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Company Information

Board of Directors:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Arbab Muhammad Khan Mr. Gauhar Abdul Hai Mr. Manzar ul Islam Ms. Tehniyat Mussaid Ms. Sabah Burhan	Chairman / Chief Executive Officer
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Audit Committee:	Ms. Tehniyat Mussaid Mr. Arbab Muhammad Khan Ms. Sabah Burhan	Chairperson / Member Member Member
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Company Secretary:	Mr. Naveed Aleem
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Chief Financial Officer:	Mr. Gauhar Abdul Hai
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Auditors:	Anjum Asim Shahid Rahman Chartered Accountants
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Bankers to the Company:	Habib Bank Limited National Bank of Pakistan The Bank of Punjab United Bank Limited Allied Bank Limited Faysal Bank Limited NIB Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited Standard Chartered Bank
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Legal Advisor:	Cornelius Lane & Mufti Advocate and Solicitors Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah Road, Lahore - 54000, Pakistan
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Share Registrar:	THK Associates (Pvt) Limited Ground Floor, State Life Building No. 3 Dr. Zia-ud-Din Ahmed Road, Karachi UAN: 021-111-000-322 Fax: 021 - 35655595
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Registered & Head Office:	3rd Floor IEP Building, 97 B/D-1, Gulberg III, Lahore. Phone : 042 35782905-15 Fax : 042 35753202
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Mills:	Weaving Unit 1 Km, Balloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512010
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Towel Unit	63 km, Gulshan Adda, Jumber Khurd, District Kasur.
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Notice of Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the shareholders of Zephyr Textiles Limited will be held at the Registered Office of the Company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on October 31, 2011, Monday at 11:00 AM to transact the following business:

1. To confirm the minutes of the 12th Annual General Meeting dated October 31, 2010.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2011 together with the Directors' and Auditor's report thereon.
3. To approve dividend as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration. The present Auditors M/S Anjum Asim Shahid Rahman, 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

Lahore:
October 9, 2011

Naveed Aleem
Company Secretary

NOTES:

1. Share transfer books of the company will remain closed from October 25, 2011 to October 31, 2011 (both days inclusive) and no transfer will be accepted during this period.
2. A Shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the registered office of the company, duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDC for verification. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
4. In case of proxy for and individual beneficial owner of CDC attested copies of beneficial owner's NIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to notify and change in their addresses immediately.

Directors' Report

On behalf of the Board of directors, I am pleased to welcome you to the 13th Annual General Meeting of the company and place before you the audited financial statements and Auditors' report for the year ended June 30, 2011.

General market scenario and future prospects

Worldwide businesses were adversely affected by global economic recession in financial year 2008-2009 and there has been some recovery of economies from the recession in financial year 2009-2010, however, its effect is still far from over. Besides global recession, textile sector in particular facing extremely tough challenges like raw material shortages, rising energy costs, increasing prices of imported inputs, prolonged power cuts and higher inflation. These factors are posing serious threats to textile sector in coming periods. On these fronts the situation is expected to remain uncertain in the future.

Although the company has become profitable in the year under review, the impact of rising input costs has forced the company to implement better cash collection strategy to cope with its liquidity/working capital requirements. The increased costs severely affected the competitiveness in the international as well as local market. The profitably picture does not truly reflect the underlying cash flow crisis. The uncertain gas/electricity situation, which is now three days a week, has led to heavy production losses. The silver lining is that in spite of being cash strapped the production facilities have worked at full capacity all the time. Another positive sign is the reasonable reduction in financial costs despite rising interest rates. Your company was able to reduce its debt by Rs. 149 million during the year under review. This in the face of tight cash flow, and rising costs, is a considerable achievement. However if conditions stay the same there is a good possibility that the current profitability will continue into the coming financial year.

Operational review

Presently the manufacturing facilities of the company are comprised of 253 weaving machines along with towel processing unit and 1152 two for one twisters. These facilities are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels.

The towel manufacturing unit alongwith complete finishing process is operational at 75% efficiency and we are targeting our sales to prominent European and American retailers. Currently our production line is for mid to higher end products.

Operating financial results

The operating financial results of the company for the year ended June 30, 2011 are as under:

	June 30, 2011 Rupees	June 30, 2010 Rupees
Sales	3,573,504,799	2,663,771,335
Gross Profit	423,507,215	247,934,138
Operating Profit for the year	331,857,962	220,675,701
Financial charges	217,026,636	280,054,361
Profit/(Loss) for the year before taxation	114,831,326	(59,378,660)
Taxation current	26,183,370	3,774,924
Profit/(Loss) for the year after taxation	88,647,956	(63,153,584)

The company has registered net sales of Rs. 3,573.505 million (2010: Rs. 2,663.771 million) which is increased by 34.15% against corresponding year. The gross profit of Rs. 423.507 million (2010: Rs. 247.934 million) depicts increase of 70.81%. The operating profit of Rs. 331.858 million (2010: Rs. 220.676 million) shows an increase of about 50.4%. The company has earned before tax profit of Rs. 114.831 million (2010: Loss of Rs. 59.378 million). The net Profit for the year after providing taxation is Rs. 88.648 million (2010: Loss of Rs. 63.153 million).

The significant increase in gross profit and net profit is mainly attributable to better sales mix of products, increase in sale prices, improved capacity utilization in terry towels and effective cost curtailment measures. The significant increase in sales is in line with the company's commitment to year on year growth trend in sales together with the increase in sales prices.

Earning Per Share

The Earning Per Share of the company stands at Rs. 1.49 (2010: Loss Per Share Rs. 1.06).

Qualification in Auditors report to the Members

The auditors in para (a) to their report to the members have drawn attention that The Bank of Punjab has filed a suit against the Company for recovery of its financing and mark up aggregating Rs.494,400,675 whereas the liabilities recorded in the Company's books against the above account is Rs.485,145,080, which is being contested by the Company and the Company has not provided any markup / cost of funds on the outstanding amount as also stated in notes 8.4 and 14.11 to the accounts. Based on the legal opinion, the company feels that, after institution of the suit, a financial institution is only entitled to cost of funds if so awarded by the court in case the suit is decided against the company. The levy of cost of funds and the quantum thereof shall be contingent on passing of the decree and rate prescribed by the State Bank of Pakistan during the period of pendency of the claim and discharge of decree, if passed by the Bank Court.

Appropriation of Profit

The profit for the year has been appropriated as under:-

	June 30, 2011 Rupees	June 30, 2010 Rupees
Profit/(Loss) for the year before taxation	114,831,326	(59,378,660)
Taxation	26,183,370	(3,774,924)
Profit/(Loss) for the year after taxation	88,647,956	(63,153,584)
Accumulated loss brought forward	(302,633,449)	(263,638,177)
Accumulated loss carried forward	(192,134,103)	(302,633,449)

Marketing strategy

The manufacturing facilities of the company are running at about 95% efficiency and are capable of producing wide range of apparel, home furnishing fabrics and towels. The management is making efforts to capture new export market of apparel, home furnishing fabrics and towels by targeting our sales to prominent European and American retailers. The recent devaluation of Pak rupees gives competitive edge to us against the neighboring countries. This has created a opportunity and market for the Pakistani weavers and we see a growing demand for towels in near future.

Restructuring/rescheduling of credit facilities

The company has already finalized restructuring/rescheduling of certain portion of its liabilities with its lenders and is in negotiation with other lenders for settlement/adjustment of loans through personal properties of the sponsoring directors to facilitate the cash flow of the company. Consequent to the revised agreed terms with its lenders the company has made payment of Rs. 149 million towards its liabilities during the year under review. Furthermore, another amount of Rs. 105 million has already been paid to the lenders of the company during first quarter ended September 30, 2011 of financial year 2011-12. The management is confident that upon maturity of offered settlement plans to its lenders the company will be able to attain satisfactory level of viability.

Board of directors

Following are the directors of the company elected in the elections held on August 16, 2009 for the period of three years in accordance with the provisions of the Companies Ordinance, 1984:

1.	Mr. Mussaid Hanif	Chairman and Chief Executive
2.	Mr. Burhan Muhammad Khan	Director
3.	Mr. Arbab Muhammad Khan	Director
4.	Mr. Gauhar Abdul Hai	Director
5.	Mr. Manzar Ul Islam	Director
6.	Ms. Tehniyat Mussaid	Director
7.	Ms. Sabah Burhan	Director

Compliance of Corporate and Financial Reporting Framework

The Company complies with the requirements of best practices of Corporate and Financial Reporting Framework. In order to protect and enhance the long term value of shareholders, the Board is responsible for overall Corporate Governance of the company including approving strategic policies and decision, capital expenditures, appointing, removing and creating succession policies. In compliance with Code of Corporate Governance following statements are given for corporate and financial reporting framework:

- a) The financial statements, prepared by the management of the company, present fairly and accurately its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and there has been no departure therefrom.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. Ongoing review will continue in future for further improvement in controls.
- f) Without qualifying their report to members the Auditors have drawn attention to note 1.2 to the accounts which indicates that the company has accumulated losses of Rs. 192.134 million as of June 30, 2011 and as of that date company's current liabilities exceeded its current assets by Rs. 844.469 million. These accounts have been prepared on going concern basis since the management is of the view that there are no significant doubts upon the company's ability to continue as a going concern on the ground that the company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up for this purpose and bringing its liability to serviceable levels. It is pertinent to mention here that the company has earned profit after taxation of Rs. 88.648 million during the year under review. The company has already finalized restructuring/rescheduling of certain portion of long term loans with its lenders and is in negotiation with other lenders for settlement/adjustment of long term loans through personal properties of the sponsoring directors to facilitate the cash flow of the company. The management is confident that upon maturity of offered settlement plans to its lenders the company will be able to attain satisfactory level of viability.
- g) There has been no material departure from the best practices of corporate governance.
- h) Key operating and financial data of last six years is annexed herewith.

Board Meetings

During the year under review, in aggregate 4 meetings of the Board of Directors were held and the attendance of the directors was as under:-

Name of Directors	Meetings attended
Mr. Mussaid Hanif	4
Mr. Burhan Muhammad Khan	4
Mr. Arbab Muhammad Khan	4
Mr. Gauhar Abdul Hai	4
Mr. Manzar Ul Islam	3
Ms. Tehniyat Mussaid	3
Ms. Sabah Burhan	3

Pattern of Shareholding

The statement of shareholding of the company as on June 30, 2011 is annexed with this report. This statement is in compliance with the requirement of the Code of Corporate Governance and the Companies Ordinance, 1984.

Dividend

The Board of Directors has recommended dividend @ Rs. 1 per share i.e. 10% (2010: Rs. Nil i.e. Nil%) for the year ended June 30, 2011. The directors of the company have waived their right to receive this dividend.

Audit Committee

The committee comprises of 3 members of whom 2 are non-executive directors. The names of its members are given in Company Information. The committee meets at least every quarter for review of audit report, interim and annual financial results prior to the approval of the Board.

Auditors

The present Auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible offer themselves for reappointment as Auditors of the company for the year ending June 30, 2012.

Acknowledgement

Finally the directors would like to extend there gratitude to the employees of the company for their team work, commitments, integrity and professionalism in trying to achieve the targets of the company.

