501
			126,766,078	117,887,501

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23 SHORT TERM INVESTMENTS

	Note	2019 Number of shares/ units	2018	2019 (Rupees)	2018 (Rupees)
Investment in Funds	**23.1**				
Atlas Money Market Fund		**644**	10	**323,894**	5,225
Faysal Money Market Fund		**598**	518	**60,803**	55,221
		1,242	528	**384,697**	60,446
Investments at fair value through profit or loss - listed securities					
Pak Electron Limited		**944**	944	**18,899**	33,475
JS Growth Fund Limited		**37,132**	37,132	**450,410**	450,410
Attock Refinery Limited		**13**	11	**1,005**	2,368
Samba Bank Limited		**24,500**	24,500	**134,505**	187,425
		62,589	62,587	**604,819**	673,678
		63,831	63,115	**989,516**	734,124

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.

24 CASH AND BANK BALANCES

	Note	2019 (Rupees)	2018 (Rupees)
Cash in hand		**1,504,691**	560,601
Cash at banks			
- current accounts	**24.1**	**53,442,056**	27,837,840
- saving account	**24.2**	**18,868**	18,868
Cash at banks - foreign currency		**656,098**	573,244
		55,621,713	28,990,553

24.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 3,140,295 (2018: Rs. 444,196).

24.2 The balance in saving account carry rate of profit @ 7.40% (2018: 4%).

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25 SALES - NET

	Note	2019 (Rupees)	2018 (Rupees)
Gross local sales		**2,700,065,391**	2,594,287,855
Sales tax		**(5,605,018)**	(17,994,919)
Net local sales		**2,694,460,373**	2,576,292,936
Export		**2,386,002,007**	1,586,040,529
Total sales		**5,080,462,380**	4,162,333,465
Export rebate		**103,098,339**	150,807,212
Commission and claims		**(79,007,514)**	(53,172,196)
Trade discount		**(13,413,783)**	(7,651,046)
		5,091,139,422	4,252,317,435

26 COST OF SALES

Raw material consumed	**26.1**	**2,642,076,580**	2,348,707,370
Stores, spare parts and lose tools consumed		**115,126,018**	92,295,710
Packing, sizing and lubricants consumed		**345,297,658**	278,759,312
Fuel and power		**480,889,362**	488,968,965
Salaries, wages and other benefits	**26.2**	**355,857,299**	326,603,361
Processing charges		**200,502,911**	198,212,579
Insurance		**9,788,154**	7,112,822
Repairs and maintenance		**10,508,133**	8,318,976
Traveling and conveyance		**4,098,029**	3,050,699
Depreciation	**15.4**	**162,981,628**	162,472,437
Other production overheads		**25,209,680**	18,548,646
		4,352,335,452	3,933,050,877
Adjustment of work-in-process			
Opening stock		**138,176,521**	143,175,972
Closing stock		**(119,369,187)**	(138,176,521)
		18,807,335	4,999,451
		4,371,142,787	3,938,050,328
Adjustment of finished goods and waste			
Opening stock		**760,315,911**	609,111,463
Closing stock		**(564,063,316)**	(760,315,911)
		196,252,595	(151,204,448)
		4,567,395,382	3,786,845,880

26.1 Raw material consumed

Opening stock	**171,084,033**	152,611,487
Purchases	**2,703,942,033**	2,362,975,073
Return / discount on purchases	**(18,178,952)**	(8,844,304)
	2,685,763,081	2,354,130,769
Freight	**16,415,397**	13,049,147
	2,873,262,511	2,519,791,403
Closing stock	**(231,185,931)**	(171,084,033)
	2,642,076,580	2,348,707,370

26.2 This includes employee benefits amounting to Rs. 23.126 million (2018: Rs. 18.468 million).

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		Note	2019 (Rupees)	2018 (Rupees)
27	**DISTRIBUTION COST**			
	Salaries, wages and other benefits	27.1	**18,929,980**	14,757,893
	Traveling and conveyance		**2,363,968**	1,582,489
	Sales promotion		**3,718,530**	2,280,879
	Communication		**6,969,109**	6,022,005
	Vehicles running and maintenance		**1,195,949**	916,966
	Freight		**86,208,681**	60,904,214
	Clearing and forwarding		**6,975,781**	4,880,677
	Depreciation	15.4	**3,222,520**	3,217,198
	Others		**10,651,943**	6,751,443
			140,236,463	101,313,764

27.1 This includes employee benefits amounting to Rs. 2.805 million (2018: Rs. 1.985 million).

28	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		**6,000,000**	6,000,000
	Salaries and other benefits	28.1	**31,594,595**	28,607,833
	Traveling and conveyance		**10,691,784**	8,128,201
	Rent, rates and taxes		**5,441,805**	5,276,177
	Printing and stationery		**2,238,496**	1,698,793
	Communication		**2,316,541**	2,265,432
	Vehicle running and maintenance		**3,718,861**	3,483,263
	Repairs and maintenance		**2,492,167**	854,302
	Auditors' remuneration	28.2	**954,250**	880,000
	Fee and subscription		**2,363,353**	1,883,508
	Legal and professional		**3,260,980**	2,215,850
	Electricity, gas and water		**3,209,769**	2,500,099
	Insurance		**1,040,299**	1,125,626
	Advertisement		**280,700**	32,250
	Depreciation	15.4	**3,222,520**	3,217,198
	Provision for expected credit loss		**5,575,951**	-
	Others		**602,703**	510,138
			85,004,774	68,678,670

