

Zephyr Textiles Limited
ANNUAL REPORT 2020

Contents

<u>Company Information</u>	02.
<u>Notice of Annual General Meeting</u>	03.
<u>Chairperson Review Report</u>	06.
<u>Directors' Report</u>	07.
<u>Horizontal Analysis</u>	12.
<u>Vertical Analysis</u>	13.
<u>Statement of Value Addition</u>	14.
<u>Financial Highlights</u>	15.
<u>Graphical Representation</u>	16.
<u>DuPont Analysis</u>	18.
<u>Pattern of Holding of the Shares</u>	19.
<u>Statement of Compliance with the Code of Corporate Governance</u>	21.
<u>Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance</u>	24.
<u>Auditors' Report to the Members</u>	25.
<u>Statement of Financial Position</u>	28.
<u>Statement of Profit or Loss</u>	29.
<u>Statement of Comprehensive Income</u>	30.
<u>Statement of Cash Flows</u>	31.
<u>Statement of Changes in Equity</u>	32.
<u>Notes of the Financial Statements</u>	33.
<u>Directors' Report in Urdu</u>	72.
<u>Chairperson Review Report in Urdu</u>	74.
<u>Proxy Form</u>	
<u>Urdu Proxy Form</u>	

BOARD OF DIRECTORS:	Mr. Mussaid Hanif Mr. Burhan Muhammad Khan Mr. Rana Kamal Ud Din Ms. Tehniyat Mussaid Ms. Sabah Burhan Ms. Sarah Naviwala Ms. Nuzhat Kamran	CEO Chairperson
AUDIT COMMITTEE:	Ms. Nuzhat Kamran Mr. Rana Kamal Ud Din Ms. Tehniyat Mussaid	Chairperson/Member Member Member
HR & REMUNERATION COMMITTEE:	Ms. Nuzhat Kamran Mr. Burhan Muhammad Khan Ms. Sabah Burhan	Chairperson/Member Member Member
CHIEF FINANCIAL OFFICER:	Mr. Naveed Aleem	
COMPANY SECRETARY:	Mr. Abdul Jabbar	
AUDITORS:	Azhar Zafar & Company	Chartered Accountants
LEGAL ADVISOR:	Cornelius Lane & Mufti Advocate and Solicitors Nawa-e-Waqt House, 4 Shahrah-e-Fatima Jinnah, Lahore - 54000, Pakistan	
BANKERS TO THE COMPANY:	Habib Bank Limited Allied Bank Limited Askari Bank Limited United Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited	National Bank of Pakistan MCB Bank Limited The Bank of Punjab Faysal Bank Limited Meezan Bank Limited Silk Bank Limited
MILLS:	1 km, Balloki Bhai Pheru Road Bhai Pheru. Phone : 0494 - 512007-9, 513103-5 Fax : 0494 - 512011 63 km, Gulshan Adda, Jumber Khurd, District Kasur.	(Weaving unit & Power plant) (Towel Unit)
REGISTERED & HEAD OFFICE:	3rd Floor, IEP Building, 97 B/D-I, Gulberg III, Lahore E-mail: info@zephyr.com.pk Website: www.zephyr.com.pk Phone : 042 35782905 - 15 Fax : 042 35753202	

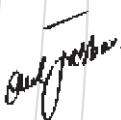
Note: Zephyr's Company Information & Financial Statements are also available at the above website.

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Zephyr Textiles Limited ("ZTL" or "the Company") will be held at the Registered Office of the Company, 3rd Floor IEP Building, 97 B/D-I, Gulberg III, Lahore on Wednesday, October 28, 2020, at 10:30 AM to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting dated October 28, 2019.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Chairperson's Review Report, Directors' and Auditor's report thereon.
3. To appoint auditors for the year ending June 30, 2021 and to fix their remuneration. The present Auditors M/S Azhar Zafar & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board



Abdul Jabbar
Company Secretary
Lahore:
Wednesday October 07, 2020.

NOTE:

• BOOK CLOSURE NOTICE:

Share transfer books of the company will remain closed from October 22, 2020 to October 28, 2020 (both days inclusive) and no transfer will be accepted during this period.

FOR ATTENDING THE MEETING THROUGH VIDEO LINK DUE TO COVID 19 PANDEMIC:

In pursuance of SECP Circular Nos. 5, 10A and 20 of 2020 dated 17th March, 2020, 01st April, 2020 and 31st August, 2020 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID 19) for Corporate Sector, the entitled shareholders interested in attending the Annual General Meeting (AGM) through video link facility ("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two working days before the holding of the time of AGM at abdul.jabbar@zephyr.com.pk by providing the following details:-

Name of Shareholder	CNIC Number	Folio Number	Cell Number	Email Address

- Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses.
- On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.
- Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.
- A Shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a naturally certified copy of the power of attorney must be received at the registered office of the company, duly stamped, signed and witnessed not later than 48 hours before the meeting.
- CDC Account holders will further have to observe the following guidelines, as laid down in Circular O 1 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:
- **Submission of copies of CNIC (Mandatory):**

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

- **Transmission of audited financial statements / notices through email**

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

- **Transmission of annual financial statements through cd/dvd/usb**

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

- **Unclaimed Dividends:**

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

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

Dear Shareholders,

As required under the Listed Companies (Code of Corporate Governance) Regulation, 2019 an annual evaluation of the Board of Zephyr Textiles Limited. I am pleased to present performance review and the role played by the Board in achieving the objectives of the Company, for the year ended June 30, 2020.

Zephyr Textiles Limited has seven-member Board of Directors, which comprises of individuals with diverse backgrounds, having core competencies, knowledge and expertise relevant to the business of the Company. Its sub-committees i.e., Audit Committee, Human Resource & Remuneration Committee assist the Board in executing its responsibilities. These sub-committees held meetings and reported to the Board as per stipulations of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Obituary

The entire Zephyr Textiles Limited members and family mourn the irreparable loss of Mr. Burhan Muhammad Khan, the sponsor and executive director of the Company, who left us for his final adobe on September 15, 2020. May Allah rest his soul in peace and give his family the fortitude to bear his loss. We will all greatly miss him.

The process of filling casual vacancy is in process and will be completed in due course of 90 days period.

Board Performance

Despite the challenging macro-economic situation and stiff global conditions amid COVID-19 pandemic for the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility. The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

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

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

Accordingly, the Board has completed its annual self-evaluation for the year 2020 and I am pleased to report that the overall performance benchmarked on the basis of criteria set for the year 2020, remained satisfactory.



Tehniyat Mussaid
Chairperson

Lahore: September 25, 2020

Dear members,

The Directors of your Company takes pleasure in presenting before you the Annual Report along with audited financial statements and independent auditors' report thereon for the period ended June 30, 2020.

Financial Review

The Company recorded sales of PKR 4.326 billion, which is 15.03% less than the last year's sales of PKR 5.091 billion. Exports sales decreased at PKR 1,914.985 million from PKR 2,396.679 million last year which is 20.10 % less. Gross profit for the year amounted to PKR 401.731 million compared to last year's gross profit of PKR 523.744 million. Finance cost for the year reduced by 15.75%.

The Company earned a profit after tax of PKR 55.072 million compared to PKR 117.838 million in the same period of last year in the very challenging domestic and international business environment especially because of COVID-19 scenario.

Description	2020	2019	% Increase
Net sales	4,326,054,617	5,091,139,422	(15.03)
Gross profit	401,731,284	523,744,040	(23.30)
EBITDA	246,678,400	318,073,672	(22.45)
Depreciation	169,986,363	169,426,668	0.33
Finance cost	121,619,841	144,362,515	(15.75)
Pre-tax profit	76,391,637	148,647,004	(48.61)
After tax profit	55,072,196	117,838,469	(53.26)
EPS	0.93	1.98	(53.26)

The decline in sales revenue is due to COVID-19 pandemic global situation since March 2020 and severely affected the last quarter in which generally the sales were at its peak. This situation restricted the Company to 15.03% lesser sales revenue with 23.30% lesser gross margins. During these challenging times, the Company managed a profitable year by vigilant decision making.