For and on behalf of the Board of Directors



MUSSAID HANIF
Chief Executive

Lahore
September 30, 2011

Key Operating and Financial Data of Last Six Years

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
PROFIT AND LOSS						
Sales	3,573,505	2,663,771	2,601,772	2,621,107	2,689,532	1,556,113
Gross Profit	423,507	247,934	274,640	246,051	277,058	215,912
Operating Profit plus other income	331,858	220,676	197,598	161,095	212,863	167,133
Financial & Other charges	217,027	280,054	353,589	346,093	196,660	111,766
Taxation	26,183	3,775	(4,994)	13,161	13,563	9,333
Net Profit after tax	88,648	(63,154)	(150,997)	(198,159)	2,640	46,034
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	(192,134)	(302,633)	(263,638)	(139,168)	58,991	56,350
Surplus on revaluation of fixed assets	260,174	292,733	316,891	343,419	-	-
Net worth	662,327	584,387	647,540	798,537	653,278	650,637
Long Term Liabilities	262,255	459,893	694,155	683,069	721,330	755,933
Deferred liabilities	131,124	139,156	149,118	159,646	9,380	5,012
Current Liabilities	2,139,020	2,136,492	1,837,373	1,905,319	1,676,626	1,153,050
Total Liabilities	2,532,399	2,735,541	2,680,646	2,748,033	2,407,336	1,913,995
Total Equity & Liabilities	3,194,726	3,319,928	3,328,186	3,546,570	3,060,614	2,564,632
Fixed Assets	1,897,172	1,972,805	2,129,639	2,275,204	1,752,408	1,622,115
Long Term Deposits	3,004	3,066	2,712	5,009	3,053	4,605
Current Assets	1,294,551	1,344,057	1,195,835	1,266,356	1,305,153	937,912
Total Assets	3,194,727	3,319,928	3,328,186	3,546,570	3,060,614	2,564,632
INVESTOR INFORMATION						
Break up value per share (Rs.)	11.14	9.83	10.90	13.44	10.99	10.95
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	-
Earning Per Share (Rs.)	1.49	(1.06)	(2.54)	(3.33)	0.04	0.78
Return on Equity (%)	13.38	(10.81)	(23.32)	(24.82)	0.40	7.08
Return on Assets (%)	2.77	(1.90)	(4.54)	(5.59)	0.09	1.79
FINANCIAL RATIOS						
Gross Margin (%)	11.85	9.31	10.56	9.39	10.30	13.88
Net Margin (%)	2.48	(2.37)	(5.80)	(7.56)	0.10	2.96
Current Ratio	0.61	0.63	0.65	0.66	0.78	0.81
Leverage	3.06	3.80	3.53	2.93	3.34	2.70
Long Term Debt : Equity	54:46	58:42	54:46	51:49	59:41	54:46

Horizontal Analysis

(Rupees in Millions)

	2011	Variance vs Last Year Increase/ (Decrease)%	2010	Variance vs Last Year Increase/ (Decrease)%	2009	Variance vs Last Year Increase/ (Decrease)%	2008
Operating Results							
Sales - net	3,573.50	34.15	2,663.77	2.38	2,601.77	(0.74)	2,621.11
Cost of sales	3,150.00	30.39	2,415.84	3.81	2,327.13	(2.02)	2,375.06
Gross Profit	423.51	70.81	247.93	(9.72)	274.64	11.62	246.05
Distribution cost	63.27	13.14	55.92	(25.03)	74.59	9.87	67.89
Administrative expenses	31.00	(1.92)	31.60	(0.31)	31.70	32.15	23.99
Other operating expenses	10.27	247.35	2.96	(63.50)	8.10	(5.73)	8.59
Financial cost	217.03	(22.51)	280.05	(20.80)	353.59	2.17	346.09
Other operating income	12.89	(79.62)	63.22	69.26	37.35	140.68	15.52
Profit/(Loss) before taxation	114.83	293.39	(59.38)	61.93	(155.99)	15.68	(185.00)
Provision for taxation	26.18	593.61	3.77	175.58	(4.99)	(137.95)	13.16
Profit/(Loss) for the year	88.65	240.37	(63.15)	58.18	(151.00)	23.80	(198.16)
Balance Sheet							
NON-CURRENT ASSETS							
Property, plant and equipment	1,817.84	(7.80)	1,971.66	(7.32)	2,127.46	(6.17)	2,267.26
Capital work in progress	79.33	6,798.18	1.15	(47.17)	2.18	(72.61)	7.95
Long term deposits	3.00	(2.02)	3.07	(51.72)	6.35	26.78	5.01
TOTAL NON-CURRENT ASSETS	1,900.18	(3.83)	1,975.87	(7.50)	2,135.99	(6.33)	2,280.21
CURRENT ASSETS							
Stores, spare parts and loose tools	71.33	(0.83)	71.93	41.97	50.67	11.73	45.35
Stock in trade	670.97	6.96	627.30	3.11	608.40	(9.58)	672.85
Trade debts	299.84	(5.50)	317.27	11.88	283.58	(9.46)	313.23
Loans and advances	60.37	(64.68)	170.91	60.72	106.34	(16.09)	126.74
Trade deposits and short term prepayments	82.27	11.17	74.01	5.97	69.84	19.03	58.67
Other receivables	28.70	(59.98)	71.72	83.65	39.05	18.76	32.88
Investments	59.32	1,911.49	2.95	(45.27)	5.39	(61.99)	14.18
Cash and bank balances	21.74	172.85	7.97	(72.45)	28.92	1073.64	2.46
TOTAL CURRENT ASSETS	1,294.55	(3.68)	1,344.06	12.74	1,192.20	(5.86)	1,292.82
TOTAL ASSETS	3,194.73	(3.77)	3,319.93	(0.25)	3,328.19	(6.16)	3,573.03
CURRENT LIABILITIES							
Trade and other payables	249.27	(33.50)	374.84	52.54	245.73	(2.15)	251.13
Accrued mark-up	219.92	56.57	140.46	(18.27)	171.85	155.66	67.22
Short term borrowings	1,138.42	(11.32)	1,283.69	(2.82)	1,320.88	(8.46)	1,442.97
Current portion of long term financing	553.36	63.96	337.50	241.20	98.92	(31.31)	144.00
TOTAL CURRENT LIABILITIES	2,160.98	1.15	2,136.49	16.28	1,837.37	(3.57)	1,905.32
WORKING CAPITAL	(866.42)	9.34	(792.44)	22.82	(645.18)	0.97	(612.50)
TOTAL CAPITAL EMPLOYED	1,033.75	(12.65)	1,183.44	(20.62)	1,490.81	9.17	1,667.71
NON-CURRENT LIABILITIES							
Long term financing	240.30	(47.75)	459.89	(33.75)	694.15	1.79	681.95
Liabilities against assets subject to finance lease	-	-	-	-	-	(100.00)	1.12
Deferred liabilities	131.12	(5.77)	139.16	(6.68)	149.12	(6.59)	159.65
TOTAL NON-CURRENT LIABILITIES	371.42	(38.00)	599.05	(28.96)	843.27	0.07	842.71
NET WORTH	662.33	13.34	584.39	(9.75)	647.54	(18.91)	825.00
NET WORTH REPRESENTED BY							
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29
Accumulated loss	(192.13)	(36.51)	(302.63)	14.79	(263.64)	89.44	(139.17)
Surplus on revaluation of property, plant and equipment	260.17	(11.12)	292.73	(7.62)	316.89	(7.72)	343.42
TOTAL LIABILITIES	3,194.73	(3.77)	3,319.93	(0.25)	3,328.19	(6.16)	3,546.57

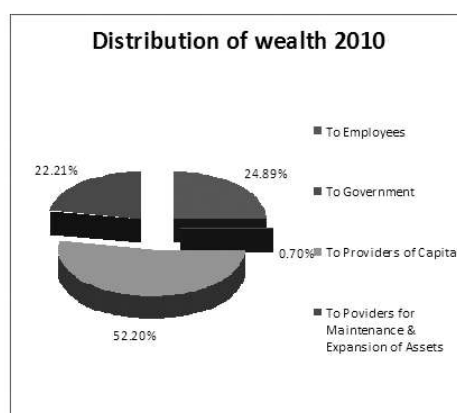
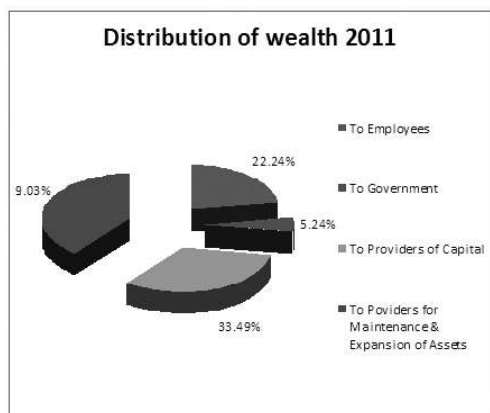
Vertical Analysis

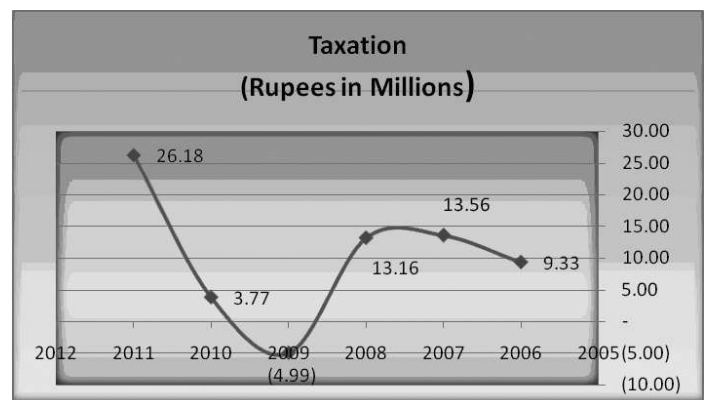
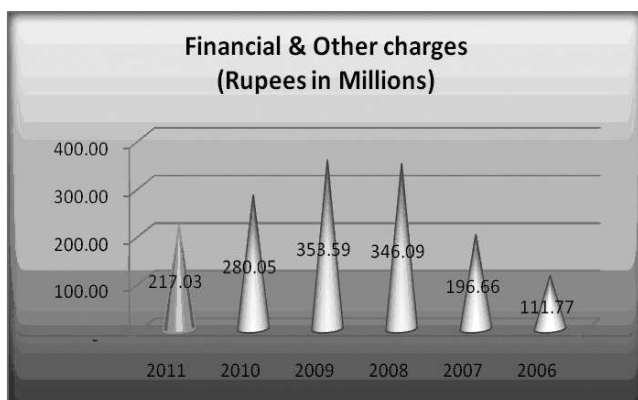
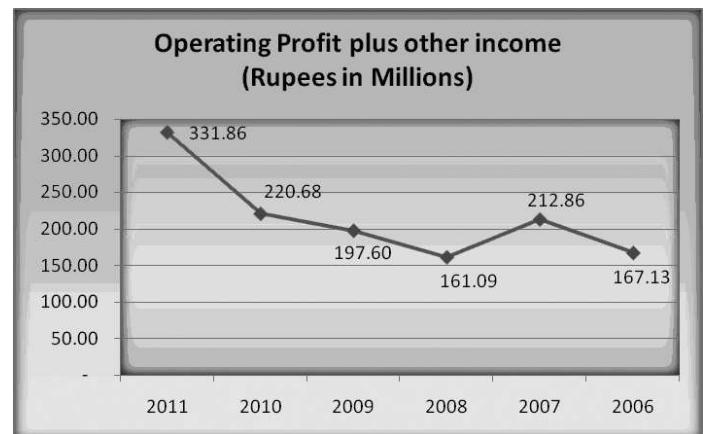
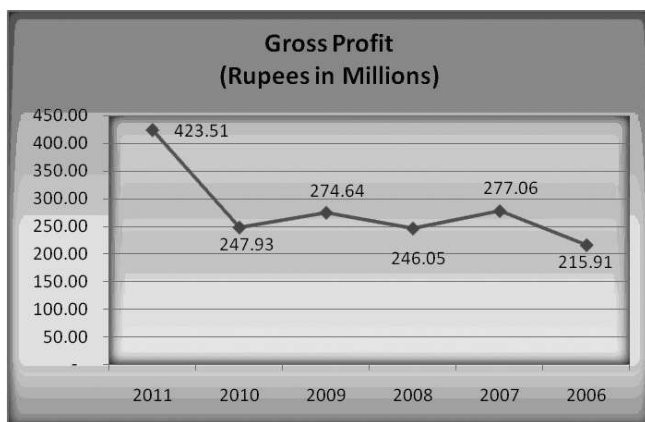
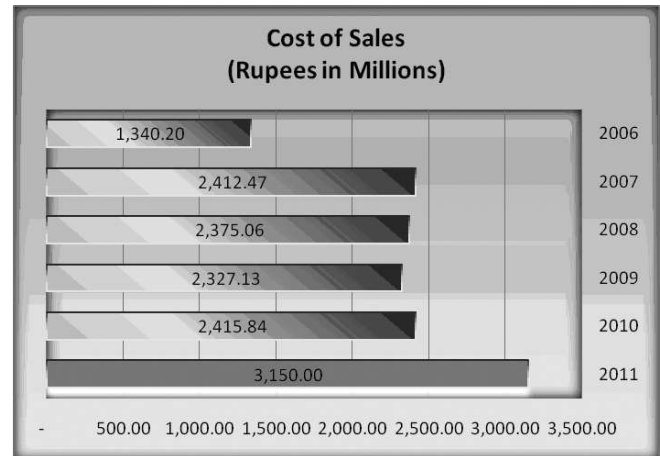
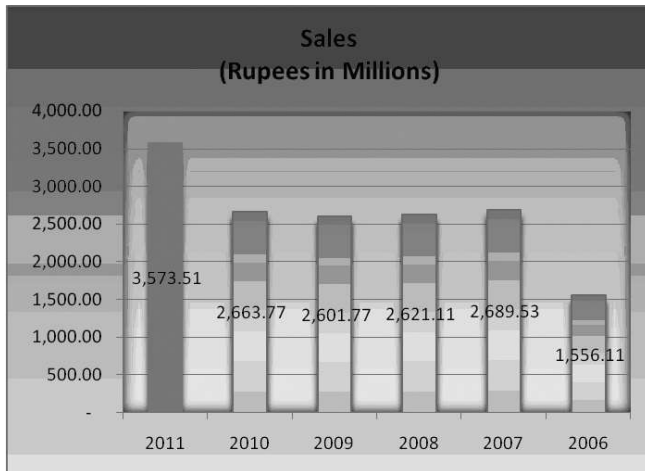
(Rupees in Millions)