28.1 This includes employee benefits amounting to Rs. 3.552 million (2018: Rs. 3.339 million).

28.2 Auditors' remuneration

Audit fee	**726,000**	660,000
Half yearly review	**137,500**	137,500
Code of corporate governance review	**90,750**	82,500
	954,250	880,000

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Notes to the Financial Statements

For the year ended June 30, 2019

		Note	2019 (Rupees)	2018 (Rupees)
29	**OTHER OPERATING EXPENSES**			
	Exchange loss		**1,279,993**	3,262,036
	Provision for workers' profit participation fund		**7,855,480**	6,862,192
	Provision for workers' welfare fund		**607,123**	1,169,301
	Loss on investments at fair value		**70,399**	427,313
	Others		**1,448**	-
			9,814,443	11,720,841
30	**OTHER INCOME**			
	Income from financial assets			
	Dividend income		**19,770**	110,715
	Profit on bank deposits		**395**	685
	Gain on sale of investments		**-**	261,782
	Income from non financial assets			
	Gain on disposal of property, plant and equipment	**15.6**	**409,566**	207,872
	Other Income - fair price shop		**190,821**	-
	Others		**3,700,607**	2,829,379
			4,321,159	3,410,433
31	**FINANCE COST**			
	Mark-up on long term financing		**33,776,836**	34,245,359
	Mark-up on short term borrowings		**79,101,634**	59,646,225
	Interest on Workers' Profit Participation Fund	**11.1**	**2,943,037**	1,598,479
	Bank charges and others		**18,196,726**	13,626,995
	Unwinding of discount		**10,344,282**	48,839,314
			144,362,515	157,956,372
32	**TAXATION**			
	Provision for taxation- current		**41,073,574**	35,799,029
	Deferred taxation		**(10,265,039)**	(9,761,513)
			30,808,535	26,037,516

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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.

32.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made during the current and preceding financial years mainly represent either alternative corporate tax or minimum tax payable under section 113.

	Note	2019 (Rupees)	2018 (Rupees)
33 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earnings attributable to ordinary shareholders		**117,838,469**	103,174,825
Weighted average number of ordinary shares	**6**	**59,428,729**	59,428,729
		1.98	1.74

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

34 CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		**148,647,004**	129,212,341
Adjustments for:			
Depreciation on property, plant and equipment	**15.4**	**169,426,668**	168,906,832
Provision for expected credit loss		**5,575,951**	-
Loss/ (gain) on disposal property, plant and equipment		**(409,566)**	(207,872)
Gain on sale of investments		**-**	(261,782)
Dividend income		**(19,770)**	(110,715)
Staff retirement benefits - gratuity		**29,483,083**	23,790,738
Provision for WPPF & WWF		**8,462,603**	8,031,492
Interest on Workers' Profit Participation Fund		**2,943,037**	1,598,479
Unwinding of discount		**10,344,282**	48,839,314
Finance cost		**131,075,196**	107,518,579
Profit before working capital changes		**505,528,488**	487,317,407
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**(6,210,779)**	31,280,720
Stock in trade		**154,958,032**	(164,677,543)
Trade debts		**(59,433,126)**	(308,362,939)
Loans and advances		**(64,532,886)**	(2,684,984)
Other receivables		**(8,878,577)**	(84,123,895)
Trade deposits, prepayments and balances with statutory authorities		**(21,982,549)**	5,069,939
Increase / (decrease) in current liabilities			
Trade and other payables		**(64,078,612)**	281,063,343
Contract liabilities		**3,902,029**	5,957,694
Payment of workers' profit participation fund		**(18,185,205)**	-
Net changes in working capital		**(84,441,673)**	(236,477,665)
		421,086,815	250,839,742

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35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non mark-up bearing		TOTAL 2019	TOTAL 2018
	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	-	-	-	22,458,501	22,458,501	22,498,601
Trade Debts	-	-	712,461,961	-	712,461,961	658,604,786
Loans and advances	-	-	23,633,468	-	23,633,468	17,682,585
Trade deposits	-	-	470,995	-	470,995	546,688
Cash and bank balances	674,966	-	54,946,747	-	55,621,713	28,990,553
- At fair value through profit or loss						
Investments	989,516	-	-	-	989,516	734,124
	1,664,482	-	791,513,171	22,458,501	815,636,154	729,057,337
Financial Liabilities						
- At amortized cost						
Long term financing	167,010,393	304,818,570	-	-	471,828,963	581,129,686
Trade and other payables	-	-	558,646,213	-	558,646,213	629,504,390
Accrued mark-up	-	-	22,815,205	-	22,815,205	21,672,114
Short term borrowings	1,250,018,577	-	-	-	1,250,018,577	1,171,196,746
Unclaimed Dividend	-	-	659,831	-	659,831	425,102
	1,417,028,970	304,818,570	582,121,249	-	2,303,968,789	2,403,928,038
On balance sheet gap	(1,415,364,488)	(304,818,570)	209,391,922	22,458,501	(1,488,332,635)	(1,674,870,701)