Capital Expenditures

The Company strongly believes in the importance of Balancing Modernization and Replacement and regularly reinvests in existing as well as new projects to cope with market's new requirements. The Company reinvested PKR 214.835 million in the period under review through internal funds generation.

Dividend

The Board of Directors of the Company has not recommended dividend for the year ended June 30, 2020 (June 30, 2019: 5%) due to uncertain Post COVID situation and in accordance with condition of banks against deferment of principal loan repayments as per State Bank Of Pakistan.

Earnings per Share

Earnings per share of the Company for year ended June 30, 2020 is PKR 0.93 as compared to PKR 1.98 for last year ended June 30, 2019.

Pre and Post COVID-19 Scenario

The advent of year 2020, has put the whole world at a war against a pandemic, with a certainty of an uncertain future. With casualties ranging in hundreds of thousands and reported cases in millions, no country from the most developed to the poorest has been spared. The world is defining itself as pre-COVID-19 and post COVID-19. Over the second half of 2019, it was already becoming clear that the global economy was entering a recession, however the situation was expected to improve in

2020, led by the large emerging economies, with a return to potential global growth by 2021. However, with Covid-19 and its devastating effects, all bets are off, and all forecasts for 2020 being revised downward. The Covid-19 virus can be expected to infect developing economies like Pakistan, through different transmission channels. It affected the aggregate demand and supply, owing to the measures taken to contain the spread of the virus.

The Government of Pakistan and State Bank Of Pakistan played a pivotal role to control the economic situation and responded positively by slashing the policy rate by cumulative 625 basis points between March and June 2020. State Bank Of Pakistan introduced new refinancing schemes to avoid layoffs and deferment of long term loans for one year. These positive measures are helping the industry in COVID-19 outbreak for quick recovery. As the situation in Pakistan has witnessed a sharp decline in COVID-19 cases and a healthy comeback in next financial quarter from July to September 2020. Sustainability in economic conditions will depend on how effectively the countries will be able to control the pandemic situation.

Future Prospects

The management of Zephyr Textiles Limited is optimistic about the post COVID-19 business scenario especially due to sharp decline in COVID-19 cases in the country and Government and State Bank's prompt and effective measures for revival of economy. The Company is investing in BMR and new projects by anticipating expansion in value added products which will help to strengthen export and profitability of the Company. During the year under review, the company started dyeing of knit fabrics successfully. Currently we are doing commercial dyeing for knit wear exporters and plans are in final stage to start production and export of garments. The implementation of these plans will start during third and fourth quarters of current year. Knit garments is fast growing export sector and we are confident that a new product line in our offering will strengthen our growth potential.

Corporate Social Responsibility

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

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

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

Corporate Governance

Board of Directors

Following are directors of the Company:

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

*The casual vacancy will be filled in stipulated time period as per law due to sad demise of Mr. Burhan Muhammad Khan.

Directors' Training Program

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

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

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

Compliance of Corporate and Financial Reporting Framework

We are committed to good corporate governance and do comply with the requirements of Code of Corporate Governance Regulation 2019 (CCG 2019) included in the listing regulations of Pakistan Stock Exchange Limited. The statement of compliance with the CCG 2017 is enclosed.

Board Committees

Audit Committee

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

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

Human Resource & Remuneration Committee

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

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

*The HR & Remuneration committee will be reconstituted after filling casual vacancy due to sad demise of Mr. Burhan Muhammad Khan.

Meetings of the Board of Directors

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

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

*The casual vacancy will be filled in stipulated time period as per law due to sad demise of Mr. Burhan Muhammad Khan.

Directors' Remunerations

The remuneration of board members is approved by the board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his or her own remuneration. The Company does not pay remuneration to non-executive directors and independent directors are paid a fee to attend meetings. Remuneration package of Chief Executive and other executive directors is disclosed in Note.37 to the financial statements.

Directors' Statement

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

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

Auditors


The present auditors of the Company M/s Azhar Zafar & Company, Chartered Accountants have completed the annual audit for the year ended June 30, 2020, and have issued an unqualified audit report. The existing auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2021.

Acknowledgement

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



Mussaid Hanif
Chief Executive



Sabah Burhan
Director

Lahore:
September 25, 2020

Horizontal Analysis

(Rupees in Million)

	2020	Variance vs Last Year Increase/ (Decrease)	2019	Variance vs Last Year Increase/ (Decrease)	2018	Variance vs Last Year Increase/ (Decrease)	2017	% of Total Value	2016
OPERATING RESULTS									
Sales - net	4,326.05	(15.03)	5,091.14	19.73	4,252.32	13.41	3,749.39	(4.66)	3,932.86
Cost of sales	3,924.32	(14.08)	4,567.40	20.61	3,786.85	14.09	3,319.30	(6.12)	3,535.64
Gross Profit	401.73	(23.30)	523.74	12.52	465.47	8.23	430.09	8.28	397.21
Distribution cost	131.31	(6.37)	140.24	38.42	101.31	9.67	92.38	25.03	73.89
Administrative expenses	84.47	(0.63)	85.00	23.77	68.68	5.40	65.16	2.64	63.49
Other operating expenses	22.40	128.22	9.81	(16.26)	11.72	(81.49)	63.32	424.18	12.08
Financial cost	121.62	(15.75)	144.36	(8.61)	157.96	29.66	121.82	(3.57)	126.33
Other operating income	34.45	697.29	4.32	26.70	3.41	45.12	2.35	(78.45)	10.91
Profit/(Loss) before taxation	76.39	(48.61)	148.65	15.04	129.21	43.96	89.76	(32.17)	132.33
Provision for taxation	21.32	(30.80)	30.81	18.32	26.04	25.00	20.83	(17.65)	25.30
PROFIT/(LOSS) BEFORE TAXATION	55.07	(46.62)	117.84	70.96	103.17	(3.61)	68.93	(35.60)	107.03
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,903.44	(0.33)	1,909.71	(3.62)	1,981.44	(0.71)	1,995.53	11.02	1,797.52
Capital work in progress	63.32	103.76	31.08	100	-	(100.00)	9.70	-	-
Long term deposits	22.47	0.03	22.46	(0.18)	22.50	16.65	19.29	146.55	7.82
TOTAL NON-CURRENT ASSETS	1,989.22	(0.73)	1,963.24	(3.03)	2,003.93	11.00	2,024.52	12.14	1,805.34
CURRENT ASSETS									
Stores, spare parts and loose tools	139.82	27.34	109.80	6.00	103.59	(23.19)	134.87	20.14	112.26
Stock in trade	1,103.93	20.70	914.62	(14.49)	1,069.58	18.20	904.90	16.75	775.09
Trade debts	708.87	(0.50)	712.46	8.18	658.60	88.04	350.24	(21.60)	446.75
Loans and advances	76.74	(23.64)	100.50	179.39	35.97	8.08	33.28	(5.87)	35.36
Trade deposits and short term prepayments	246.05	15.43	213.16	12.94	188.74	(4.12)	196.86	30.64	150.68
Other receivables	80.03	(36.87)	126.77	7.53	117.89	249.16	33.76	24.64	27.09
Investments	63.08	6,274.43	0.99	34.79	0.73	(56.31)	1.68	5.08	1.60
Cash and bank balances	71.79	29.06	55.62	91.86	28.99	(41.89)	49.89	(22.99)	64.79
TOTAL CURRENT ASSETS	2,490.30	12.99	2,233.91	30.98	2,204.09	33.94	1,705.48	5.69	1,613.61
TOTAL ASSETS	4,479.52	6.45	4,197.16	12.52	4,208.02	21.83	3,730.00	9.10	3,418.94
CURRENT LIABILITIES									
Trade and other payables	852.08	45.91	583.99	(10.25)	650.71	77.52	366.56	(5.41)	387.54
Accrued mark-up	24.10	5.65	22.82	5.28	21.67	36.82	15.84	10.59	14.32
Short term borrowings	1,320.19	5.61	1,250.02	6.73	1,171.20	19.31	981.62	38.18	710.42
Current portion of long term financing	65.48	(60.79)	167.01	1.28	164.91	(17.42)	199.70	13.24	176.35
TOATL CURRENT LIABILITIES	2,261.85	12.61	2,023.84	29.42	2,008.49	56.05	1,563.72	21.35	1,288.63
WORKING CAPITAL	228.45	8.75	210.08	48.19	195.60	(53.70)	141.76	(56.38)	324.98
TOTAL CAPITAL EMPLOYED	2,217.67	0.82	2,173.32	0.33	2,199.54	1.13	2,166.28	1.69	2,130.31
NON-CURRENT LIABILITIES									
Long term financing	350.04	14.83	304.82	(26.77)	416.22	(23.53)	544.32	(4.58)	570.45
Deferred liabilities	254.37	5.51	241.10	(0.61)	242.57	7.75	225.13	(2.80)	231.62
TOTAL NON-CURRENT LIABILITIES	604.41	(8.26)	545.92	(29.05)	658.80	(17.86)	769.45	(4.07)	802.07
NET WORTH	1,613.26	4.71	1,627.40	16.51	1,540.74	12.60	1,396.83	5.16	1,328.25
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	-	594.29	-	594.29	-	594.29	-	594.29
Accumulated Profit / Loss	716.44	1.32	707.09	18.80	595.21	26.92	468.97	26.85	369.71
Surplus on revaluation of property, plant and equipment	302.53	(7.21)	326.02	(7.18)	351.24	5.30	333.57	(8.42)	364.25
TOTAL NETWORKTH	1,613.26	(0.87)	1,627.40	5.62	1,540.74	10.30	1,396.83	5.16	1,328.25
TOTAL LIABILITIES	4,479.52	6.45	4,197.16	12.52	4,208.02	21.83	3,730.00	9.10	3,418.94