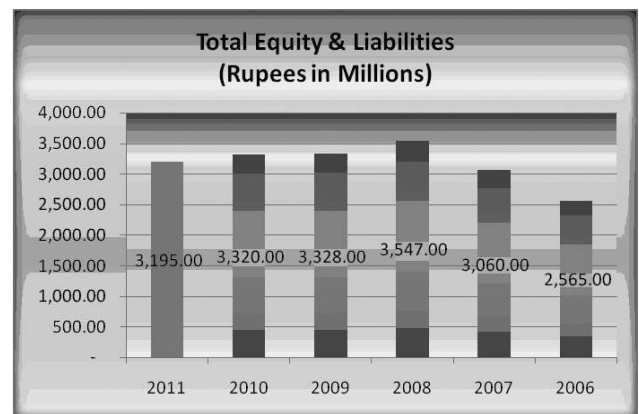
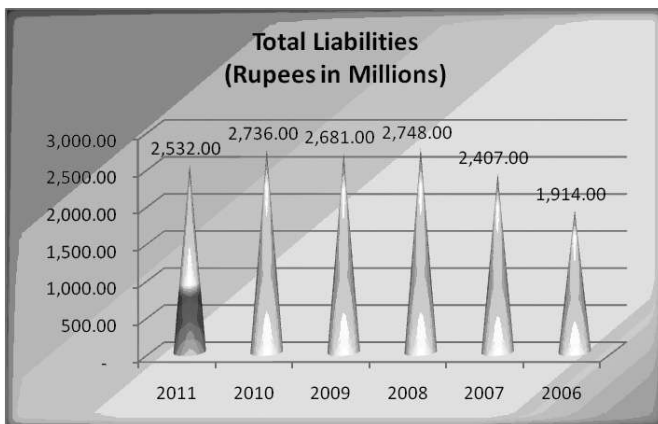
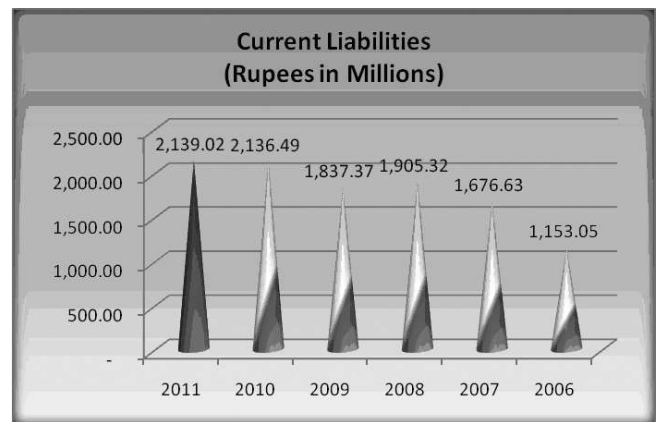
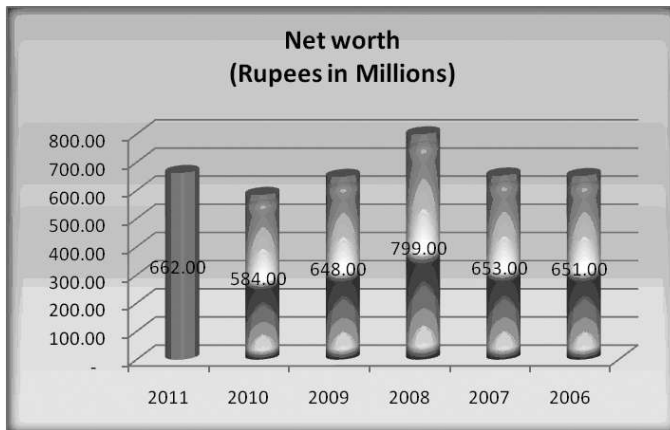
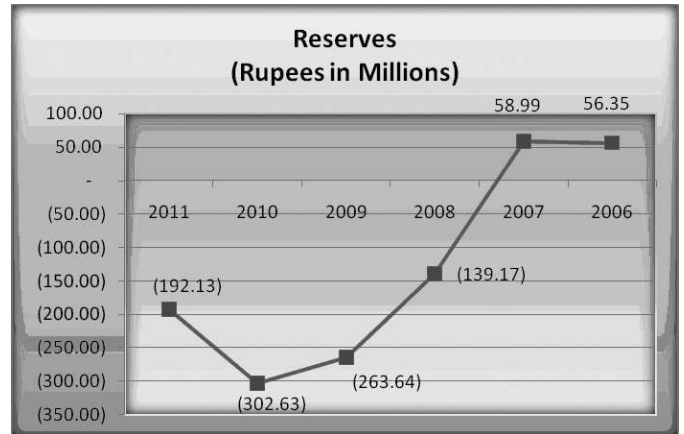
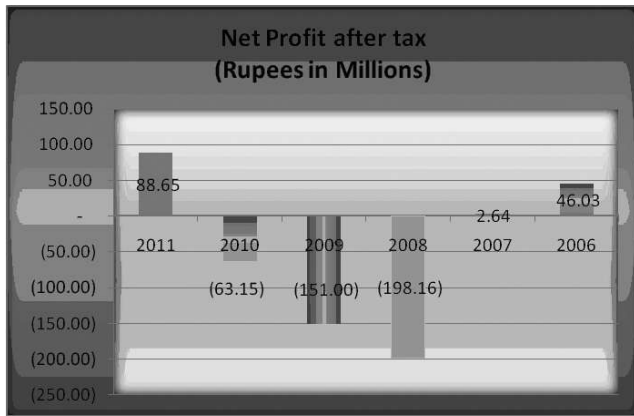
	2011	%	2010	%	2009	%
Operating Results						
Sales - net	3,573.50	100.00	2,663.77	100.00	2,601.77	100.00
Cost of sales	3,150.00	88.15	2,415.84	90.69	2,327.13	89.44
Gross Profit	423.51	11.85	247.93	9.31	274.64	10.56
Distribution cost	63.27	1.77	55.92	2.10	74.59	2.87
Administrative expenses	31.00	0.87	31.60	1.19	31.70	1.22
Other operating expenses	10.27	0.29	2.96	0.11	8.10	0.31
Financial cost	217.03	6.07	280.05	10.51	353.59	13.59
Other operating income	12.89	0.36	63.22	2.37	37.35	1.44
Profit/(Loss) before taxation	114.83	3.21	(59.38)	(2.23)	(155.99)	(6.00)
Provision for taxation	26.18	0.73	3.77	0.14	(4.99)	(0.19)
Profit/(Loss) for the year	88.65	2.48	(63.15)	(2.37)	(151.00)	(5.80)
Balance Sheet						
NON-CURRENT ASSETS						
Property, plant and equipment	1,817.84	56.90	1,971.66	59.39	2,127.46	63.92
Capital work in progress	79.33	2.48	1.15	0.03	2.18	0.07
Long term deposits	3.00	0.09	3.07	0.09	6.35	0.19
TOTAL NON-CURRENT ASSETS	1,900.18	59.48	1,975.87	59.52	2,135.99	64.18
CURRENT ASSETS						
Stores, spare parts and loose tools	71.33	2.23	71.93	2.17	50.67	1.52
Stock in trade	670.97	21.00	627.30	18.89	608.40	18.28
Trade debts	299.84	9.39	317.27	9.56	283.58	8.52
Loans and advances	60.37	1.89	170.91	5.15	106.34	3.20
Trade deposits and short term prepayments	82.27	2.58	74.01	2.23	69.84	2.10
Other receivables	28.70	0.90	71.72	2.16	39.05	1.17
Investments	59.32	1.86	2.95	0.09	5.39	0.16
Cash and bank balances	21.74	0.68	7.97	0.24	28.92	0.87
TOTAL CURRENT ASSETS	1,294.55	40.52	1,344.06	40.48	1,192.20	35.82
TOTAL ASSETS	3,194.73	100.00	3,319.93	100.00	3,328.19	100.00
CURRENT LIABILITIES						
Trade and other payables	249.27	7.80	374.84	11.29	245.73	7.38
Accrued mark-up	219.92	6.88	140.46	4.23	171.85	5.16
Short term borrowings	1,138.42	35.63	1,283.69	38.67	1,320.88	39.69
Current portion of long term financing	553.36	17.32	337.50	10.17	98.92	2.97
TOTAL CURRENT LIABILITIES	2,160.98	67.64	2,136.49	64.35	1,837.37	55.21
WORKING CAPITAL	(866.42)	(27.12)	(792.44)	(23.87)	(645.18)	(19.39)
TOTAL CAPITAL EMPLOYED	1,033.75	32.36	1,183.44	35.65	1,490.81	44.79
NON-CURRENT LIABILITIES						
Long term financing	240.30	7.52	459.89	13.85	694.15	20.86
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Deferred liabilities	131.12	4.10	139.16	4.19	149.12	4.48
TOTAL NON-CURRENT LIABILITIES	371.42	11.63	599.05	18.04	843.27	25.34
NET WORTH	662.33	20.73	584.39	17.60	647.54	19.46
NET WORTH REPRESENTED BY						
Issued, subscribed and paid-up capital	594.29	18.60	594.29	17.90	594.29	17.86
Accumulated loss	(192.13)	(6.01)	(302.63)	(9.12)	(263.64)	(7.92)
Surplus on revaluation of property, plant and equipment	260.17	8.14	292.73	8.82	316.89	9.52
TOTAL LIABILITIES	3,194.73	100.00	3,319.93	100.00	3,328.19	100.00