Off balance sheet items

Bills discounted with recourse	**245,867,524**	254,069,289
Bank guarantees issued in the ordinary course of business	**49,976,000**	47,108,000
Letters of credit	**29,897,045**	12,943,850

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36 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing	5.00% to 12.99% (2018: 5.00% to 7.50%) per annum
Short term borrowings	3.00% to 14.96% (2018: 3.00% to 9.36%) 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. 815.636 million (2018: Rs. 729.057 million), the financial assets that are subject to credit risk amounted to Rs. 759.025 million (2018: Rs. 699.333 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:

	2019 (Rupees)	2018 (Rupees)
Long term deposits	**22,458,501**	22,498,601
Trade debts	**712,461,961**	658,604,786
Loans and advances	**23,633,468**	17,682,585
Trade deposits and other receivables	**470,995**	546,688
Bank balances	**54,117,022**	28,429,952
	813,141,947	727,762,612

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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+	A-1+
	JCR-VIS	AA+	A-1+
Askari Bank Limited	PACRA	AA+	A-1+
Faysal Bank Limited	PACRA	AA	A-1+
	JCR-VIS	AA	A-1+
Meezan Bank Limited	JCR-VIS	AA+	A-1+
MCB Bank Limited	PACRA	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A-1+
National Bank of Pakistan	PACRA	AAA	A-1+
	JCR-VIS	AAA	A-1+
Silk Bank Limited	JCR-VIS	A-	A-2
SME Bank Limited	PACRA	CCC	B
Bank of Punjab	PACRA	AA	A-1+
United Bank Limited	JCR-VIS	AAA	A-1+
Soneri Bank Limited	PACRA	AA-	A-1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Allied Bank Limited	PACRA	AAA	A-1+
Bank Al Habib Limited	PACRA	AA+	A-1+

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.

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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:

	2019 (Rupees)	2018 (Rupees)
Foreign debtors	**86,014,359**	116,896,987
Foreign currency bank account	**656,098**	573,244
Gross balance sheet exposure	**86,670,457**	117,470,231
Letters of credit	**29,897,045**	12,943,850
	116,567,502	130,414,081

	Average rate		Reporting date rate	
	2019	2018	**2019**	2018
Rupees per USD	**137.08**	110.63	**164.50**	121.60
Rupees per Euro	**156.40**	132.09	**186.99**	141.57
Rupees per GBP	**176.93**	149.30	**208.45**	159.41

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-19		30-Jun-18	
	% Change (+ -)	**Impact (+ -)**	% Change (+ -)	Impact (+ -)
Effect on profit or loss				
USD	10	**1,745,977**	10	5,946,069
Euro	10	**8,590,793**	10	2,023,599
Pound Sterling	10	**-**	10	3,264,856

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:

	2019	2018	2019	2018
	Effective interest rate %		Carrying value in Rupees	
Long term financing	**5.00% to 12.99%**	5.00% to 7.50%	**471,828,963**	581,129,686
Short term financing	**3.00% to 14.96%**	3.00% to 9.36%	**1,250,018,577**	1,171,196,746

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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 2019.

	Profit and loss 100 BPS	
	Increase	decrease
As at 30 June 2019		
Cash flow sensitivity-Variable rate financial liabilities	**17,218,475**	**(17,218,475)**
As at 30 June 2018		
Cash flow sensitivity-Variable rate financial liabilities	17,523,264	(17,523,264)

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

	2019 (Rupees)	2018 (Rupees)
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	**674,111,059**	601,034,141
Past due 30-150 days	**38,350,902**	47,878,393
Past due 150 days	**5,575,951**	9,692,252
Less: provision for expected credit loss	**(5,575,951)**	-
	712,461,961	658,604,786

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.

The salient information relating to capital risk management of the Company as of June 30, 2019 and June 30, 2018 were as follows:

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	2019 (Rupees)	2018 (Rupees)
Total borrowings	**1,721,847,540**	1,752,326,432
Cash and bank balances	**(55,621,713)**	(28,990,553)
	1,666,225,827	1,723,335,879
Total equity	**1,627,402,850**	1,540,738,893
	3,293,628,677	3,264,074,772
Gearing ratio %	**50.59**	52.80

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	**2,000,000**	**2,000,000**	**3,878,904**	2,000,000	2,000,000	1,280,000
House rent allowance	**800,000**	**800,000**	**1,551,562**	800,000	800,000	512,000
Utilities	**200,000**	**200,000**	**387,890**	200,000	200,000	128,000
	3,000,000	**3,000,000**	**5,818,356**	3,000,000	3,000,000	1,920,000
No. of persons	**1**	**1**	**3**	1	1	1

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.

38 TRANSACTIONS WITH RELATED PARTIES

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

39 ENTITY-WIDE INFORMATION

39.1 The Company markets and sells fabric and towel. Breakdown of net revenues for both the products of the Company is as follows:

	2019 (Rupees)	2018 (Rupees)
Fabric	**2,226,132,992**	2,275,299,672
Towel	**2,854,329,388**	1,887,033,793
	5,080,462,380	4,162,333,465

39.2 Major export sales are made to Italy, Belgium, Greece and Germany which represents 75% of total export sales (2018: 69.02%).