Virtical Analysis

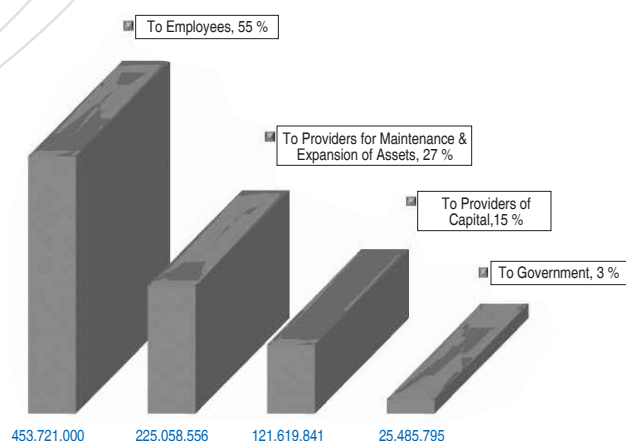
(Rupees in Million)

	2020	% of Total Value	2019	% of Total Value	2018	% of Total Value	2017	% of Total Value	2016
OPERATING RESULTS									
Sales - net	4,326.05	100.00	5,091.14	100.00	4,252.32	100.00	3,749.39	100.00	3,932.86
Cost of sales	3,924.32	90.71	4,567.40	89.71	3,786.85	89.05	3,319.30	88.53	3,535.64
Gross Profit	401.73	9.29	523.74	10.29	465.47	10.95	430.09	11.47	397.21
Distribution cost	131.31	3.04	140.24	2.75	101.31	2.38	92.38	2.46	73.89
Administrative expenses	84.47	1.95	85.00	1.67	68.68	1.62	65.16	1.74	63.49
Other operating expenses	22.40	0.52	9.81	0.19	11.72	0.28	63.32	1.69	12.08
Financial cost	121.62	2.81	144.36	2.84	157.96	3.71	121.82	3.25	126.33
Other operating income	34.45	0.80	4.32	0.08	3.41	0.08	2.35	0.06	10.91
Profit/(Loss) before taxation	76.39	1.77	148.65	2.92	129.21	3.04	89.76	2.39	132.33
Provision for taxation	21.32	0.49	30.81	0.61	26.04	0.61	20.83	0.56	25.30
PROFIT/(LOSS) BEFORE TAXATION	55.07	1.27	117.84	2.31	103.17	2.43	68.93	1.85	107.03
BALANCE SHEET									
NON-CURRENT ASSETS									
Property, plant and equipment	1,903.44	42.49	1,909.71	45.50	1,981.44	47.09	1,995.53	53.50	1,797.52
Capital work in progress	63.32	1.41	31.08	0.74	-	-	9.70	0.26	-
Long term deposits	22.47	0.50	22.46	0.54	22.50	0.53	19.29	0.52	7.82
TOTAL NON-CURRENT ASSETS	1,989.22	44.41	1,963.24	46.78	2,003.93	47.62	2,024.52	54.28	1,805.34
CURRENT ASSETS									
Stores, spare parts and loose tools	139.82	3.12	109.80	2.62	103.59	2.46	134.87	3.62	112.26
Stock in trade	1,103.93	24.64	914.62	21.79	1,069.58	25.42	904.90	24.26	775.09
Trade debts	708.87	15.82	712.46	16.97	658.60	15.65	350.24	9.39	446.75
Loans and advances	76.74	1.71	100.50	2.39	35.97	0.85	33.28	0.89	35.36
Trade deposits and short term prepayments	246.05	5.49	213.16	5.08	188.74	4.49	196.86	5.28	150.68
Other receivables	80.03	1.79	126.77	3.02	117.89	2.80	33.76	0.91	27.09
Investments	63.08	1.41	0.99	0.02	0.73	0.02	1.68	0.05	1.60
Cash and bank balances	71.79	1.60	55.62	1.33	28.99	0.69	49.89	1.34	64.79
TOTAL CURRENT ASSETS	2,490.30	55.59	2,233.91	53.22	2,204.09	52.38	1,705.48	45.72	1,613.61
TOTAL ASSETS	4,479.52	100.00	4,197.16	100.00	4,208.02	100.00	3,730.00	100.00	3,418.94
CURRENT LIABILITIES									
Trade and other payables	852.08	19.02	583.99	13.91	650.71	15.46	366.56	9.83	387.54
Accrued mark-up	24.10	0.54	22.82	0.54	21.67	0.51	15.84	0.42	14.32
Short term borrowings	1,320.19	29.47	1,250.02	29.78	1,171.20	27.83	981.62	26.32	710.42
Current portion of long term financing	65.48	1.46	167.01	3.98	164.91	3.92	199.70	5.35	176.35
TOATL CURRENT LIABILITIES	2,261.85	50.49	2,023.84	48.22	2,008.49	47.73	1,563.72	41.92	1,288.63
WORKING CAPITAL	228.45	5.10	210.08	5.01	195.60	4.65	141.76	3.80	324.98
TOTAL CAPITAL EMPLOYED	2,217.67	49.51	2,173.32	51.78	2,199.54	52.27	2,166.28	58.08	2,130.31
NON-CURRENT LIABILITIES									
Long term financing	350.04	7.81	304.82	7.26	416.22	9.89	544.32	14.59	570.45
Deferred liabilities	254.37	5.68	241.10	5.74	242.57	5.76	225.13	6.04	231.62
TOTAL NON-CURRENT LIABILITIES	604.41	13.49	545.92	13.01	658.80	15.66	769.45	20.63	802.07
NET WORTH	1,613.26	36.01	1,627.40	38.77	1,540.74	36.61	1,396.83	37.45	1,328.25
NET WORTH REPRESENTED BY									
Issued, subscribed and paid-up capital	594.29	13.27	594.29	14.16	594.29	14.12	594.29	15.93	594.29
Accumulated Profit / Loss	716.44	15.99	707.09	16.85	595.21	14.14	468.97	12.57	369.71
Surplus on revaluation of property, plant and equipment	302.53	6.75	326.02	7.77	351.24	8.35	333.57	8.94	364.25
TOTAL NETWORTH	1,613.26	36.01	1,627.40	38.77	1,540.74	36.61	1,396.83	37.45	1,328.25
TOTAL LIABILITIES	4,479.52	100.00	4,197.16	100.00	4,208.02	100.00	3,730.00	100.00	3,418.94