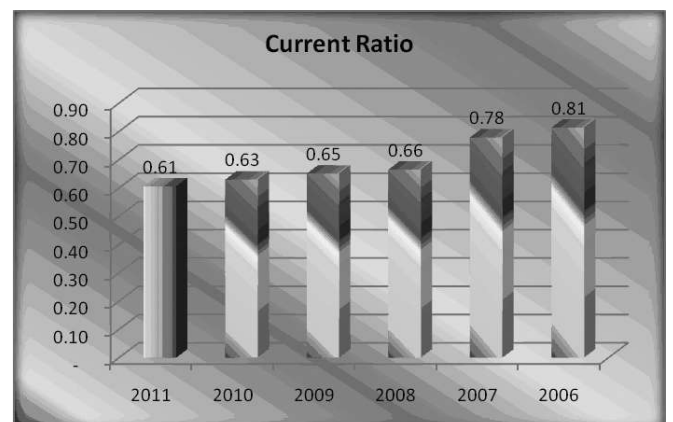
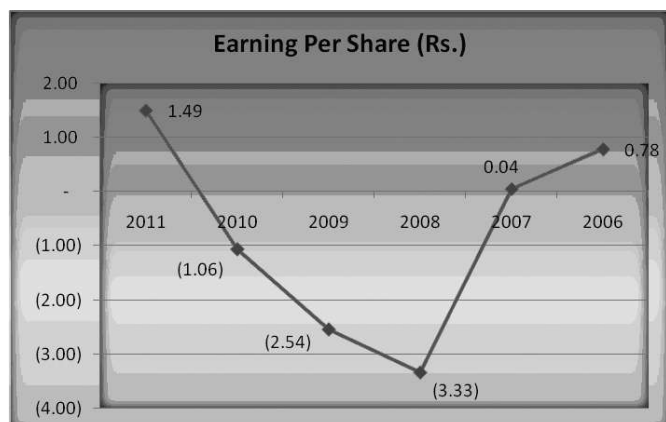
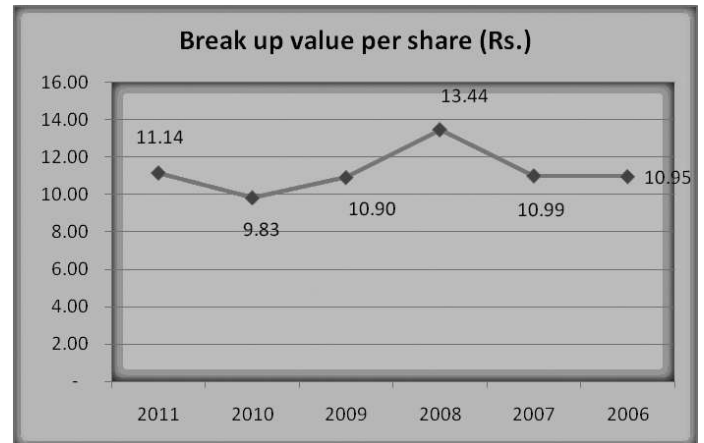
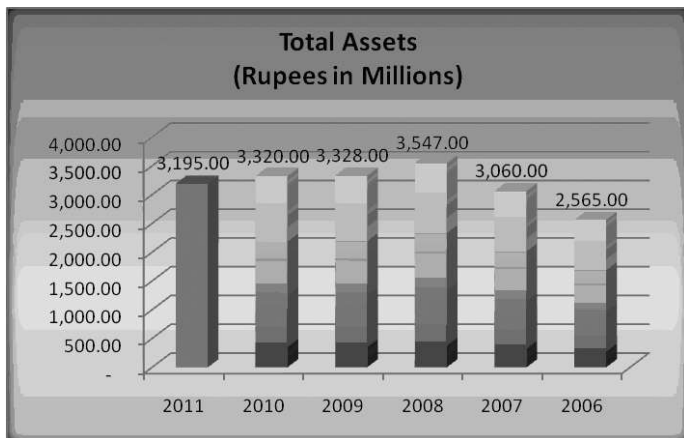
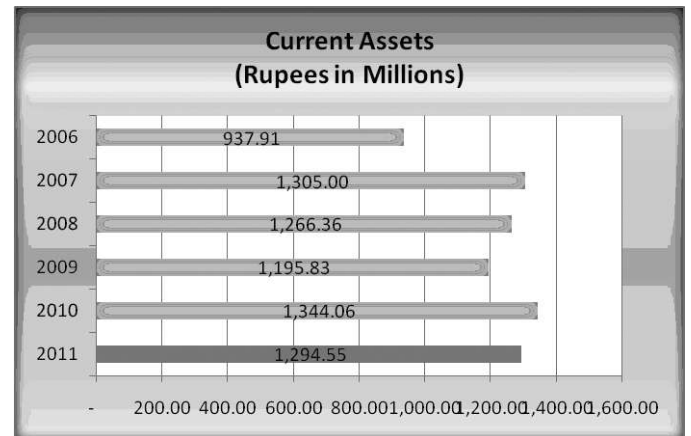
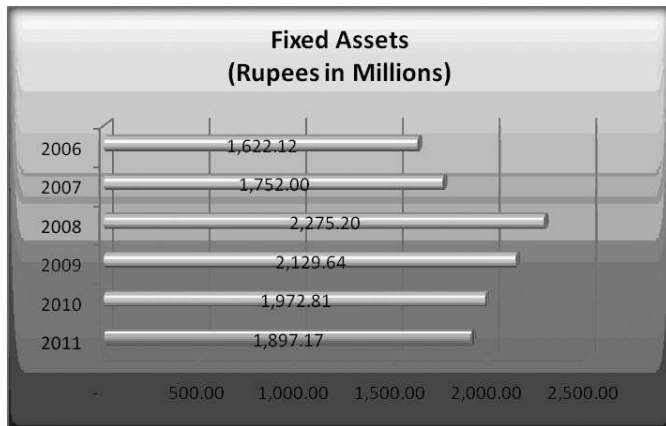
Statement of Value Addition

	2011	2010
WEALTH GENERATED		
Sales Revenue	3,573,504,800	2,663,771,335
Other Income	12,887,079	63,223,468
	3,586,391,878	2,726,994,803
Less:		
Material & Services		
Material & Factory Costs	2,862,226,182	2,122,160,104
Administrative Costs	19,720,054	19,578,239
Distribution Costs	56,412,409	48,724,928
	2,938,358,645	2,190,463,271
	648,033,233	536,531,532
	100	100
WEALTH DISTRIBUTED		
		% age
To Employees		% age
Salaries & Benefits	144,101,554	22.24%
To Government		
Tax	26,183,370	4.04%
Worker Profit Participation Fund	5,447,381	0.84%
Worker Welfare Fund	2,343,496	0.36%
To Providers of Capital		
Dividends to Share Holders		
Mark Up/Interest on Borrowed Funds	217,026,635	33.49%
To Poviders for Maintenance & Expansion of Assets		
Depreciation	164,282,840	25.35%
Profit Retained	88,647,958	13.68%
	648,033,234	536,531,532









Statement of Compliance with Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the relevant Listing Regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 2 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. Casual vacancy occurred in the Board during the year was filled within the stipulated period.
5. Statement of Ethics and Business Practice has been circulated to directors and employees of the company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notice of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the period to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function with suitably qualified and experienced staff, conversant with the policies and procedures of the Company and involved in the internal audit function on a full time basis.

18. 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, 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 Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



MUSSAID HANIF
Chief Executive

Lahore
September 30, 2011

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Zephyr Textiles Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the Company is listed.

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

As part of our audit of 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's 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.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

CHARTERED ACCOUNTANTS
Engagement Partner: Asim Iftikhar
Dated: September 30, 2011
Lahore

Auditors' Report to the Members

We have audited the annexed balance sheet of Zephyr Textiles Limited (the Company) as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for the matter stated in paragraph (a) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) as explained in notes 8.4 and 14.11, The Bank of Punjab has filed a suit against the Company for recovery of its financing which is being contested by the Company and the Company has not provided any markup / cost of funds on the outstanding amount;
- b) except for the effects of the matter described in paragraph (a), in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- c) in our opinion:
 - (i) except for the effects of the matter described in paragraph (a), the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- d) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and, except for the effects of the matter described in paragraph (a) above, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 1.2 to the financial statements, which states that the Company has accumulated losses of Rs. 192.134 million as of June 30, 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs.844.469 million. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

CHARTERED ACCOUNTANTS
Engagement Partner: Asim Iftikhar
Lahore
Dated: September 30, 2011

Balance Sheet

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 62,500,000 ordinary shares of Rs. 10/- each		<u>625,000,000</u>	<u>625,000,000</u>
Issued, subscribed and paid-up capital	6	594,287,290	594,287,290
Accumulated loss		(192,134,103)	(302,633,449)
		<u>402,153,187</u>	<u>291,653,841</u>
Surplus on revaluation of property, plant and equipment	7	260,174,449	292,733,048
NON-CURRENT LIABILITIES			
Long term financing	8	262,255,151	459,893,005
Deferred liabilities	10	131,123,864	139,156,374
CURRENT LIABILITIES			
Trade and other payables	11	249,272,470	374,841,234
Accrued mark-up	12	219,921,681	140,459,806
Short term borrowings	13	1,138,419,555	1,283,690,778
Current portion of long term borrowings	9	531,406,378	337,500,376
		<u>2,139,020,084</u>	<u>2,136,492,194</u>
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		<u><u>3,194,726,735</u></u>	<u><u>3,319,928,462</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.



 DIRECTOR

As at June 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,817,842,520	1,971,655,066
Capital work in progress	16	79,329,118	1,150,000
Long term deposits	17	3,004,447	3,066,322
		1,900,176,085	1,975,871,388
CURRENT ASSETS			
Stores, spare parts and loose tools		71,333,611	71,931,455
Stock in trade	18	670,970,091	627,299,143
Trade debts	19	299,836,293	317,272,649
Loans and advances	20	60,368,819	170,911,372
Trade deposits and short term prepayments	21	86,644,119	74,008,016
Other receivables	22	24,332,519	71,716,143
Investments	23	59,321,164	2,949,119
Cash and bank balances	24	21,744,034	7,969,177
		1,294,550,650	1,344,057,074
TOTAL ASSETS		3,194,726,735	3,319,928,462

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CHIEF EXECUTIVE

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	25	3,573,504,799	2,663,771,335
Cost of goods sold	26	3,149,997,584	2,415,837,197
Gross profit		423,507,215	247,934,138
Distribution cost	27	63,268,822	55,921,109
Administrative expenses	28	33,476,633	31,604,713
Other operating expenses	29	8,578,387	2,956,083
		105,323,842	90,481,905
		318,183,373	157,452,233
Other operating income	30	13,674,589	63,223,468
Operating profit before finance cost		331,857,962	220,675,701
Finance cost	31	217,026,636	280,054,361
Profit/(loss) before taxation		114,831,326	(59,378,660)
Taxation	32	(26,183,370)	(3,774,924)
Profit/(loss) after taxation		88,647,956	(63,153,584)
Earning/(loss) per share - basic and diluted	33	1.49	(1.06)

The annexed notes 1 to 42 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Profit/(loss) after taxation		88,647,956	(63,153,584)
Other comprehensive income			
Other comprehensive income / (loss) for the year		-	-
Total comprehensive income/ (loss) for the year		<u>88,647,956</u>	<u>(63,153,584)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Cash flows from operating activities			
Cash generated from operations	34	492,060,361	361,991,825
Finance cost paid		(137,564,760)	(239,341,564)
Taxes paid		(35,087,268)	(12,573,821)
Staff retirement benefits - gratuity paid		(6,156,526)	(5,301,500)
		(178,808,554)	(257,216,885)
Net cash from operating activities		313,251,807	104,774,940
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25,800,000	6,393,161
Purchase of property, plant and equipment		(121,905,938)	(33,538,641)
Long term deposits		61,875	3,284,650
Dividends, capital gains and income from investments		172,349	314,162
Purchase of short term investment		(55,000,000)	-
Proceeds from short term investments		397,838	2,783,801
Net cash used in investing activities		(150,473,876)	(20,762,867)
Cash flows from financing activities			
Net repayment of short term borrowings - secured		(145,271,223)	(37,186,543)
Net (repayment of)/ proceeds from long term financing		(3,731,851)	(67,780,329)
Net cash used in financing activities		(149,003,074)	(104,966,872)
Net increase/ (decrease) in cash and cash equivalents		13,774,857	(20,954,799)
Cash and cash equivalents at beginning of the period		7,969,177	28,923,976
Cash and cash equivalents at end of the period		21,744,034	7,969,177

The annexed notes 1 to 42 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE

Statement of Changes in Equity
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Accumulated loss	Total
	(R u p e e s)		
Balance as at July 01, 2009	594,287,290	(263,638,177)	330,649,113
Total comprehensive loss for the year	-	(63,153,584)	(63,153,584)
Transfer of surplus on revaluation on disposal of property, plant and equipment	-	2,581,357	2,581,357
Current year incremental depreciation - net of tax	-	21,576,955	21,576,955
Balance as at June 30, 2010	594,287,290	(302,633,449)	291,653,841
Total comprehensive income for the year	-	88,647,956	88,647,956
Transfer of surplus on revaluation on disposal of property, plant and equipment	-	1,886,918	1,886,918
Current year incremental depreciation - net of tax	-	19,964,472	19,964,472
Balance as at June 30, 2011	594,287,290	(192,134,103)	402,153,187

The annexed notes 1 to 42 form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Zephyr Textiles Limited (the "Company") was incorporated in Pakistan on February 26, 1999 as a private limited Company under the Companies Ordinance, 1984. Subsequently on October 04, 2004 it was converted into a public limited Company. The Company is principally engaged in the manufacturing, dying and trading of woven cloth which also includes towels. The registered office of the Company is situated at 3rd Floor IEP Building, 97 B/D-1, Gulberg III, Lahore. The shares of the Company are listed on the Karachi and Lahore Stock Exchanges in Pakistan
- 1.2 During the year the Company has earned a profit amounting to Rs. 88.647 million as compared to loss of Rs. 63.153 million for the previous year thereby resulting in accumulated loss of Rs. 192.134 million as at the year end, the Company's current liabilities exceeded its current assets by Rs. 844.469 million (2010: 792.435 million). Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and availability of adequate working capital through continued support from:
- a) the principal lenders of the Company,
 - b) the sponsors of the Company.