39.3 All the non-current assets of the Company are located in Pakistan.

39.4 The Company's customer base is diverse with no single customer accounting for more than 35% of net revenue.

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40 PLANT CAPACITY AND PRODUCTION

	2019 (Rupees)	2018 (Rupees)
Greige fabric unit		
No. of looms installed	**199**	203
No. of looms worked	**199**	203
Shifts per day	**3**	3
No. of days actually worked	**365**	365
Installed capacity (square meters in millions @ 50 picks)	**84.62**	85.73
Actual production (square meters in millions @ 50 picks)	**73.11**	67.76
Towel unit		
No. of looms installed	**45**	45
No. of looms worked	**45**	45
Shifts per day	**3**	3
No. of days actually worked	**365**	365
Installed capacity (Tons)	**4,835**	4,835
Actual production (Tons)	**4,238**	3,818
Towel dyeing and processing unit		
Installed capacity (Tons)	**5,700**	5,700
Actual production (Tons)	**3,802**	3,515

40.1 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.

40.2 Difference is due to the supply demand situation in the market.

41 NUMBER OF EMPLOYEES

Number of employees as on June 30,	**1128**	1101
Average number of employees during the year	**1122**	1090
Employees working in the Company's factory at the year end	**1059**	1031
Average employees working in Company's factory during the year	**1052**	1023

42 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on September 27, 2019 has proposed cash dividend of Rs. 29.714 million (2018: 29.714 million) at Rs. 0.5 per ordinary share of Rs. 10 each for the year ended June 30, 2019 subject to the approval of shareholders in the Annual General Meeting to be held on October 28, 2019. These financial statements do not reflect these appropriations.

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Notes to the Financial Statements

For the year ended June 30, 2019

43 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 27, 2019.

44 FIGURES

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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معزز اراکین،

آپ کی کمپنی کے ڈائریکٹرز راہِ مسرت 30 جون 2019 کو اختتام پذیر مدت کے لئے آڈیٹرز کی غیر جانب دار رپورٹ کے ہمراہ پڑتال شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

کاروباری جائزہ

کاروبار کی کارکردگی

کمپنی نے 5.091 بلین روپے کی فروخت ریکارڈ کی جو گذشتہ برس 4.252 بلین روپے فروخت سے 20 فی صد زائد ہے۔ کمپنی نے یہ ہدف مقامی اور بین الاقوامی منڈیوں میں مربوط مارکیٹنگ حکمت عملی کے ذریعے حاصل کیا۔ برآمدات کی فروخت بھی گذشتہ برس 1,676.03 ملین روپے کے مقابلہ میں رواں برس 43 فی صد کے حساب سے 2,396.68 ملین روپے بڑھی۔ موجودہ سال کے لئے مجموعی منافع گذشتہ برس 465.472 ملین روپے کے مقابلہ میں 523.744 ملین روپے رہا۔ برآمداتی فروخت میں اضافہ اور افراط زر کے اثرات کی وجہ سے تقسیمی اور انتظامی لاگت گذشتہ برس کے مقابلہ میں زیادہ رہی۔ اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود میں اضافہ کے باوجود قرضوں پر لاگت 8.61 فی صد کم ہوئی۔ کیونکہ انتظامیہ نے کم ترین ممکنہ شرح پر کم از کم لاگت کے ساتھ فنڈز کے مؤثر پورٹ فولیو کا اطلاق کیا۔

کمپنی نے بہت مشکل قومی اور بین الاقوامی کاروباری ماحول میں گذشتہ برس 103.175 ملین روپے کے مقابلہ میں 117.838 ملین روپے علاوہ ٹیکس منافع حاصل کیا۔

تفصیل	2019	2018	فی صد اضافہ
خالص فروخت	5,091,139,422	4,252,317,435	19.73
مجموعی منافع	523,744,040	465,471,555	12.52
ای بی آئی ٹی ڈی اے	318,073,672	298,119,173	6.69
فرسودگی	169,426,668	168,906,832	0.31
مالیاتی لاگت	144,362,515	157,956,372	(8.61)
منافع بمعہ ٹیکس	148,647,004	129,212,341	15.04
منافع علاوہ ٹیکس	117,838,469	103,174,825	14.21
فی حصص آمدنی	1.98	1.74	14.21

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سرمایہ داری اخراجات

کمپنی متوازن جدت اور تبدیلی کی اہمیت کو تسلیم کرتی ہے اور موجودہ اور نئے منصوبوں میں باقاعدہ سرمایہ کاری کرتی ہے۔ زیر جائزہ مدت میں کمپنی نے 131.26 ملین روپے کی سرمایہ کاری کی ہے

ورکنگ کیپٹل مینجمنٹ

کمپنی کی لیکویڈٹی صورت حال مستحکم ہے۔ کمپنی نے زیر جائزہ سال کے دوران ورکنگ کیپٹل کی ضروریات کو سمارٹ ورکنگ کیپٹل مینجمنٹ کے تحت منظّم کیا ہے۔ آئندہ سال میں کمپنی کو اپنی فروخت کا ہدف حاصل کرنے کے لئے مزید ورکنگ کیپٹل کی ضرورت ہے۔