Statement of Value Addition

Wealth Generated	Year 2020		Year 2019	
	Amount Rs.	%	Amount Rs.	%
Sales Revenue	4,326,054,617		5,091,139,422	
Other Income	34,452,195		4,321,134	
	4,360,506,812		5,095,460,556	
Less:				
Material & Services				
Material & Factory Costs	3,371,922,330		4,048,556,454	
Administrative Costs	40,117,564		44,187,659	
Distribution & Others Costs	122,581,726		119,435,803	
	3,534,621,620		4,212,179,916	
Total Wealth Geneated	825,885,192	100%	883,280,640	100%
Wealth Distributed	Year 2020		Year 2019	
	Amount Rs.	%	Amount Rs.	%
To Employees				
Salaries & Benefits	453,721,000	54.94%	412,381,874	46.69%
To Government				
Tax	21,319,441	2.58%	30,808,535	3.49%
Worker Profit Participation Fund	4,027,900	0.49%	7,855,480	0.89%
Worker Welfare Fund	138,454	0.02%	607,123	0.07%
To Providers of Capital				
Dividends to Share Holders	-	-	-	-
Mark Up/Interest on Borrowed Funds	121,619,841	14.73%	144,362,515	16.34%
To Providers for Maintenance & Expansion of Assets				
Depreciation	169,986,360	20.58%	169,426,695	19.18%
Profit Retained	55,072,196	6.67%	117,838,421	13.34%
	825,885,192		883,280,643	

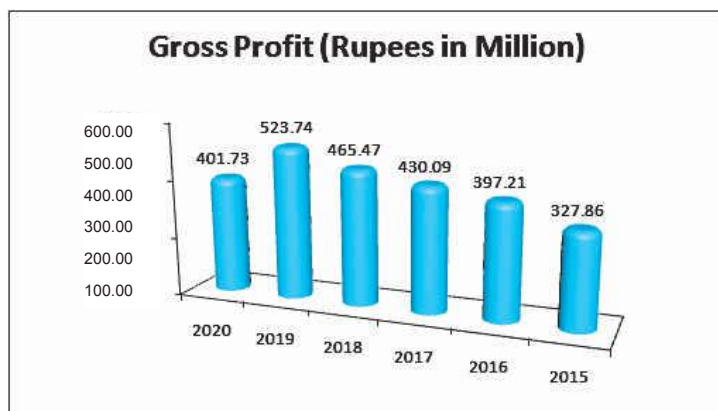
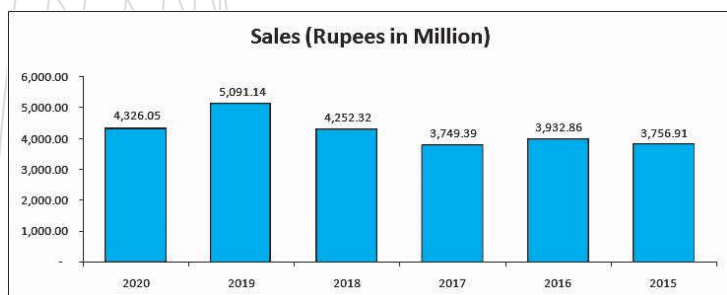
Distribution of Wealth



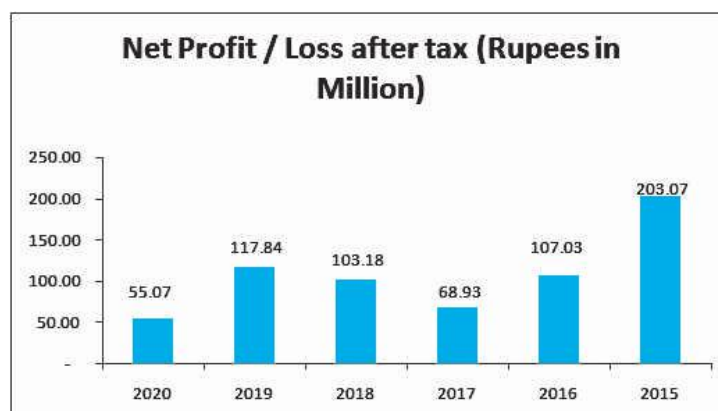
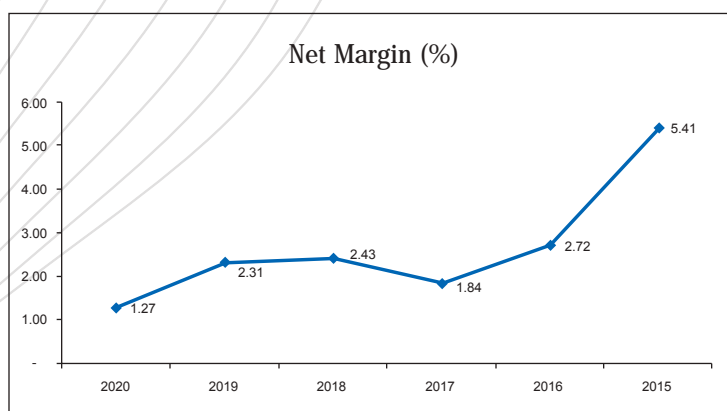
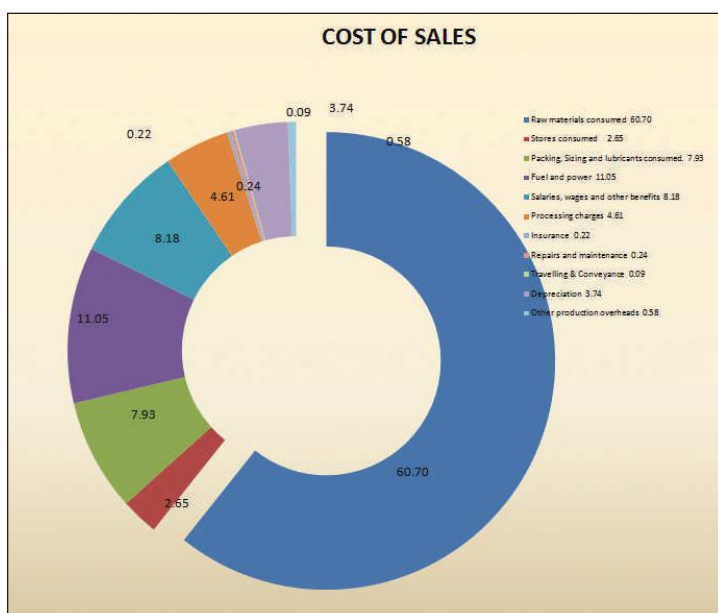
Key Operating and Financial Data of Last Six Years