These financial statements have been prepared on a going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable levels and availability of adequate working capital from its lenders and sponsors.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern

2 STATEMENT OF COMPLIANCE

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

3 BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention as modified by:

- revaluation of certain items of property, plant and equipment
- recognition of certain employee benefits at present value

3.2 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

During the year, certain amendments to existing standards and a new interpretation IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments became effective; however, they did not have any material effect on the financial statements of the Company.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- IFRS 9 Financial Instruments: effective for annual periods beginning on or after 1 January 2013.
- IFRS 10 Consolidated Financial Statements: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes the requirements relating to consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements (as amended in 2008) and also supersedes SIC-12 Consolidation - Special Purpose Entities.
- IFRS 11 Joint Arrangements: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non Monetary Contributions by Venturers.
- IFRS 12 Disclosure of Interests in Other Entities: effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 Fair Value Measurement: effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1 Presentation of Financial Statements: these amendments regarding presentation of items of other comprehensive income are effective for annual periods beginning on or after 1 July 2012.
- IAS 24 Related Party Disclosures (revised 2009): effective for annual periods beginning on or after 1 January 2011.
- IAS 27 Separate Financial Statements (revised 2011): effective for annual periods beginning on or after 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures (revised 2011): effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: effective for annual periods beginning on or after 1 January 2011.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pak Rupees have been rounded to nearest Rupee.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Useful life and residual values of property, plant and equipment

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

b) Staff retirement benefits

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

c) Income taxes

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

- d) Stock in trade and store and spares
The Company reviews the net realizable value (NRV) and impairment of stock in trade and stores, spare parts and loose tools to access any diminution in the respecting carrying values and whenever required provisions for NRV impairment is made. The difference is provision, if any is recognized.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Provisions are made to cover the obligation under the scheme on the basis of actuarial valuations and are charged to income.

The latest actuarial valuation has been carried out as at June 30, 2011, under Projected Unit Credit Method, using the following significant assumptions for valuation of the scheme:

- Discount rate	14%
- Expected rate of salary increase in future	13%
- Average expected remaining working life time of employees	5 years

Actuarial gains and losses related to employees defined benefit plans, exceeding ten percent of the present value of defined benefit obligations as at start of the financial year are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan, otherwise the actuarial gains and losses are not recognized.

The amount recognized in the balance sheet represents the present value of defined benefits obligation adjusted for un-recognized actuarial gains / losses and un-recognized past service cost.

5.2 Property, plant and equipment

-Owned assets

Property, plant and equipment except free hold land, buildings on free - hold land and plant and machinery are stated at cost less accumulated depreciation and impairment, if any. Free - hold land, buildings on free - hold land and plant and machinery are stated at revalued amounts. 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.

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 are 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.

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.

- Leased assets

Assets held under finance leases are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of related obligations under the lease less finance cost allocated to future payments are shown as liability. The finance cost is calculated at the interest rate implicit in the lease and are charged to income currently.

Depreciation on additions to leased assets is charged from the month in which the leased assets is acquired, capitalized or commencement of commercial production while no depreciation is charged for the month in which leased assets is disposed off.

Assets acquired under finance lease are depreciated over the useful life of the assets applying reducing balance method. Depreciation of leased assets is charged to income.

5.3 Stores, spare parts and loose tools

These are stated at cost using moving average method except goods in transit which are stated at cost comprising invoice value plus other charges paid thereon.

5.4 Stock in trade

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

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

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

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

5.5 Financial instruments

Financial assets and liabilities are recognized at the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following the trade date accounting. A financial asset or part thereof is de-recognized when the Company loses control of the contractual rights that comprise the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the right expires or the Company surrenders those rights. A financial liability or part thereof is de-recognized when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

5.6 Loans and advances

These are stated at cost which represents the fair value of the consideration less impairment, if any.

5.7 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Known bad debts are written off as incurred.

5.8 Trade and other payables

Trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

5.10 Foreign currency translation

Transactions in foreign currency are recorded in Pak Rupee at the rate of exchange prevailing on the transaction date. All the assets and liabilities in foreign currencies are translated at exchange rates ruling on the balance sheet date. Exchange differences are dealt with through profit or loss.

5.11 Revenue recognition

Export sales are accounted for on shipment basis. Exchange differences, if any, are adjusted in the period of realization except for adjustments made in accordance with note 5.10 (foreign currency translation) to the financial statements. Local sales are recorded on dispatch of goods to customers.

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

Dividend income on ordinary share 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.

5.12 Taxation

Provision for current taxation is based on taxable income at current tax rates after considering the rebates and tax credits available, if any.

Deferred taxation is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable (loss) / profit. Deferred tax liabilities are recognized for all major taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

5.13 Impairment

An assessment is made at the balance sheet date to determine whether there is an evidence that a particular asset or class of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between recoverable amount and the carrying amount.

5.14 Provisions

A provision is recognized in the financial statements when Company has legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of obligation.

5.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand, demand deposits, other short term highly liquid instruments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finance under mark-up arrangements are included in current liabilities.

5.16 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swap and cross currency swaps to cover risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Derivatives are recognized as asset when fair value is positive and as liability when fair value is negative. Any gain or loss arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

5.17 Investments

Initial measurement

Investments in securities are recognized on a trade - date basis and are initially measured at cost which is the fair value of the consideration given.

Subsequent measurement

Investments at fair value through profit or loss

These are securities, which are either acquired for generating a profit from short term fluctuation in prices or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the net profit or loss for the period.

5.18 Related party transactions.

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

5.19 Off-setting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

	2011		2010	
	(Number of shares)		(Rupees)	
6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
Shares issued in cash	51,900,883	51,900,883	519,008,830	519,008,830
Ordinary shares of Rs. 10/- each issued as bonus shares	7,527,846	7,527,846	75,278,460	75,278,460
	<u>59,428,729</u>	<u>59,428,729</u>	<u>594,287,290</u>	<u>594,287,290</u>

- 6.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

	Note	2011 Rupees	2010 Rupees
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus arising on revaluation	7.1	369,635,047	411,927,714
Less: Deferred tax arising on surplus on revaluation	7.2	109,460,598	119,194,666
		<u>260,174,449</u>	<u>292,733,048</u>
7.1 Opening surplus on revaluation		411,927,714	449,094,349
Incremental depreciation on : Plant and machinery Building		<u>26,821,537</u> <u>2,877,003</u>	<u>31,556,856</u> <u>3,028,422</u>
		29,698,540	34,585,278
On disposal of plant and machinery		<u>12,594,127</u>	<u>2,581,357</u>
		42,292,667	37,166,635
Closing surplus on revaluation		<u>369,635,047</u>	<u>411,927,714</u>
7.2 Relating deferred tax liability as on July 1, 2010		119,194,666	132,202,989
Tax effect on incremental depreciation - net		(9,734,068)	(13,008,323)
Related deferred tax liability as on June 30, 2011		<u>109,460,598</u>	<u>119,194,666</u>

This represents surplus over book value resulting from the revaluation of free - hold land, buildings on free - hold land and plant and machinery. The valuation was carried out by independent valuer as on June 30, 2008, considering the market value.

8 LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark UP	Sanctioned limit (Rs. in million)	Number of installments	2011 Rupees	2010 Rupees
Demand Finance I- NBP	8.1, 8.2 and 8.3	Jul-06	6 month Kibor+1.5%	100	24 Quarterly	29,093,000	29,093,000
Demand Finance II- NBP	8.1, 8.2 and 8.3	Apr-07	6 month Kibor+1.5%	200	10 Semiannually	29,124,000	29,124,000
Demand Finance V- NBP	8.2 and 8.3	Mar-11	6 month Kibor+1.5%	206.595	16 Quarterly	147,739,729	147,739,729
Term Finance - NBP	8.3	Mar-11	Interest free	90	16 Quarterly	56,039,189	48,361,273
Fixed Assets Finance- I (HBL)	8.1, 8.4 and 8.8	Aug-06	SBP REF+2%	80	8 semiannually	22,881,100	40,000,000
Fixed Assets Finance- II (HBL)	8.1, 8.4 and 8.8	May-07	SBP REF+2%	150	10 semiannually	75,492,000	90,000,000
Term Finance - BOP	8.2, 8.4 and 8.8	May-06	SBP REF+2%	100	12 semiannually	34,398,000	34,398,000
Term Finance - BOP	8.2, 8.4 and 8.8	Dec-07	SBP REF+2%	70	8 semiannually	24,702,126	24,702,126
Term Finance - BOP	8.2 and 8.4	Sep-09	Average 3 months Kibor+25bps with floor of 11% p.a	136.903	10 Quarterly	136,903,129	136,903,129
Term Finance - BOP	8.2 and 8.4	Sep-09	Interest free	-	13 Quarterly	61,490,601	50,677,370
Demand Finance - UBL	8.1, 8.2 and 8.8	Jan-10	SBP Ref+2%	100	5 semiannually	-	23,972,604
Demand Finance - UBL	8.6	Jan-11	Interest free	35.96	5 semiannually	19,602,945	35,958,400
Demand Finance - ABL	8.1, 8.2 and 8.3	Apr-10	Interest free	131.25	30 monthly	64,695,710	106,463,749
Term Finance - UBL	8.7	Oct -10	Kibor+0.75%	91.5	18 monthly	91,500,000	-
						793,661,529	797,393,380
Current portion						9 (482,016,582)	(259,291,375)
Overdue portion						9 (49,389,796)	(78,209,000)
						(531,406,378)	(337,500,375)
						<u>262,255,151</u>	<u>459,893,005</u>

8 LONG TERM FINANCING- SECURED

- 8.1 Long term financing was converted into State Bank of Pakistan's Long Term Finance (Export Oriented Project) Scheme during the financial year 2007.
- 8.2 It represents long term financing from commercial banks / financial institutions (stated above) to finance the manufacturing facilities of the Company comprised of weaving machines, towel, power generation unit and allied machineries. Markup is payable along with installment as per schedule stated above. The loans are secured against equitable mortgage charge on land, first pari passu charge on property, plant and equipment of the Company and personal guarantees of the directors of the Company.
- 8.3 The loans from National Bank of Pakistan, Allied Bank Limited and Faysal Bank Limited were rescheduled in April 2010, May 2010 and January 2010 respectively. The rescheduling effect of these loans has been incorporated in the financial statements for the year ended June 30, 2011.
- 8.4 It represents loan from The Bank of Punjab which was restructured in September 2009. The Bank of Punjab has filed a suit for the recovery of amounts due against long term loans amounting to Rs. 257,497,258, short term borrowings amounting to Rs. 200,000,000 and mark up amounting to Rs. 36,903,417 which aggregate to Rs. 494,400,675 whereas the liabilities recorded in the Company's books against the above account is Rs. 485,145,080. Based on the legal opinion, the Company has not accrued any mark up or cost of funds on the said outstanding balances as explained in note 14.11. The whole amount is being reflected in the current liabilities.
- 8.5 All the existing loan facilities from Faysal Bank Limited have been converted into ERF Part II facility amounting to Rs. 115.397 millions. The rescheduling effect of this loan has been incorporated in the financial statements for the year ended June 30, 2011.
- 8.6 The loan from UBL amounting to Rs. 59,940,000 has been rescheduled during the period in October 2010. The rescheduling effect of this loan has been incorporated in the financial statements for the year ended June 30, 2011.
- 8.7 The short term running finance from UBL has been converted into a new long term demand fiancé. Mark up is payable alongwith installments as per schedule stated above. The loan is secured by first pari passu charge on all present plant and machinery and equitable mortgage of land measuring 68 k and with building both present and future value thereon of PKR 134.00 million of the Company.
- 8.8 The State Bank of Pakistan has fixed the refinance rate to 4.9% p.a., for the borrowers refinance for the period over three years and up to maximum period prescribed under the scheme up to 7.5 years. This scheme was applicable for loans availed up to February 28, 2005 and later up to 2007.