سرمایہ داری ڈھانچہ

کمپنی کا مالیاتی توازن اور گیرنگ تناسب قرضوں کی دستیاب سہولت کے بہتر اور مؤثر استعمال کی وجہ سے دن بدن بہتر ہو رہا ہے۔ انتظامیہ کے پاس بی ایم آر پلان ہے اور آئندہ سالوں میں نئے پروجیکٹ ملنے کی توقع ہے۔ لہٰذا مالیاتی توازن میں دستیاب جگہ کے مطابق کمپنی مزید ایل ٹی ٹی ایف قرض حاصل کرنے کا ارادہ رکھتی ہے۔

تخصیصات

بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو اختتام پذیر سال کے لئے 0.50 روپے فی حصص (5 فی صد) حتمی نقد منافع منقسمہ ادا کرنے کی سفارش کی ہے۔ (2018: 0.50 روپے)۔ منافع کی مزید تخصیص موجود نہیں ہے۔

فی حصص آمدنی

کمپنی کی فی حصص آمدنی گذشتہ سال میں 1.74 روپے کے مقابلہ میں رواں سال 1.98 روپے رہی۔

صنعتی جائزہ

مالیاتی سال 2019-2018 مختلف وجوہات کی بنا پر ٹیکسٹائل شعبہ پر بھاری رہا۔ یہ شعبہ کئی مشکلات کا شکار ہے جس کی وجہ سے آئندہ برس نمو میں کمی واقع ہوسکتی ہے۔ سیلز ٹیکس ری فنڈ ادائیگیوں میں تاخیر، ڈیوٹی سے متعلقہ مراعات کی ادائیگی، ٹیکسٹائل سیکٹر کے لئے برآمدی رعایت کی ادائیگی کی وجہ سے سب سے اہم مسئلہ لیکویڈٹی ہے۔ فنانس بل 2020-2019 کے ذریعے ایس آر او 1125 کو ختم کرنے کے بعد برآمدی شعبہ کے سیلز ٹیکس ریفنڈز میں بھاری اضافہ ہوا ہے۔ یہ صورت حال برقرار رہنے کی وجہ سے ٹیکسٹائل کا شعبہ بری طرح متاثر ہوگا لہٰذا اس مسئلہ کا تدارک فوری ہونا چاہئے۔

بین الاقوامی منڈی میں مقابلہ کے لئے ٹیکسٹائل شعبہ میں رعایتی نرخوں پر گیس اور بجلی کی فراہمی بھی ایک مسئلہ ہے۔ 6.5 ڈالر فی ایم ایم بی ٹی یو کی کم ترین قیمت پر آر ایل این جی کی فراہمی سے متعلق حکومتی اقدام پنجاب میں واقع صنعت کے لئے نجات دہندہ ثابت ہوگا لیکن اس صورت حال کے برقرار رہنے کی توقع نہ ہے۔ جی آئی ڈی سی کی طرح کے کچھ معاملات معزز عدالتوں میں زیر التوا ہیں جو اس شعبہ کی نمو پر منفی اثرات مرتب کر سکتے ہیں۔

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کاروباری خدشات اور غیر یقینی

کسی بھی کاروبار میں خطرات اور غیر یقینی کا عنصر غالب رہتا ہے لیکن صرف وہی کاروبار قائم و برقرار رہتا ہے جس پر مناسب انداز میں توجہ دی جائے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے کمپنی کو ممکنہ طور پر لاحق داخلی اور خارجی خطرات پر جامع حکمت عملی اپنائی ہے جس کے چیدہ چیدہ نکات حسب ذیل ہیں:

- قومی اور بین الاقوامی سطح پر مقابلہ بازی کے لئے ٹیکنالوجی میں ترقی کمپنی کیلئے ایک بڑا چیلنج ہے۔
- تجارتی محاذ آرائی، مغربی معیشتوں کی سست روی اور عالمی اور مقامی سطح پر بڑھتا ہوا مقابلہ فروخت پر اثر انداز ہو رہا ہے۔
- کرنسی میں عدم استحکام، روپے کی بتدریج بے قدری، برآمدی خام مال، مشینری اور ان کے پرزہ جات کو مزید مہنگا کرنا۔ بجلی/گیس کی قیمتوں اور تنخواہوں میں اضافہ اور مہنگائی کے مجموعی اثرات کی وجہ سے مینوفیکچرنگ کی لاگت میں اضافہ کا رجحان۔
- شرح سود میں اضافہ کی وجہ سے قرضوں کی لاگت میں اضافہ۔
- پانچ برآمداتی شعبوں سے زیرو ریٹنگ کی سہولت واپس لیے جانے کی وجہ سے مقامی فروخت پر مرتب ہونے والے منفی اثرات اور کاروباری افعال کے لیے اضافی سرمائے کا بوجھ۔

کاروباری سماجی ذمہ داری

ماحولیاتی اور سماجی ذمہ داری کمپنی کی ساکھ کی عکاسی کرتی ہے کیونکہ مالیاتی کارکردگی اور کاروباری، سماجی و ماحولیاتی ذمہ داری میں ایک یکسانیت موجود ہے۔ سماجی و ماحولیاتی ذمہ داری میں مندرجہ ذیل شامل ہیں:

- کمیونٹی سرمایہ کاری اور فلاح و بہبود کی سکیمیں۔
- ماحولیاتی تحفظ سے متعلق اقدامات۔
- پیشہ ورانہ حفظان صحت۔
- کاروباری اخلاقیات اور انسداد بددیانتی اقدامات۔
- توانائی کی بچت۔
- صنعتی تعلقات۔
- قومی خزانہ میں حصہ۔
- صارفین کے لئے تحفظاتی اقدامات۔

کارپوریٹ شہری کی حیثیت سے ہمارا کردار اپنے صارفین کے اطمینان اور اپنے حصص داران کے لئے منافع حاصل کرنے کے لئے انتہائی اہم ہے۔ ہم اپنے سٹیک ہولڈرز کی بہتری اور خوشحالی کے لئے پرعزم ہیں۔ انتظامیہ کام کی جگہ پر محفوظ اور صحت مند ماحول فراہم کرنے کے لئے کوشاں ہے۔ جو ہمارے ملازمین، وینڈرز، ٹھیکے داران، سپلائرز اور صارفین کے لئے محفوظ اور صحت مند ماحول فراہم کرتا ہے۔

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کارپوریٹ گورننس

بورڈ آف ڈائریکٹرز

درج ذیل افراد دوبارہ کمپنی کے ڈائریکٹر منتخب ہو گئے ہیں۔

.1	محترم مساعد حنیف	ایگزیکٹو ڈائریکٹر / سی ای او
.2	محترم برہان محمد خان	ایگزیکٹو ڈائریکٹر
.3	محترم رانا کمال الدین	نان ایگزیکٹو / خود مختار ڈائریکٹر
.4	محترمہ تہنیت مساعد	نان ایگزیکٹو ڈائریکٹر / چیئرپرسن
.5	محترمہ صباح برہان	نان ایگزیکٹو ڈائریکٹر
.6	محترمہ نزہت کامران	نان ایگزیکٹو / خود مختار ڈائریکٹر
.7	محترمہ سارہ نیوی والا	نان ایگزیکٹو ڈائریکٹر

ڈائریکٹرز کے لیے تربیتی پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں سات ڈائریکٹرز شامل ہیں۔ جن میں سے درج ذیل چار ڈائریکٹرز نے ایک مقامی ادارے کی طرف سے پیش کردہ ڈائریکٹرز تربیتی پروگرام کے تحت سرٹیفیکٹ حاصل کیے ہیں۔ جو کہ سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان "**ایس ای سی پی**" کے مقررہ کردہ میعار کے مطابق ہیں۔

- محترمہ تہنیت مساعد
- محترمہ صباح برہان
- محترمہ سارہ نیوی والا
- محترمہ نزہت کامران

جبکہ باقی تین ڈائریکٹرز ایس ای سی پی میں یا تو ایک اقرار نامہ کے ذریعے استثنیٰ کی درخواست دیں گے یا مقررہ مدت سے پہلے تربیتی سرٹیفیکٹ حاصل کریں گے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

ہم اچھی کارپوریٹ انتظامیہ کے قائل ہیں اور پاکستان سٹاک ایکسچینج کے کوڈ آف گورننس کی فہرست میں شامل قواعد (سی سی جی 2017) کی تعمیل کرتے ہیں۔ سی سی جی کی تعمیل کا گوشوارہ لف ہے۔

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بورڈ کمیٹیز

آڈٹ کی کمیٹی

یہ آڈٹ کمیٹی تین نان ایگزیکٹو ارکان پر مشتمل ہے۔ کمیٹی کی چیئرپرسن ایک خود مختار ڈائریکٹر ہے۔ یہ آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کے فیصلے کی تعمیل میں اپنے فرائض سرانجام دے رہی ہے۔ جائزہ کے تحت سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد کئے گئے۔ اور حاضری کی حثیت مندرجہ ذیل ہے۔

نام	عہدہ	اجلاسوں میں شرکت کی
محترمہ نزہت کامران	چیئرپرسن / رُکن	4
محترمہ تہنیت مساعد	رُکن	4
محترم رانا کمال الدین	رُکن	4

افرادی قوت اور اجرت کی کمیٹی

افرادی قوت اور اجرت کی کمیٹی تین ارکان پر مشتمل ہے۔ جن میں سے دو نان ایگزیکٹو ڈائریکٹرز ہیں۔ اور چیئرپرسن خود مختار ڈائریکٹر ہے۔ یہ افرادی قوت اور آڈٹ کی کمیٹی بورڈ آف ڈائریکٹرز کے فیصلے کی تعمیل میں اپنے فرائض سرانجام دے رہی ہے۔ جائزہ کے تحت سال دوران افرادی قوت اور اجرت کی کمیٹی کا صرف ایک اجلاس منعقد کیا گیا تھا اور حاضری کی حیثیت مندرجہ زیل ہے۔

نام	عہدہ	اجلاسوں میں شرکت کی
محترمہ نزہت کامران	چیئرپرسن / رُکن	1
محترم برہان محمد خان	رُکن	1
محترمہ صباح برہان	رُکن	1