	June 30, 2020	June 30, 2019	June 30, 2018 (Rupees in Thousand)	June 30, 2017	June 30, 2016	June 30, 2015
PROFIT AND LOSS						
Sales	4,326,055	5,091,139	4,252,317	3,749,393	3,932,857	3,756,907
Cost of Sales	3,924,323	4,567,395	3,786,846	3,319,300	3,535,642	3,429,043
Gross Profit	401,731	523,744	465,472	430,093	397,215	327,864
Operating Profit plus other income	198,011	293,010	287,169	211,582	258,663	391,854
Financial & Other charges	121,620	144,363	157,956	121,825	126,334	166,341
Taxation	21,319	30,809	26,038	20,831	25,295	22,446
Net Profit after tax	55,072	117,838	103,175	68,927	107,035	203,067
BALANCE SHEET						
Capital	594,287	594,287	594,287	594,287	594,287	594,287
Share subscription money	-	-	-	-	-	-
Reserves	716,442	707,091	595,211	468,969	369,712	253,297
Surplus on revaluation of fixed assets	302,532	326,024	351,241	333,573	364,247	390,762
Net worth	1,613,261	1,627,403	1,540,739	1,396,829	1,328,246	1,238,347
Long Term Liabilities	350,037	304,819	416,224	544,322	570,447	676,849
Deferred liabilities	254,374	241,098	242,573	225,128	231,622	232,580
Current Liabilities	2,261,851	2,023,837	2,008,488	1,563,718	1,288,630	1,117,362
Total Liabilities	2,866,262	2,569,753	2,667,285	2,333,168	2,090,698	2,026,790
Total Equity & Liabilities	4,479,523	4,197,156	4,208,024	3,729,997	3,418,944	3,265,137
Fixed Assets	1,903,440	1,909,708	1,981,436	1,995,530	1,797,516	1,836,218
Capital Work in Progress	63,318	31,075	-	9,702	-	10,865
Long Term Deposits	22,465	22,459	22,498	19,287	7,823	7,873
Current Assets	2,490,299	2,233,914	2,204,090	1,705,478	1,613,606	1,410,181
Total Assets	4,479,523	4,197,156	4,208,024	3,729,997	3,418,945	3,265,137
INVESTOR INFORMATION						
Break up value per share (Rs.)	27.15	27.38	25.93	23.50	22.35	20.84
Bonus/Cash dividend (Rs. In '000)	-	-	-	-	-	-
Earning Per Share (Rs.)	0.93	1.98	1.74	1.16	1.80	3.42
Return on Equity (%)	3.41	7.24	6.70	4.93	8.06	16.40
Return on Assets (%)	1.23	2.81	2.45	1.85	3.13	6.22
FINANCIAL RATIOS						
Gross Margin (%)	9.29	10.29	10.95	11.47	10.10	8.73
Net Margin (%)	1.27	2.31	2.43	1.84	2.72	5.41
Current Ratio	1.10	1.10	1.10	1.09	1.25	1.26
Long Debt to Equity ratio (%)	0.26	0.29	0.38	0.53	0.56	0.67
Interest cover ratio (Times)	1.63	2.03	1.82	1.74	2.05	2.36
Gearing ratio (%)	0.52	0.51	0.53	0.55	0.52	0.54

Graphical Representation

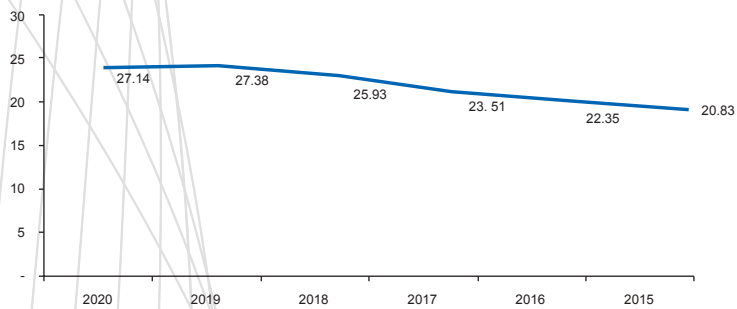


COST OF SALES			
Details	%		Value in Millions
Raw materias consumed	60.70		2,642.08
Stores consumed	2.65		115.13
Packing, Sizing and lubricants consumed.	7.93		345.30
Fuel and power	11.05		480.89
Salaries, wages and other benefits	8.18		355.86
Processing charges	4.61		200.50
Insurance	0.22		9.79
Repairs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

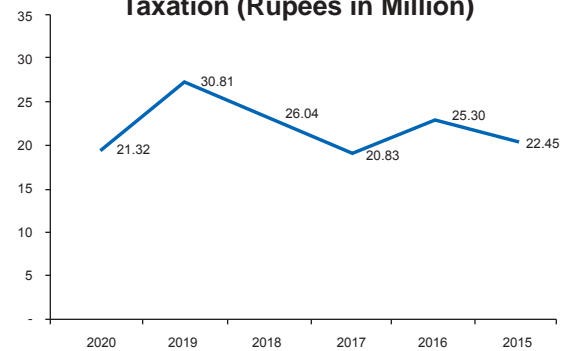


Graphical Representation

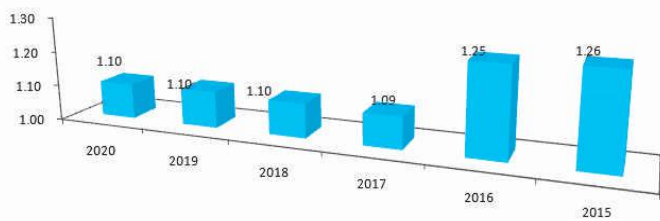
Break up value per share (Rs.)



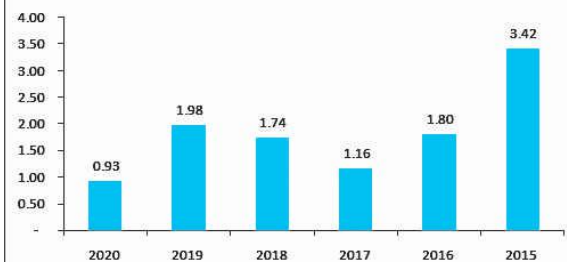
Taxation (Rupees in Million)



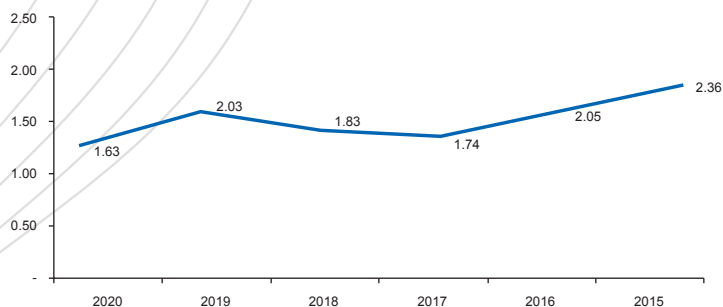
Current Ratio



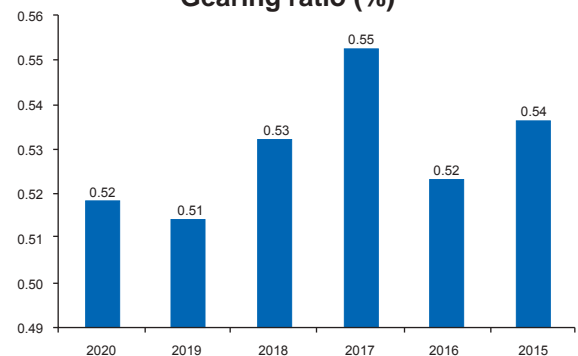
Earning Per Share (Rs.)



Interest cover ratio (Times)



Gearing ratio (%)



DuPont Analysis

Details	Amount in "000"
Gross Revenues	4,326,055
Cost of Sales	3,924,323
Admin & Selling Exp	238,172
Interest Expense	121,620
Taxation	21,319
Other Income	34,452
Total Assets	4,479,523
Total Liabilities	2,866,262

Value for the year ended	2020
Tax burden	0.49%
Interest burden	2.81%
Net profit margin	1.27%
Return on Assets	1.23%
Ownership Ratio	36.01%
Return on Equity	3.41%