	Note	2011 Rupees	2010 Rupees
9 CURRENT PORTION OF LONG TERM FINANCING			
Current portion	8	482,016,582	259,291,376
Overdue portion	8	49,389,796	78,209,000
		531,406,378	337,500,376
10 DEFERRED LIABILITIES			
Deferred tax relating to surplus on revaluation of property, plant and equipment	7	109,460,598	119,164,666
Employee retirement benefits- gratuity	10.2	21,663,266	19,961,708
		131,123,864	139,126,374

The scheme provides for gratuity benefits for all the permanent employees of the Company who attain the minimum qualifying period. Provision has been made on the basis of latest actuarial valuation made as on June 30, 2011 using Projected Unit Credit Method.

	Note	2011 Rupees	2010 Rupees
10.1 Current cost of staff retirement			
Cost of sales	26.2	6,049,336	6,342,149
Administrative expenses	28.2	1,808,750	2,006,193
		<u>7,858,086</u>	<u>8,348,342</u>
10.2 Movement in liability			
Balance at beginning of year		19,961,708	16,914,866
Charge for the year		7,858,083	8,348,342
Benefits paid during the year		(6,156,525)	(5,301,500)
		<u>21,663,266</u>	<u>19,961,708</u>
10.3 Charge for the year.			
Current service cost		6,199,106	6,383,459
Interest cost		1,994,584	1,770,571
Transitional liability arising out of actuarial valuation being amortized-		-	487,300
Actuarial gain		(335,604)	(292,988)
		<u>7,858,086</u>	<u>8,348,342</u>
10.4 The movement in the present value of defined benefit obligation			
Present value of defined benefit obligation		16,621,534	14,754,756
Current service cost		6,199,106	6,383,459
Interest cost		1,994,584	1,770,571
Actuarial gain		3,166,748	(985,752)
Benefits paid		(6,156,525)	(5,301,500)
		<u>21,825,447</u>	<u>16,621,534</u>
10.5 Reconciliation			
Present value of defined benefit obligation		21,825,447	16,621,534
Unrecognized actuarial gains		-	-
Unrecognized transitional liability		-	-
		<u>21,825,447</u>	<u>16,621,534</u>
10.6 Historical information			
Present value of defined benefit obligation		Year	Value
		2011	21,825,447
		2010	16,621,534
		2009	14,754,756
		2008	11,952,969
		2007	11,108,152

	Note	2011 Rupees	2010 Rupees
11 TRADE AND OTHER PAYABLES			
Creditors		170,294,953	287,422,612
Advances from customers		24,240,230	27,946,012
Payable to associated undertaking		-	7,895,727
Accrued liabilities		29,193,988	36,611,470
Income tax withheld		3,288,128	2,021,162
Retention money payable		405,146	405,146
Workers' funds	11.1	21,850,025	12,539,105
		<u>249,272,470</u>	<u>374,841,234</u>
11.1 Workers' funds			
Workers' profit participation fund			
Opening balance		12,228,826	10,863,308
Provision for the year		5,447,381	-
Interest on funds utilized in Company's business	31	1,520,043	1,365,518
		19,196,250	12,228,826
Workers' welfare fund			
Opening balance		310,279	310,279
Provision for the year		2,343,496	-
		2,653,775	310,279
		<u>21,850,025</u>	<u>12,539,105</u>
11.2 Mark up on workers' profit participation fund has been provided @ 12.43 % per annum (2010 : 12.57% per annum).			
12 ACCRUED MARK-UP			
Long term financing		84,561,883	120,535,964
Short term borrowings		135,359,798	19,923,842
		<u>219,921,681</u>	<u>140,459,806</u>

13 SHORT TERM BORROWINGS- SECURED

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Mark-up/ repayment terms	2011 Rupees	2010 Rupees
Pre - shipment	13.1, 13.5 & 13.7	1,146	9.5% to 16.06%	Quarterly	1,001,647,897	1,088,103,256
Post - shipment loans	13.2, 13.5	150		Actual realisation	1,243,171	19,500,000
Running finance	13.4, 13.5	320	12.35% to 15.72%	Quarterly	135,528,847	176,087,522
					<u>1,138,419,555</u>	<u>1,283,690,778</u>

13.1 The Company has aggregate sanctioned limit of export refinance facilities (ERF) of Rs.1,146 million out of which Rs.250 million relate to ERF-I facility availed from Faysal Bank Limited and NIB Bank Limited. The aggregate outstanding balance at any given time of this account will remain within sanctioned limit of Rs.1,146 million.

- 13.2 The company has aggregate post shipment facility amounting Rs. 150 Million availed from NIB Bank Limited and Allied Bank Limited.
- 13.3 All the sanctioned Morabaha loans availed from Faysal Bank Limited were previously converted into ERF-I facility of Rs. 115.397 million. During the year ERF loan was converted into FAPC loan by Rs. 53 million.
- 13.4 The Company has aggregate sanctioned limit of Running Finance facilities of Rs.320 million from National Bank of Pakistan, Allied Bank Limited, Habib Bank Limited, United Bank Limited and RBS, Faysal Bank Limited and NIB Bank Limited. The aggregate outstanding balance at any given time of this account will remain within sanctioned limit of Rs.320 million.
- 13.5 These facilities are secured against hypothecation of stocks, lien on confirmed export orders, pari passu charge on current assets and personal guarantees of the directors. Morabaha finance is for the purpose of raw material purchases on short term basis.
- 13.6 The short term running finance from UBL has been converted into a new long term demand fiancé. Mark up is payable alongwith installments as per schedule stated above. The loan secured by first pari passu charge on all present plant and machinery and equitable mortgage of land measuring 68 kanal, with building both present and future value thereon of PKR 134.00 million of the Company.
- 13.7 These include short term borrowings from The Bank of Punjab amounting to Rs. 200 million against which recovery suit has been filed by The Bank of Punjab. Refer note 8.4 and 14.11 for details.

14 CONTINGENCIES AND COMMITMENTS

- 14.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5,106,639 along with interest. The suit is pending before the Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favour.
- 14.2 The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal, Lahore under section 46(1) of the Sales Tax Act, 1990 for refund of sales tax aggregating Rs. 15,500,885 disallowed by the sales tax department on account of supply of zero rated goods in lieu of Sales Tax General Order NO. 2 2007 (STGO), dated February 6, 2007 and SRO NO. 992(I)/2005 dated September 21, 2005 read with SRO No. 487(I)/2006 dated May 26, 2006. In this regard the Federal Board of Revenue through its letter number C. No. 3 (10) STM/2007 dated 13th January, 2010 issued directions to ensure that all cases on which the said SRO was applied retrospectively should be processed prospectively, as instructed by the High Court and approved by the Supreme Court of Pakistan, thus the cases pertaining to the period before the said SRO shall remain entitled to the refund and the same should be issued to them without any further delay.
- 14.3 M/s. M. J. Industries has filed a case against the Company for declaration for Rs. 544,644. The case is dismissed by the Honorable Civil Judge, Lahore. M/s. M. J. Industries has filed an application for the restoration of the suit.
- 14.4 The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 544,644. 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 favour.
- 14.5 The Company has filed a recovery suit against the M/s. Amtex Limited for Rs. 2,916,762. The case is fixed for final order by Honorable Judge, high Court, Lahore. The Company is hopeful of settlement of the case in its favour.
- 14.6 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.
- 14.7 Muhammad Sajid (the plaintiff) has filed a suit for permanent injunctions and declaration against interfering the possession of plaintiff property by pretending that the suit property has been purchased by Zephyr Textiles Limited (the defendant) through registered sales deed bearing distavez no. 2775 dated 01-09-2010, whereas the purchased property of the defendant is separate and different from the suit property of the plaintiff. The case is pending for framing of issues.
- 14.8 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. 37.67 million. Company is hopeful of settlement of the case in its favour.

- 14.9 The Company has filed a suit against M/s. Nazeer Autos etc. for possession with permanent injunctions of property purchased by the Company, situated at Aik Moria Pull, Lahore. The case is pending for written statements and the Company is hopeful for settlement in its favour.
- 14.10 The Company had preferred appeal before the Commissioner (Appeals) II, Lahore assailing the ex-parte order passed in terms of Section 161/205 of the Income Tax Ordinance, 2001. The order had burdened the Company with the tax demand of Rs. 44.180 million. The Commissioner has set aside the order for denovo proceedings.
- 14.11 "The Bank of Punjab has instituted a suit for the recovery of amounts aggregating Rs. 494.400 million bearing C.O.S 8/2011. The Company has also instituted leave application in the aforesaid suit. Based on the legal opinion, the Company feels that, after institution of the suit, a financial institution is only entitled to cost of funds if so awarded by the Court in any decree which may be passed by the Court. Therefore, the Company has not accrued any cost of funds/interest on the said outstanding balance.

	Note	2011 Rupees	2010 Rupees
14.12 Contingencies			
Bills discounted with recourse		135,900,252	1,659,242
Bank guarantees issued in the ordinary course of business		32,555,900	32,555,900
14.13 Commitments			
Letters of credit		11,061,483	7,367,624

15 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on free - hold land	Link road	Non factory building	Plant and Machinery	Furniture and fixtures	Vehicles		Electrical installation	Office equipment	Total
							Owned	Leased			
COST											
Balance as at July 01, 2009	144,500,000	371,322,914	29,702,478	58,125,732	1,661,312,594	3,558,274	17,128,786	3,564,458	52,636,527	15,624,444	2,357,476,205
Additions during the year	-	819,108	-	1,174,278	28,772,324	361,865	1,368,151	-	522,511	1,547,116	34,565,353
Transfer/adjustment	-	-	-	-	-	-	3,564,458	(3,564,458)	-	-	-
Disposals	-	-	-	-	(8,734,559)	-	(1,231,290)	-	-	-	(9,965,849)
Balance as at June 30, 2010	144,500,000	372,142,022	29,702,478	59,300,010	1,681,350,359	3,920,139	20,830,105	-	53,159,038	17,171,560	2,382,075,710
Additions during the year	30,275,000	28,489	-	-	8,820,509	164,003	3,049,483	-	-	1,389,336	43,726,820
Disposals	-	-	-	-	(41,292,819)	-	(2,450,767)	-	-	-	(43,743,586)
Balance as at June 30, 2011	174,775,000	372,170,511	29,702,478	59,300,010	1,648,878,048	4,084,142	21,428,821	-	53,159,038	18,560,896	2,382,058,943
DEPRECIATION											
Balance as at July 01, 2009	-	18,061,603	3,374,291	14,127,531	163,446,162	1,407,058	7,215,801	2,297,867	14,613,408	5,470,058	230,013,779
Accumulated depreciaton eliminated on disposal	-	-	-	-	(1,077,032)	-	(810,800)	-	-	-	(1,887,832)
Transfer/adjustment	-	-	-	-	-	-	2,508,966	(2,508,966)	-	-	-
Depreciation expense	-	17,689,961	1,316,409	4,487,103	150,963,983	233,122	2,465,924	211,099	3,836,417	1,090,679	182,294,697
Balance as at June 30, 2010	-	35,751,564	4,690,700	18,614,634	313,333,113	1,640,180	11,379,891	-	18,449,825	6,560,737	410,420,644
Accumulated depreciaton eliminated on disposal	-	-	-	-	(9,434,153)	-	(1,099,406)	-	-	-	(10,533,559)
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	16,820,353	1,250,588	4,068,537	135,341,140	237,563	2,015,123	-	3,470,920	1,125,113	164,329,339
Balance as at June 30, 2011	-	52,571,917	5,941,288	22,683,171	439,240,100	1,877,743	12,295,608	21,920,745	7,685,850	-	564,216,424
Written down value as at June 30, 2011	174,775,000	319,598,594	23,761,190	36,616,839	1,209,637,948	2,206,399	9,133,213	31,238,293	10,875,046	-	1,817,842,520
Written down value as at June 30, 2010	144,500,000	336,390,458	25,011,778	40,685,376	1,368,017,246	2,279,959	9,450,214	34,709,212	10,610,823	-	1,971,655,066
Rate of depreciation	0%	5%	5%	10%	10%	10%	20%	20%	10%	10%	