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بورڈ کے ڈائریکٹرز کے اجلاس

جائزہ کے تحت سال کے دوران کمیٹی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کئے گئے تھے۔ اور حاضری کی حیثیت مندرجہ ذیل ہے۔

نمبر شمار	ڈائریکٹرز کے نام	اجلاسوں میں شرکت کی
.1	محترم مساعد حنیف	4
.2	محترم برہان محمد خان	4
.3	محترم رانا کمال الدین	4
.4	محترمہ نزہت کامران	4
.5	محترمہ تہنیت مساعد	4
.6	محترمہ صباح برہان	4
.7	محترمہ سارہ نیوی والا	2

ڈائریکٹر کا بیان

کوڈ آف کارپوریٹ گورننس کی تعمیل میں ہم مندرجہ ذیل کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پیش کر رہے ہیں:

1. فنانشل سٹیٹمنٹ کمپنی کی انتظامیہ نے تیار کی ہے۔ کمپنی کے معاملات، عملی کارکردگی کے نتائج، کیش فلو اور ایکوئٹی میں تبدیلی کو خوش اسلوبی سے پیش کیا گیا ہے۔
2. کمپنی کے حسابات کی کتابیں حسب ضابطہ رکھی گئیں ہیں۔
3. مناسب مالی اکاؤنٹنگ پالیسیوں کو گوشواروں اور اکاؤنٹ سٹیٹمنٹس کی تیاری کے لیے صحیح طور پر استعمال کیا گیا ہے۔
4. پاکستان میں لاگو بین الاقوامی رپورٹنگ معیار کی تقلید کی گئی ہے۔ اور اس سے ہٹ کر کچھ ہوا ہے تو اسے ظاہر کیا گیا ہے۔
5. کمپنی کے داخلی کنٹرول نظام کا ڈیزائن مستحکم ہے اور یہ مؤثر انداز میں مناسب نگرانی کے ساتھ لاگو ہوا ہے۔
6. کمپنی کے کاروبار کو جاری رکھنے کی صلاحیت شک وشبہ سے بالاتر ہے۔
7. کارپوریٹ گورننس کے اصولوں کے منافی کوئی اقدام نہیں کیا گیا ہے۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز مسیرز اظہر، ظفر اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے 30 جون 2019 کو ختم ہونے والے مالی سال کا آڈٹ مکمل کر کے ایک غیر قابل تجدید آڈٹ رپورٹ جاری کر دی ہے۔ کمپنی کے سالانہ عام اجلاس کے بعد موجودہ آڈیٹرز ریٹائر ہو جائیں گے۔ اور انہوں نے 30 جون 2020 تک ختم ہونے والے سال کے لیے خود بخود دوبارہ پیشکش کر دی ہے۔

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اعتراف

بورڈ اپنے شیئر ہولڈرز، بنکوں اور مالیاتی اداروں کا تہہ دل سے شکر گزار ہے۔ جن کے مسلسل تعاون اور کوششوں کی وجہ سے کمپنی مسلسل بہتری کی جانب گامزن ہے۔ جائزہ کے تحت مدت کے دوران کمپنی انتظامیہ اور ملازمین کے درمیان تعلقات سنجیدہ رہے۔ اور ہم کمپنی کے ملازمین اور کارکنان کے صبر، ہمدردی اور خدمات کا برملا اعتراف کرنا چاہیں گے۔

محترم برہان محمد خان
ڈائریکٹر

محترم مساعد حنیف
چیف ایگزیکٹو
لاہور
27 ستمبر، 2019

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عزیز حصص داران

بورڈ آف ڈائریکٹرز کی جانب سے میں بمسرت اپنے ادارے کے سالانہ مالیاتی نتائج پیش کر رہی ہوں۔ میں بورڈ کی جانب سے اس امتحان کے وقت میں انتظامیہ کو پالیسی ڈائریکشن فراہم کرنے اور پھر پور تعاون کیلئے ان تھک کاوشوں کو مزید نمایاں کرنا چاہوں گی۔

میں انتظامیہ کی سخت محنت اور لگن کے اعتراف سے آغاز کروں گی جس نے کمپنی کو مشکل حالات میں کامیابی کی راہ پر گامزن رکھا۔ ایسے وقت میں جب کہ ہماری صنعت سے گہری معاشی وابستگی رکھنے والے اکثر شعبے حقیقت میں ایک مقام پر رُک گئے تھے، ان کے مقابلے میں آپ کی کمپنی کی کارکردگی بہت مستحکم رہی۔ ہم نے اپنے معزز حصص داران کو حتمی منافع کی صورت میں مناسب آمدنی کی فراہمی کا سلسلہ جاری رکھا۔

بورڈ کی کارکردگی

گزشتہ بورڈ کی مدت 16 اگست 2018 کو ختم ہوگئی تھی۔ اور نیا بورڈ 3 سال کی مدت کیلئے منتخب کیا گیا تھا۔ جس کی مدت 16 اگست 2021 کو پوری ہورہی ہے ۔ بورڈ آف ڈائریکٹرز 7 ڈائریکٹرز پر مشتمل ہے ۔