1- Operating Profit Margin

Gross Revenue	(-)	Admin & Selling Exp	(-)
4,326,055		238,172	

Net Oprtg Income	(+)	Other Income	(-)
163,559		34,452	

Net Income	(-)	Taxation	(-)
76,392		21,319	

Cost of Sales	(=)	Net Operating Income
3,924,323		163,559

Interest Expense	(=)	Net Income
121,620		76,392

Gross Revenue	(=)	Asset Turnover Ratio
4,326,055		1.27%

2- Asset Turnover Ratio

Gross Revenue	(-)	Total Assets	(=)
4,326,055		4,479,523	

Asset Turnover Ratio
0.966

Times

3- Owner's Equity

Owner's Equity	(-)	Total Liabilities	(=)
4,479,523		2,866,262	

Owner's Equity
1,613,261

4- Total Assets

Total Liabilities	(+)	Total Equity	(=)
2,866,262		1,613,261	

Total Assets
4,479,523

5- Return on Assets

Net Profit Margin	(x)	Asset Turnover Ratio	(=)
1.27%		0.97	

Return on Assets
1.23%

5- Ownership Ratio

Owner's Equity	(-)	Total Assets	(=)
1,613,261		4,479,523	

Ownrship Ratio
36.01%

7- Return on Equity

Return on Assets	(-)	Ownrship Ratio	(=)
1.23%		36.01%	

Return on Equity
3.41%

Pattern of Share Holding

As on June 30, 2020

Incorporation Number 0039903

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

Number of Shareholders	From	Shareholding To	Total Shares held
65	1	100	819
142	101	500	70,227
63	501	1000	62,611
93	1001	5000	262,701
32	5001	10000	249,586
11	10001	15000	135,500
10	15001	20000	187,500
8	20001	25000	188,798
7	25001	30000	199,000
2	30001	35000	65,000
2	35001	40000	77,000
4	40001	45000	173,500
2	45001	50000	100,000
1	50001	55000	54,000
2	55001	60000	113,000
1	60001	65000	60,500
3	65001	70000	202,000
4	95001	100000	393,500
2	100001	105000	206,000
1	120001	125000	124,500
1	135001	140000	137,000
1	155001	160000	156,000
1	165001	170000	170,000
1	180001	185000	182,500
1	195001	200000	200,000
1	435001	440000	435,500
1	530001	535000	532,000
1	1560001	1565000	1,561,000
1	2165001	2170000	2,166,800
1	2465001	2470000	2,465,300
1	2855001	2860000	2,857,300
1	4460001	4465000	4,460,651
1	4485001	4490000	4,485,151
1	4760001	4765000	4,761,056
1	15105001	15110000	15,109,364
1	16820001	16825000	16,823,365
471			59,428,729

Categories of Shareholders

As on June 30, 2020

Shareholders's categories		No. of shareholders	Share held	Percentage
1	Directors, Chief Executive Officer and their spouses and minor children			
	Mr. Mussaid Hanif	2	21,308,516	35.8556
	Mr. Burhan Muhammad Khan	3	19,600,015	32.9807
	Ms. Sabah Burhan	4	5,616,600	9.4510
	Ms. Tehniyat Mussaid	2	4,026,300	6.7750
	Ms. Sarah Naviwala	1	50,000	0.0841
	Ms. Nuzhat Kamran	1	500	0.0008
				-
	Total	13	50,601,931	85.15
2	Associated companies, undertaking and related parties	0	-	-
3	Executive	0	-	-
4	Public Sector Companies and Corporation	0	-	-
5	Banks, Development Financial Institutions, Non-Banking Financial Institutions	1	4,761,056	8.0114
6	General public - Local	443	3,798,740	6.3921
7	General public - Foreign	10	89,001	0.1498
8	Others	4	178,001	0.2995
	Total	458	8,826,798.00	14.85
	Grand Total	471	59,428,729.00	100.00
Shareholders holding 5% or more			Shares held	Percentage
	Mr. Mussaid Hanif		21,308,516	35.8556
	Mr. Burhan Muhammad Khan		19,600,015	32.9807
	Ms. Sabah Burhan		5,616,600	9.4510
	Ms. Tehniyat Mussaid		4,026,300	6.7750
	The Bank of Punjab, Treasury Division		4,761,056	8.0114
	General public - Local		3,798,740	6.3921

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

For the year ended: June 30, 2020

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

1. The total number of Directors are "seven" as per the following:
 - a) Male: 3
 - b) Female: 4
2. The composition of the Board of Directors is as follow:

Category	Names
Independent Director	<ol style="list-style-type: none"> 1. Ms. Nuzhat Kamran 2. Mr. Rana Kamal-ud-Din
Executive Directors	<ol style="list-style-type: none"> 3. Mr. Mussaid Hanif (CEO) 4. Mr. Burhan Muhammad Khan
Non-Executive Directors	<ol style="list-style-type: none"> 5. Ms. Tehniyat Mussaid (Chairperson) 6. Ms. Sabah Burhan 7. Ms. Sarah Naviwala

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

3. The Directors have confirmed that none of them is serving as a Director of more than seven listed Companies (Excluding the listed subsidiaries of listed holding companies where applicable), including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensure that complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a Director elected by the Board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of Meeting of Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. The Board of Directors of the Company consist of 7 Directors out of which the following four Directors have obtained a certificate for the Directors' Training Program offered by a local institution that meets the criteria specified by the Securities and Exchange Commission of Pakistan ("SECP"): The remaining three Directors have undertaken to either apply to SECP for an exemption or be certified prior to the expiration of the requisite deadline.
10. No new appointments of the Chief Financial Officer, Company Secretary and Head of Internal Audit were made during the year.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The Board of Directors have formed committees comprising of the members given bellow:

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a. Audit Committee 4 quarterly meetings
 - b. HR and Remuneration Committee 1 annual meeting
15. The Board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations 3,6,7,8,27,32,33 and 36 been complied with.

19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1.	<p>Nomination Committee</p> <p>The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem Appropriate in its circumstances.</p>	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration Committee. The Board shall consider to constitute Nomination committee after next election of directors.	29
2.	<p>Risk Management Committee</p> <p>The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.</p>	Currently, the Board has not constituted a risk management committee and senior officer of the Company performs the requisite functions and apprise the Board accordingly. The Board shall consider to constitute risk management committee after next election of directors.	30



Mussaid Hanif
Chief Executive

Lahore:
September 25, 2020



Sabah Burhan
Director

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 [the "Regulations"] prepared by the Board of Directors of Zephyr Textiles Limited ("the Company") for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Board Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Lahore
September 25, 2020

Azhar Zafar & Co

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

OPINION

We have audited the annexed financial statements of ZEPHYR TEXTILES LIMITED (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

S.NO	Key audit matters	How the matter was addressed in our audit
1.	COVID-19	
	<p>Refer note 1.2 to the financial statements regarding the impact of COVID-19.</p> <p>As part of the preparation of the financial statements, management is responsible to assess the possible effects of COVID-19 on the company's liquidity and related ability to continue as a going concern and appropriately disclose the results of its assessment in the financial statements. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the financial statements its effects are subject to uncertainty.</p> <p>Management prepared a financial and liquidity risk analysis addressing amongst others future compliance with financing conditions as well as financing and cash requirements to ensure continuation of the company's operations.</p>	<p>We considered the uncertainties arising from COVID-19 in planning and performing our audit. Our procedures included:</p> <ul style="list-style-type: none"> evaluated the company's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts, including mathematical accuracy; assessed the reliability of the forecasted cash flows by comparing with the historical performance and market expectations; discussed the most recent forecast with management to understand their views on going concern and the potential impact of COVID-19 on the company; evaluated the assumptions in respect of projected available future cash flows from operating, financing and investing activities and projected key ratios for covenant calculations;

S.NO	Key audit matters	How the matter was addressed in our audit
1.	COVID-19	<ul style="list-style-type: none"> inspected supporting documentation such as contracts and underlying calculations and correspondence with financing and other relevant parties; evaluated the company's assessment of other accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables and inventory provisioning; and considered the appropriateness of the disclosures made in the financial statements in respect of the potential impact of COVID-19.
2.	Control environment relating to the financial reporting process and related IT systems	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p> <p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>