	Note	2011 Rupees	2010 Rupees
15.1 Depreciation for the year has been allocated as under :			
Cost of sales	26	160,951,539	178,293,867
Selling and distribution expenses	27	1,688,900	2,000,415
Administration expenses	28	1,688,900	2,000,415
		<u>164,329,339</u>	<u>182,294,697</u>

15.2 Free-hold land, building on free-hold land and plant and machinery represents values subsequent to revaluation as at June 30, 2008. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2011 would have been as follows:

	Cost as at June 30, 2011	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011	Book value as at June 30, 2010
Free - hold land	73,128,476	-	73,128,476	73,128,476
Buildings on free - hold land	336,031,819	82,433,116	253,598,703	280,995,793
Plant and machinery	1,539,771,091	644,708,947	895,062,144	1,108,574,554
	<u>1,948,931,386</u>	<u>727,142,063</u>	<u>1,221,789,323</u>	<u>1,462,698,823</u>

15.3 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

Particulars	Quantity	Cost/ Assessed value	Book value	Sale proceed	Gain/ (loss)	Mode of disposal	Name and Address
Vehicles							
Honda City LWJ 3387	1	952,660	326,656	800,000	473,344	Negotiation Insurance claim due to theft	Raheel Shafeeq, Lahore New Jubilee Insurance Co. Ltd Shakrahe Quaid e Azam Lahore
Toyota Corolla LEB -09-4866	1	1,498,107	1,024,705	1,000,000	(24,705)		
Plant and Machinery							
Suzler Looms	10	20,646,410	15,929,333	16,845,589	916,256	Negotiation	Ellahi Fabrics Plot No. 4- A/III, Industrial Estate, Multan.
Suzler Looms	10	20,646,410	15,929,333	16,845,589	916,256		
2011 Rupees	22	43,743,587	33,210,027	35,491,178	2,281,151	Negotiation	Warisha Industries 11 Km Jaranwala Road, Faisalabad.
2010 Rupees	7	9,965,845	8,078,019	6,393,161	(1,684,858)		

16 CAPITAL WORK IN PROGRESS

DESCRIPTION	2011				2010			
	As at July 01, 2010	Additions	Transfers / adjustments	As at June 30, 2011	As at July 01, 2009	Additions	Transfers / adjustments	As at June 30, 2010
Building	1,150,000	20,580,826	-	21,730,826	2,176,712	1,363,665	(2,390,377)	1,150,000
Plant and machinery	-	58,032,918	(434,626)	57,598,292	-	2,644,000	(2,644,000)	-
	<u>1,150,000</u>	<u>78,613,744</u>	<u>(434,626)</u>	<u>79,329,118</u>	<u>2,176,712</u>	<u>4,007,665</u>	<u>(5,034,377)</u>	<u>1,150,000</u>

	Note	2011 Rupees	2010 Rupees
17			
LONG TERM DEPOSITS			
Security deposits - WAPDA		2,149,972	2,149,972
Security deposits		854,475	916,350
		<u>3,004,447</u>	<u>3,066,322</u>
18			
STOCK IN TRADE			
Raw material		218,338,975	278,600,881
Work in process		99,415,664	99,835,419
Finished goods and waste	18.1	353,215,452	248,862,843
		<u>670,970,091</u>	<u>627,299,143</u>
18.1	This includes goods in transit amounting to Rs. 16,952,595 (2010: Rs. 6,132,809)		
19			
TRADE DEBTS - Considered good			
Export - Secured against letters of credit		116,895,650	113,555,152
Local - Unsecured		182,940,643	203,717,497
		<u>299,836,293</u>	<u>317,272,649</u>
20			
LOANS AND ADVANCES			
Considered good:			
Loan due from employees		7,587,722	7,009,755
Advances to:			
Suppliers against expenses		41,719,614	156,533,993
Suppliers against letter of credit		11,061,483	7,367,624
		<u>60,368,819</u>	<u>170,911,372</u>
21			
TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		2,440,757	1,626,869
Advance income tax		16,067,337	17,913,537
Margin deposits		21,337,350	4,623,586
Sales tax refundable		41,784,129	43,631,915
Export rebate receivable		5,014,546	6,212,109
		<u>86,644,119</u>	<u>74,008,016</u>
22			
OTHER RECEIVABLES			
Advance for purchase of land		-	42,700,000
Other receivables		24,332,519	29,016,143
		<u>24,332,519</u>	<u>71,716,143</u>

23 SHORT TERM INVESTMENTS

	Number of shares / units		2011 Rupees	2010 Rupees
	2011	2010		
Investment in Funds	23.1			
Atlas Money Market Fund	1,078,866,297	-	55,774,151	-
Investments at fair value through profit and loss - listed securities				
Pak Electron Limited	944	944	6,259	11,186
Fauji Fertilizer Bin Qasim Limited	10,000	10,000	421,500	260,400
New Jubilee Life Insurance Company Limited	41,000	41,000	2,373,490	1,599,000
JS Growth Fund Limited				
(UPT Growth Fund Limited)	37,132	37,132	219,079	124,021
Attock Refinery Limited	111	111	13,623	8,942
SAMBA (Crescent Commercial Bank Limited)	24,500	24,500	41,895	55,615
Dewan Farooq Spinning Mills Limited	24,500	24,500	49,490	74,725
Arif Habib Bank Limited	1,111	1,111	4,177	3,988
Karachi Electric Supply Company Limited	-	25,000	-	55,750
TRG Pakistan Limited	-	100,000	-	411,000
Sitara Peroxide Limited	10,000	10,000	167,500	88,800
Askari Bank Limited	-	374	-	5,692
Innovative Investment Bank Limited	250	250	250,000	250,000
	149,548	274,922	59,321,164	2,949,119

23.1 Atlas Money Market Fund (AMF) is an open ended money market mutual fund managed by Atlas 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.

	2011 Rupees	2010 Rupees
24 CASH AND BANK BALANCES		
Cash in hand	424,484	402,255
Cash at banks - current accounts	21,319,550	7,566,922
	21,744,034	7,969,177
25 SALES - NET		
Export	1,065,427,584	952,351,582
Exchange gain	10,271,872	17,870,093
	1,075,699,456	970,221,675
Local	2,502,353,806	1,723,968,924
	3,578,053,262	2,694,190,599
Export rebate	23,232,446	6,619,991
	3,601,285,708	2,700,810,590
Less: Commission and claim	27,780,909	36,510,265
Trade discount	-	528,990
	27,780,909	37,039,255
	3,573,504,799	2,663,771,335

	Notes	2011 Rupees	2010 Rupees
26 COST OF GOODS SOLD			
Raw material consumed	26.1	2,494,135,832	1,746,609,665
Stores spare parts and lose tools consumed		45,175,392	42,279,469
Packing, sizing and lubricants consumed		151,414,896	109,306,979
Fuel and power		191,791,377	156,171,330
Salaries, wages and other benefits	26.2	126,866,372	115,383,226
Processing charges		69,043,386	49,409,898
Insurance		3,980,875	4,717,363
Repairs and maintenance		6,914,416	6,369,923
Traveling and conveyance		1,157,948	1,250,714
Depreciation	15.1	160,951,590	178,293,867
Other production overheads		2,498,353	2,980,628
		<u>3,253,930,438</u>	<u>2,412,773,062</u>
Adjustment of work-in-process			
Opening stock		99,835,419	63,222,319
Closing stock		(99,415,664)	(99,835,419)
		419,755	(36,613,100)
Cost of goods manufactured		3,254,350,193	2,376,159,962
Adjustment of finished goods and waste			
Opening stock		248,862,843	288,540,078
Closing stock		(353,215,452)	(248,862,843)
		(104,352,609)	39,677,235
Cost of sales		<u>3,149,997,584</u>	<u>2,415,837,197</u>
26.1 Raw material consumed			
Opening stock		278,600,881	256,639,222
Purchases		2,452,584,861	1,771,759,379
Return / discount on purchases		(27,919,750)	(12,306,380)
Net purchases		2,424,665,111	1,759,452,999
Freight		9,208,815	9,118,325
		<u>2,712,474,807</u>	<u>2,025,210,546</u>
Closing stock		(218,338,975)	278,600,881
		<u>2,494,135,832</u>	<u>1,746,609,665</u>
26.2 This includes employees' benefits amounting to Rs. 6,049,336 (2010 : Rs. 6,342,149)			
27 DISTRIBUTION COST			
Salaries, wages and other benefits		5,160,008	5,195,766
Traveling and conveyance		681,801	913,624
Sales promotion		1,176,840	2,270,208
Communication		2,072,617	1,022,477
Vehicles running and maintenance		371,820	470,989
Freight		43,962,326	36,985,426
Clearing and forwarding		2,599,653	2,855,748
Depreciation	15.1	1,688,905	2,000,415
Others		5,554,852	4,206,456
		<u>63,268,822</u>	<u>55,921,109</u>

	Notes	2011 Rupees	2010 Rupees
28 ADMINISTRATIVE EXPENSES			
Directors' remuneration		4,080,000	4,440,000
Salaries and other benefits	28.2	7,987,674	8,542,142
Traveling and conveyance		6,918,776	4,100,210
Rent, rates and taxes		1,545,372	1,512,366
Printing and stationery		835,131	648,384
Communication		2,083,780	3,275,567
Vehicle running and maintenance		2,552,751	1,994,126
Repairs and maintenance		1,019,852	1,090,429
Auditors' remuneration	28.1	750,000	905,000
Fee and subscription		1,727,188	1,245,357
Legal and professional		897,625	178,500
Electricity, gas and water		638,412	737,833
Insurance		406,202	208,027
Advertisement		51,770	66,570
Depreciation	15.1	1,688,905	2,000,415
Others		293,195	659,787
		<u>33,476,633</u>	<u>31,604,713</u>
28.1 Auditors' remuneration			
Audit fee		600,000	500,000
Half yearly review		75,000	50,000
Code of corporate governance review		75,000	50,000
Tax representation and consultancy fee		-	305,000
		<u>750,000</u>	<u>905,000</u>
28.2 This includes employees' benefits amounting to Rs. 1,808,750 (2010: Rs. 2,006,193)			
29 OTHER OPERATING EXPENSES			
Loss on sale of property, plant and equipment	15.3	-	1,684,858
Loss on sale of marketable securities		35,966	-
Unrealized loss on investments at fair value through profit and loss account		-	346,880
Exchange loss		751,544	924,345
Provision for Workers' Profit Participation Fund		5,447,381	-
Provision for Workers' Welfare Fund		2,343,496	-
		<u>8,578,387</u>	<u>2,956,083</u>
30 OTHER OPERATING INCOME			
Dividend income		172,349	799,598
Profit on bank deposits		1,491	456,376
Duty draw back		-	464,133
Profit on disposal of fixed assets		2,281,151	-
Amortization of interest free loan	30.1	4,143,886	59,501,673
Profit or loss on investments at fair value		2,384,856	206,275
Other Income - Fair Price Shop		2,877,395	-
Others		1,813,461	1,795,413
		<u>13,674,589</u>	<u>63,223,468</u>

	Notes	2011 Rupees	2010 Rupees
30.1 Amortization of interest free loan			
Carrying value of interest free loan		232,861,961	254,690,000
Less: present value adjustment		(58,810,810)	(59,501,673)
		<u>174,051,151</u>	<u>195,188,327</u>
Interest charged to profit or loss		29,105,290	7,951,706
Less: current portion shown under current liabilities		(122,106,004)	(63,103,036)
		<u>81,050,437</u>	<u>140,036,997</u>
<p>This represents the interest free loans payable to National Bank of Pakistan amounting to Rs. 70,700,000 payable in 16 quarterly installments commencing from March 2011, loan payable to Bank of Punjab amounting to Rs. 61,490,000 payable in 13 quarterly installments commencing from September, 2009 loan payable to Allied Bank Limited amounting to Rs. 131,250,000 payable in 30 monthly installments commencing from April, 2010 and loan payable to United Bank Limited amounting to Rs. 59,940,000 payable in eighteen monthly installments commencing from October 2010. These loans have been discounted using the weighted average interest rate of 15.32%, 14.99% and 12.87% respectively.</p>			
31 FINANCE COST			
Lease finance charges		-	303,539
Mark-up on long term financing		79,709,816	90,915,296
Mark-up on short term borrowings		124,850,192	172,458,761
Interest on Workers' Profit Participation Fund	11.1	1,520,043	1,365,518
Bank charges and others		10,946,585	15,011,247
		<u>217,026,636</u>	<u>280,054,361</u>
32 TAXATION			
Provision for taxation- current		36,933,468	17,239,334
Provision for taxation- prior year		-	(456,087)
Deferred taxation		(10,750,098)	(13,008,323)
		<u>26,183,370</u>	<u>3,774,924</u>
<p>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 as the company has assessed tax losses. No provision for deferred tax has been charged except as explained in note: 10. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of pre sumptive taxation.</p>			
33 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earning (loss) attributable to ordinary shareholders		88,647,956	(63,153,584)
Weighted average number of ordinary shares		59,428,729	59,428,729
		<u>1.49</u>	<u>(1.06)</u>
33.1 There is no dilutive effect on the basic earning per share.			