بورڈ نے اپنے فرائض اور ذمہ داریاں احسن طریقے سے نبھائیں اور حکمت عملی کے معاملات میں کمپنی کی موثر رہنمائی کی۔ بورڈ نے انتظامیہ کی کارکردگی کو مانیٹر کرنے اور بڑے خدشات کے حصوں کی نشاندہی کرنے میں بھی اہم کردار ادا کیا۔ بورڈ حکمت عملی کی پلاننگ کے طریقہء کار اور کمپنی کے وژن کو بڑھانے کے سلسلے میں بھی پوری طرح شامل رہا۔

بورڈ تسلیم کرتا ہے کہ نہایت منظم کارپوریٹ گورننس پر عمل درآمد مجموعی احتساب کے عمل میں اضافہ کیلئے کتنا اہم ہے اور کارپوریٹ گورننس کے اعلی معیارات کو یقینی بنانے سے اسٹیک ہولڈرز کی قدر و منزلت برقرار رکھنے میں مدد ملتی ہے۔ تمام ڈائریکٹرز بشمول خود مختار ڈائریکٹرز نے بورڈ کی فیصلہ سازی کے عمل میں پوری طرح اور بڑھ چڑھ کر حصہ لیا۔

آپ کی کمپنی کی چیئرپرسن کی حیثیت سے میں بورڈ کی قیادت کرنے اور کھلے دل سے تعمیری بحث و مباحثہ کے کلچر کو پروان چڑھانے کی ذمہ داری ادا کرتی رہوں گی جس میں سب کی رائے سنی جائے اور اس بات کو یقینی بنایا جائے گا کہ بورڈ سینئر انتظامیہ کی مناسب تعداد کے ساتھ گفت و شنید کی جائے۔ میں اس بات کیلئے پوری طرح پر عزم ہوں کہ آپ کی کمپنی میں یقینی طور پر تمام متعلقہ قواعد و ضوابط کی پیروی کی جاتی ہے اور انتظامیہ ایسے فیصلے کرتی رہے گی جو مختصر، درمیانی اور طویل مدت میں آپ کی قدر میں اضافہ کا باعث ہوں۔

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اس سال کے دوران بورڈ نے سفارشات کے ساتھ کچھ دوسری چیزوں کی بھی منظوری دی۔

- روٹین بی۔ ایم۔آر؛
- بجٹ؛
- سہ ماہی اور سالانہ مالیاتی گوشوارے؛
- انٹرنل آڈٹ اور آڈٹ کمیٹی کی رپورٹ اور نتائج؛
- بیرونی آڈیٹرز کی تقرری؛ اور
- منافع اور ڈبلیو۔پی۔پی۔ایف کی تقسیم

اِس کے مطابق، بورڈ نے سال 2019 کے لیے اپنی خود تشخیص مکمل کی اور مجھے سال 2019 کے لیے مقرر کردہ معیار کی بنیاد پر مجموعی کارکردگی کی اطمینان بخش رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

A. Musaid

محترمہ تہنیت مساعد
چیئرپرسن

لاہور
27 ستمبر 2019

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ZEPHYR TEXTILES LIMITED

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

PROXY FORM

I/ We, _____

Of _____

Being a member of ZEPHYR TEXTILES 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 Annual General Meeting of the company held at its Registered Office, 3rd Floor IEP Building 97-B/D-1, Gulberg III, Lahore on October 28, 2019 at 10:30 AM and at every adornments thereof.

As witnessed given under my / our hand (s) this _____ day of _____ 2019.

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 #, | | | | | | | | | | | | | |

Notes:

1. Proxies, in order to effective, must be reached at the Company's Registered Office, not less than 48 hours the time of holding the meeting and must be duly stamped, signed and witnessed.
2. CDC shareholders, entitled to attend and vote at this meeting, must bring with them their National identity card / passport in original to prove his / her identity, and in case of proxy, must enclosed an attested copies of his/her NIC or passport. Representative of Corporate members should bring the usual documents required for such purpose.

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زیفر ٹیکسٹائلز لمیٹڈ

پراکسی فارم

میں/ہم مسمی/مسماۃ ---------- ساکن ---------- ضلع ----------
بحیثیت ممبر کمپنی، مسمی /مسماہ ---------- ساکن ---------- کمپنی ممبر یا اسکی عدم موجودگی کی صورت میں
مسمی/مسماۃ ---------- ساکن ---------- کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا/ کرتی ہوں تا کہ وہ میری/ہماری جگہ اور میری /ہماری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ 28 اکتوبر 2019 بوقت صبح 10:30 کمپنی کے رجسٹرڈ آفس تیسری منزل IEP بلڈنگ 97-B/D-1 گلبرگ لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے.

دستخط بتاریخ ---------- دن ---------- 2019

گواہ کے کوائف

دستخط: ----------

نام: ----------

پتہ: ----------

کمپیوٹرائزڈ قومی شناختی کارڈ کا نمبر: ----------

فولیو نمبر: ----------

سی ڈی سی کھاتہ نمبر: ----------

حصص کی تعداد: ----------

دستخط: ----------

(دستخط کمپنی میں موجود رجسٹرڈ دستخط کے مطابق ہونے چاہیے)

اہم:

پراکسی فارم کمپنی کے رجسٹرڈ آفس لاہور میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے قبل جمع کرانا لازمی ہے. بصورت دیگر وہ قابل قبول نہ ہوگا.

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