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

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Azhar Zafar & Co

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

Lahore
September 25, 2020

Statement of Financial Position

As at June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees) Restated	2018 (Rupees) Restated
Equity and liabilities				
Share capital and reserves				
Authorized capital				
62,500,000 ordinary shares of Rs. 10/- each		625,000,000	625,000,000	625,000,000
Issued, subscribed and paid up share capital	5	594,287,290	594,287,290	594,287,290
Accumulated profit		716,441,820	666,742,622	554,861,829
Surplus on revaluation of property, plant and equipment	6	302,531,787	326,024,212	351,241,048
Total equity		1,613,260,897	1,587,054,124	1,500,390,167
Liabilities				
Non-current				
Long term financing	7	350,037,080	304,818,570	416,224,442
Deferred liabilities	9	254,374,295	241,097,866	242,572,800
Total non-current liabilities		604,411,375	545,916,436	658,797,242
Current				
Trade and other payables	10	818,277,585	558,646,213	642,004,390
Contract liabilities		28,947,258	24,686,460	20,784,431
Accrued mark-up	11	24,103,436	22,815,205	21,672,114
Short term borrowings	12	1,320,186,209	1,250,018,577	1,158,696,746
Unclaimed dividend		4,859,107	659,831	425,102
Current portion of long term borrowings	8	65,476,939	167,010,393	164,905,244
Total current liabilities		2,261,850,534	2,023,836,679	2,008,488,027
Contingencies and commitments	13	-	-	-
Total liabilities		2,866,261,909	2,569,753,115	2,667,285,269
Total equity and liabilities		4,479,522,806	4,156,807,239	4,167,675,436
Assets				
Non-current				
Property, plant and equipment	14	1,903,439,609	1,909,707,867	1,981,435,617
Capital work in progress	15	63,318,407	31,075,383	-
Long term deposits	16	22,465,301	22,458,501	22,498,601
Total non-current assets		1,989,223,317	1,963,241,751	2,003,934,218
Current				
Stores, spare parts and loose tools		139,817,517	109,799,001	103,588,222
Stock in trade	17	1,103,928,987	914,618,433	1,069,576,465
Trade debts	18	708,870,453	712,461,961	658,604,786
Loans and advances	19	76,737,771	100,498,346	35,965,460
Trade deposits, prepayments and balances with statutory authorities	20	246,051,354	213,159,166	188,742,833
Other receivables	21	80,032,166	86,417,352	77,538,775
Short term investments	22	63,075,961	989,516	734,124
Cash and bank balances	23	71,785,280	55,621,713	28,990,553
Total current assets		2,490,299,489	2,193,565,488	2,163,741,218
Total assets		4,479,522,806	4,156,807,239	4,167,675,436

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER

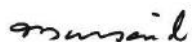

DIRECTOR

Statement of Profit or Loss

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
Sales - net	24	4,326,054,617	5,091,139,422
Cost of sales	25	(3,924,323,333)	(4,567,395,382)
Gross profit		401,731,284	523,744,040
Distribution cost	26	(131,307,995)	(140,236,463)
Administrative expenses	27	(84,465,508)	(85,004,774)
Other operating expenses	28	(22,398,498)	(9,814,443)
Operating profit		163,559,283	288,688,360
Other income	29	34,452,195	4,321,159
Operating profit before finance cost		198,011,478	293,009,519
Finance cost	30	(121,619,841)	(144,362,515)
Profit before tax		76,391,637	148,647,004
Taxation	31	(21,319,441)	(30,808,535)
Profit after taxation		55,072,196	117,838,469
Earnings per share:			
Basic and diluted earnings per share	32	0.93	1.98

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Comprehensive Income

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
Profit after taxation		55,072,196	117,838,469
Other comprehensive income / loss			
Items that will not be reclassified to profit and loss account:			
Gains / (losses) on remeasurement of staff retirement benefit plan	9.4	848,942	(1,460,147)
Total comprehensive income for the year		55,921,138	116,378,322

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER

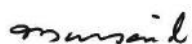

DIRECTOR

Statement of Cash Flows

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
Cash flows from operating activities			
Cash generated from operations	33	474,370,956	421,086,815
Finance cost paid		(110,026,864)	(129,932,105)
Taxes paid		(45,636,206)	(43,507,358)
Staff retirement benefits - gratuity paid		(12,111,159)	(22,153,125)
Net cash flow from operating activities		306,596,727	225,494,227
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,641,541	2,852,210
Purchase of property, plant and equipment		(214,834,872)	(131,216,944)
Long term deposits		(6,800)	40,100
Purchase of short term investments - net		(61,453,398)	(255,392)
Dividend - net		(24,745,563)	(29,459,866)
Net cash flow from investing activities		(296,399,092)	(158,039,892)
Cash flows from financing activities			
Short term borrowings - net		70,167,632	78,821,831
Long term financing - net		(64,201,700)	(119,645,006)
Net cash flow from financing activities		5,965,932	(40,823,175)
Net (decrease)/ increase in cash and cash equivalents		16,163,567	26,631,160
Cash and cash equivalents at beginning of the year		55,621,713	28,990,553
Cash and cash equivalents at end of the year		71,785,280	55,621,713

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Statement of Changes in Equity

For the year ended June 30, 2020

	Share capital (Rupees)	Accumulated profit/(loss) (Rupees)	Revaluation surplus (Rupees)	Total equity (Rupees)
Balance as at July 01, 2018 as previously reported	594,287,290	595,210,555	351,241,048	1,540,738,893
Effect of error (note no. 1.3)	-	(40,348,726)	-	(40,348,726)
Balance as at July 01, 2018 - restated	594,287,290	554,861,829	351,241,048	1,500,390,167
Total comprehensive income for the year	-	116,378,322	-	116,378,322
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	(1,583,181)	1,583,181	-
Final dividend at Rs. 0.5 per ordinary share	-	(29,714,365)	-	(29,714,365)
Current year incremental depreciation - net of tax	-	26,800,017	(26,800,017)	-
Balance as at June 30, 2019 - restated	594,287,290	666,742,622	326,024,212	1,587,054,124
Balance as at July 1, 2019 - restated	594,287,290	666,742,622	326,024,212	1,587,054,124
Total comprehensive income for the year	-	55,921,138	-	55,921,138
Transfer of surplus on revaluation on disposal of property, plant & equipment	-	(884,283)	884,283	-
Final dividend at Rs. 0.5 per ordinary share	-	(29,714,365)	-	(29,714,365)
Current year incremental depreciation - net of tax	-	24,376,708	(24,376,708)	-
Balance as at June 30, 2020	594,287,290	716,441,820	302,531,787	1,613,260,897

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Notes to the Financial Statements

For the year ended June 30, 2020

1 LEGAL STATUS AND NATUER 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 (now Companies Act, 2017). Subsequently on October 04, 2004 it was converted into a public limited Company and its shares are quoted on Pakistan Stock Exchange Limited (PSX). The Company is principally engaged in the manufacturing, dying and trading of woven cloth which also includes towels. The registered office of the Company is situated at 3rd Floor, IEP Building, 97B/D-1, Gulberg III, Lahore, Punjab and the manufacturing facilities are located at Bhai Pheru and Jumber.
- 1.2 A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. Based on management's assessment, considering demand from its customers, availability of imports and measures taken by Government to support the industry in which the Company operates, COVID-19 does not have a significant impact on the Company and supports the appropriateness of its going concern assumption.
- 1.3 It was an estimate error of DLTl regarding financial year 2017-18 identified later now rectified.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Notes to the Financial Statements

For the year ended June 30, 2020

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

- (i) Estimate of payables and receivables in respect of staff retirement benefit schemes [notes 4.1];
- (ii) Estimated useful life of property, plant and equipment [notes 4.2];
- (iii) Provision for slow moving inventories [notes 4.4 and 4.5];
- (iv) Provision for expected credit loss [note 4.10].
- (v) Estimation of current and deferred tax [note 4.14].

3. NEW AND AMENDED STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year ended June 30, 2020

Amendment to IAS 19 'Employee Benefits, – Plan Amendment, Curtailment or Settlement':

The amendment to IAS 19 specify that an entity must;

- i. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using:
 - a. the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
 - b. the discount rate used to remeasure that net defined benefit liability (asset).
- ii. Determine any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is to be recognized in profit or loss. An entity then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

The amendments do not have any significant impact on these financial statements.

IFRS 16, 'Leases':

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 supersedes IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC 15 – Operating Leases–Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Impact of adoption of IFRS 16 is disclosed in note. 7 of the unconsolidated financial statements.