	Notes	2011 Rupees	2010 Rupees
34 CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before taxation		114,831,326	(59,378,660)
Adjustments for:			
Depreciation on property, plant and equipment	15.1	164,329,397	182,294,697
Loss/(profit) on disposal of property, plant and equipment	15.3	(2,281,151)	1,684,858
Loss/(gain) on re-measurement of short term investments		(1,805,909)	346,880
Dividends, capital gains and income from investments		(136,383)	(1,005,873)
Staff retirement benefits - gratuity		7,858,083	8,348,342
Finance cost		217,026,636	280,054,361
		<u>384,990,673</u>	<u>471,723,265</u>
Profit before working capital changes		499,821,999	412,344,605
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		597,844	(21,265,688)
Stock in trade		(43,670,948)	(18,897,524)
Trade debts		17,436,356	(33,689,559)
Loans and advances		110,542,553	(64,569,859)
Other receivables		47,383,624	(32,665,644)
Trade deposits, prepayments and other receivables		(14,482,302)	(8,375,828)
		<u>117,807,127</u>	<u>(179,464,102)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		(125,568,765)	129,111,322
		<u>492,060,361</u>	<u>361,991,825</u>

35 FINANCIAL ASSETS AND LIABILITIES

	Mark-up bearing		Non mark-up bearing		Total 2011 Rupees	Total 2010 Rupees
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year		
Financial Assets						
Long term deposits	-	-	-	3,004,447	3,004,447	3,066,322
Trade debts	-	-	299,836,293	-	299,836,293	317,272,649
Loans and advances	-	-	7,587,722	-	7,587,722	7,009,755
Trade deposits and other receivables	-	50,684,415	-	-	50,684,415	82,551,838
Investments	-	59,321,164	-	-	59,321,164	2,949,119
Cash and bank balances	-	21,744,034	-	-	21,744,034	7,969,177
	-	-	439,173,628	3,004,447	442,178,075	420,818,860
Financial Liabilities						
Long term financing	49,389,796	262,255,151	-	-	311,644,947	538,102,005
Trade and other payables	21,850,025	-	227,422,444	-	249,272,470	374,841,234
Accrued mark up on loans	-	-	219,921,681	-	219,921,681	140,459,806
Short term borrowings	1,138,419,555	-	-	-	1,138,419,555	1,283,690,778
	<u>1,471,914,527</u>	<u>447,344,126</u>	-	-	<u>1,919,258,653</u>	<u>2,337,093,824</u>
On balance sheet gap	(1,471,914,527)	-	(8,170,497)	3,004,447	(1,477,080,578)	(1,916,274,964)
Off balance sheet items						
Bills discounted with recourse					135,900,252	1,659,242
Bank guarantees issued in the ordinary course of business					32,555,900	32,555,900
Letters of credit					11,061,483	7,367,624

36 FINANCIAL RISK MANAGEMENT EFFECTIVE INTEREST RATES

Financial liabilities	
Long term financing	7% to 15.33% per annum
Short term borrowings	7% to 14.66% 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. 442.178 million (2010: Rs. 420.818 million), the financial assets that are subject to credit risk amounted to Rs. 439.173 million (2010 : Rs.417.519 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:

	Note	2011 Rupees	2010 Rupees
Long term deposits		3,004,447	3,066,322
Trade debts		299,836,293	317,272,649
Loans and advances		7,587,722	7,009,755
Trade deposits and other receivables		50,684,415	82,551,838
Bank balances		21,319,550	7,566,922
		<u>382,432,427</u>	<u>417,467,486</u>

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

Bank	Rating Agency	Long term Rating	Short term Rating
Bank Alfalah Limited	PACRA	AA+	A1+
Askari Bank Limited	PACRA	AA	A1+
Citi Bank N.A	S & P	A+	A1
Deutsche Bank	S & P	A+	A1
Dubai Islamic Bank Pakistan Limited	JCRVIS	A	A1
Faysal Bank Limited	JCRVIS	AA	A1+
Meezan Bank Limited	JCRVIS	AA-	A1+
MCB Bank Limited	PACRA	AA+	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
National Bank of Pakistan	JCRVIS	AAA	A1+
Silk Bank Limited	JCRVIS	A-	A2
SME Bank Limited	JCRVIS	BBB	A3
The Bank of Punjab	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCRVIS	AA+	A1+
Soneri Bank Limited	PACRA	AA-	A1+
Habib Bank Limited	JCRVIS	AA+	A1+

Liquidity risk management

Liquidity risk reflects Company's inability in raising funds to meet commitments. The management closely monitors Company's liquidity and cash flow position to ensure adequate liquidity and manage the assets keeping in view the liquidity position.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

Currency risk

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

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

Cash at bank - USD

Foreign debtors - USD

Foreign debtors - Euro

Foreign debtors - Pound

The following significant exchange rates have been applied:

	2011	2010
Rupees per USD		
Average rate	86.08	83
Reporting date rate	85.77	85.6
Rupees per Euro		
Average rate	117.74	117.27
Reporting date rate	124.78	105
Rupees per Pound		
Average rate	136.33	133.47
Reporting date rate	138.50	129

As at June 30, 2011 had the exchange of USD, Euro and Pound depreciated or appreciated 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:

Currency	30-Jun-11		30-Jun-10	
	% Change	Impact	% Change	Impact
USD	10	8,864,334	10	10,322,590
Euro	10	4,302,025	10	5,334
Pound	10	423,470	10	664,479

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:

	2011	2010	2011	2010
	Effective interest rate %		Carrying value in Rupees	
Long term financing	7% to 15.33%	7% to 16%	793,661,529	797,393,380
Short term borrowings	7% to 14.66%	12.88% to 16%	1,138,419,555	1,283,690,778

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 2010.

	Profit and loss 100 bp	
	Increase	Increase
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	19,320,811	(19,320,811)
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	20,810,842	(20,810,842)

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

No provision for doubtful debt has been made during the year for local and foreign customers.

	2011 Rupees	2010 Rupees
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	221,461,731	188,775,244
Past due 30-150 days	37,949,010	62,395,605
Past due 150 days	76,801,404	66,101,800
	<u>336,212,145</u>	<u>317,272,649</u>

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 businesses.

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.

	2011 Rupees	2010 Rupees
Total borrowings	1,932,081,084	2,081,084,159
Less: cash and bank balances	21,744,034	7,969,177
Net debt	1,910,337,050	2,073,114,982
Total equity	402,153,187	291,653,841
Total capital	2,312,490,237	2,364,768,822
Gearing ratio %	82.61	87.67

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Discription	2011			2010		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial remuneration	800,004	1,872,000	5,626,400	800,004	2,090,323	4,029,677
House rent allowance	360,000	835,200	2,510,240	360,000	940,645	1,813,355
Utilities	39,996	172,800	519,360	39,996	209,032	402,968
Rupees	1,200,000	2,880,000	8,656,000	1,200,000	3,240,000	6,246,000
No. of persons	1	3	14	1	4	11

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

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

37.3 Gratuity expense related to Directors is classified under note 27.

	2011 Rupees	2010 Rupees
38 PLANT CAPACITY AND PRODUCTION		
Greige fabric unit		
No. of looms installed	208	228
No. of looms worked	208	228
Shifts per day	3	3
No. of days actually worked	365	365
Rated capacity (Square Meters in millions)	71.9	75.2
Actual production (Square Meters in millions)	70.1	74.4
Towel unit		
No. of looms installed	31	31
No. of looms worked	31	31
Shifts per day	3	3
No. of days actually worked	365	365
Rated capacity (Tons)	2700	2700
Actual production (Tons)	2037	2628
Towel dyeing and processing unit		
Rated capacity (Tons)	2,400	2,400
Actual production (Tons)	1340	1602

38.1 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.

39 RELATED PARTIES DISCLOSURE

The related parties comprise associated undertaking, companies where directors also held directorship, directors and key management personnel. Transactions with associated undertakings and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 35.

	2011 Rupees	2010 Rupees
Associated undertaking		
Agentex	7,895,727	-

40 NUMBER OF EMPLOYEES

Number of employees at the year end	832	871
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41 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts were approved by the Board of Directors on 30th September 2011.

42 FIGURES

Figures have been rounded off to the nearest Rupee.



DIRECTOR



CHIEF EXECUTIVE

*Form 34
Pattern of Share Holding
as on June 30, 2011*

Number of Shareholders	Shareholding		Total Shares held
	From	To	
29	1	100	748
159	101	500	77866
76	501	1000	74096
154	1001	5000	466278
35	5001	10000	309160
22	10001	15000	275656
13	15001	20000	243833
10	20001	25000	239400
8	25001	30000	231702
2	35001	40000	79546
3	45001	50000	150000
1	50001	55000	54500
2	55001	60000	118000
3	65001	70000	204872
1	85001	90000	90000
5	95001	100000	499998
1	100001	105000	102000
1	110001	115000	115000
1	130001	135000	132445
2	135001	140000	277000
1	145001	150000	150000
1	165001	170000	170000
2	195001	200000	400000
1	210001	215000	212500
1	245001	250000	250000
1	295001	300000	300000
1	530001	535000	532000
1	1560001	1565000	1561000
1	2165001	2170000	2166800
1	2465001	2470000	2465300
1	2855001	2860000	2857300
1	3820001	3825000	3822698
2	4430001	4435000	8866302
1	15105001	15110000	15109364
1	16820001	16825000	16823365
545			59,428,729

Categories of Shareholders as on June 30, 2011

Shareholder's Category	No. of Shareholders	Shares held	Percentage
1 Directors, Chief Executive Officer and their spouses and minor children			
Mr. Mussaid Hanif	1	21,256,516	35.7681
Mr. Burhan Muhammad Khan	1	19,542,515	32.8840
Mr. Arbab Muhammad Khan	1	2,857,300	4.8079
Mr. Gauhar Abdul Hai	1	20,000	0.0337
Mr. Syed Manzar Ul Islam	1	303,000	0.5099
Ms. Tehniyat Mussaid	1	4,026,300	6.7750
Ms. Sabah Burhan	1	2,766,800	4.6557
		-	-
Total	7	50,772,431	85.43
2 Banks, Development Financial Institutions, Non-Banking Financial Institutions	2	3,826,698	6.44
3 Modarabas & Mutual Funds	1	99,998	0.17
5 General public - Local	523	4,372,733	7.36
6 General public - Foreign	3	12,000	0.02
7 Others	9	344,869	0.58
Total	538	8,656,298	14.57
GRAND TOTAL	545	59,428,729	100

ZEPHYR TEXTILES LIMITED
3^d Floor IEP Building, 97-B/D-1, Gulberg III, Lahore

PROXY FORM