Amendment to IFRS 9 'Financial Instrument'– prepayment Features with Negative Compensation and modifications of financial liabilities:

The amendment allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss. The amendment do not have any impact on these financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments':

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendment does not have any impact on these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2020

3.2 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective and have not been early adopted by the Company

Amendment to IAS 16 'Property, Plant and Equipment' – Proceeds before Intended Use (effective for annual period beginning on or after January 01, 2022):

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is not likely to have an impact on the Company's financial statements.

Amendment to IFRS 9, 'Financial Instruments'; IAS 39, 'Financial Instruments: Recognition and Measurement, and IFRS 7, 'Financial Instruments: Disclosures' – Interest Rate Benchmark Reform (effective for the Company's annual period beginning on January 1, 2020):

The changes in Interest Rate Benchmark Reform

- i. Modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- ii. Are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- iii. Are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required);
- iv. And require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The Company is yet to assess the full impact of the amendment.

Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual period beginning on or after January 01, 2022):

The amendment specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendment is not likely to have an impact on the Company's financial statements.

Amendment to IFRS 16, 'Leases' – Covid-19-Related Rent Concessions (effective for annual period beginning on or after 1 June 2020):

The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification; require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications; require lessees that apply the exemption to disclose that fact; and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The amendment is not expected to have significant impact on the Company's financial statements.

Amendment to IAS 1, 'Presentation of financial statements' – Classification of Liabilities as Current or Non-current (effective for the Company's annual period beginning on January 1, 2022):

The amendment specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the reporting date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability.

Amendment to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for the Company's annual period beginning on January 1, 2020):

These amendments and consequential amendments to other IFRSs:

- i. Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii. Clarify the explanation of the definition of material; and
- iii. Incorporate some of the guidance in IAS 1 about immaterial information.

These amendments are not expected to have a significant impact on the Company's future financial statements.

Notes to the Financial Statements

For the year ended June 30, 2020

Annual Improvements to IFRS Standards 2018–2020 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards (effective for annual period beginning on or after January 01, 2022):

IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

IFRS 9 Financial Instruments. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

There are other amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

Further, the following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purposes of their applicability in Pakistan:

IFRS - 1 First time adoption of International Financial Reporting Standards.

IFRS - 17 Insurance Contracts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

Defined benefit plan _ gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all eligible employees, payable at the cessation of employment. Contribution is made in accordance with actuarial recommendations. Actuarial valuation is conducted by an independent actuary, annually using projected unit credit method related details of which are given in note 9 to the financial statements. The obligation at the balance sheet date is measured at the present value of the estimated future cash outflows. All contributions are charged to profit or loss for the year.

Principal actuarial assumptions used in the actuarial valuation carried out as at June 30, 2020 are as follows:

- | | |
|----------------------------------------------|----------------------|
| - Discount rate | 8.50% (2019: 13.25%) |
| - Expected rate of salary increase in future | 7.50% (2019: 12.25%) |

4.2 Property, plant and equipment

- Owned assets

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

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

Depreciation on all the items of property, plant and equipment except for free - hold land is charged to income applying the reducing balance method at the rates specified in Note 14.

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2020

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.

4.3 Investments

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

4.4 Stores, spare parts and loose tools

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

4.5 Stock in trade

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

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

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

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

4.6 Trade and other receivables

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

4.7 Borrowings

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

4.8 Borrowing cost

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

4.9 Trade and other payables

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

4.10 Financial instruments

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

Financial assets

Initial recognition and measurement

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

Notes to the Financial Statements

For the year ended June 30, 2020

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

- i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through OCI (debt instruments)

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

- i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the year ended June 30, 2020

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the

Notes to the Financial Statements

For the year ended June 30, 2020

asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

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

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

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

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

Off-setting of financial assets and liabilities

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Notes to the Financial Statements

For the year ended June 30, 2020

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortized cost

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

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

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

This category generally applies to the liabilities as disclosed in Note 34.

4.11 Capital work in progress

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

4.12 Foreign currency translation

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

4.13 Revenue recognition

Revenue from different sources is recognized as under:

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2020

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

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

Rebate income is recognized on accrual basis.

4.14 Taxation

Current

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

Deferred

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

4.15 Impairment

Financial assets

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

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

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

Non-financial assets

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

4.16 Provisions

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

4.17 Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended June 30, 2020

4.18 Related party transactions

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

4.19 Dividend and other appropriations

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

	2020 (Number of Share)	2019	2020 (Rupees)	2019 (Rupees)
5 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL				
Ordinary shares of Rs. 10 each fully paid up in cash	51,901,483	51,901,483	519,014,830	519,014,830
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,527,246	7,527,246	75,272,460	75,272,460
	59,428,729	59,428,729	594,287,290	594,287,290

5.1 All ordinary share holders has same rights regarding voting, board selection and entitlement of dividend.

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus arising on revaluation	6.1	438,724,855	471,812,778
Less: Deferred tax arising on surplus on revaluation	6.2	136,193,068	145,788,566
		302,531,787	326,024,212

	2020 (Rupees)	2019 (Rupees)
6.1 Surplus on revaluation of property plant and equipment		
Opening surplus on revaluation of property plant and equipment	471,812,778	507,294,653
Surplus arising on revaluation	-	-
	471,812,778	507,294,653
Incremental depreciation on :		
Buildings on freehold land	(5,715,166)	(6,015,965)
Non factory building	(5,254,398)	(5,838,220)
Plant and machinery	(23,363,828)	(25,892,319)
	(34,333,392)	(37,746,503)
Adjustment on disposal of property, plant and equipment	1,245,469	2,264,628
	(33,087,923)	(35,481,875)
	438,724,855	471,812,778

Notes to the Financial Statements

For the year ended June 30, 2020

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

	Note	2020 (Rupees)	2019 (Rupees)
6.2 Relating deferred tax liability			
Relating deferred tax liability as on July 1,		145,788,566	156,053,605
Tax effect on incremental depreciation		(9,595,498)	(10,265,039)
		136,193,068	145,788,566

7. LONG TERM FINANCING- SECURED

Facility	Note	Repayment commencement	Mark up	Sanctioned limit (Rs. in million)	Number of installments	2020 (Rupees)	2019 (Rupees)
Term Finance	7.1	Jan-19	3 months Kibor + 2%	36	36 monthly	17,500,000	25,833,333
Long Term Finance	7.1	Jan-17	SBP Rate + 2.5%	300	20 Quarterly	109,820,628	156,206,484
Term Finance	7.1	Jan-21	SBP Rate + 3%	78.04	08 Quarterly	49,775,673	-
Subtotal - BOP						177,096,301	182,039,817
Demand Finance - III	7.1 & 7.2	Sep-15	3 months Kibor + 1%	327.502	28 Quarterly	159,219,968	194,909,151
Frozen Markup	7.1 & 7.3	Sep-15	Interest free	219.977	28 Quarterly	79,197,750	94,879,995
Subtotal - NBP						238,417,718	289,789,146
Total						415,514,019	471,828,963
Current portion	8					(65,476,939)	(146,750,153)
Overdue portion	8					-	(20,260,240)
Total current portion						(65,476,939)	(167,010,393)
Total long term portion						350,037,080	304,818,570

Notes to the Financial Statements

For the year ended June 30, 2020

- 7.1 It represents long term financing from commercial banks (stated above) and the amounts claimed by such institutions. Markup is leviable along with installment (except interest free loans) as per schedule stated above. These loans are secured against first ranking pari passu charge over current and fixed assets of the Company executed through the joint pari passu agreement with the lenders of the Company and joint memorandum of deposit of title deeds, equitable mortgage charge on land and personal guarantees of the directors of the Company.
- 7.2 It represents loan from National Bank of Pakistan which was restructured on terms agreed between the parties.
- 7.3 It represents restructured loan converted from mark up payable on the facilities from National Bank of Pakistan till June 30, 2015.

	Note	2020 (Rupees)	2019 (Rupees)
8 CURRENT PORTION OF LONG TERM BORROWINGS			
Current portion of long term borrowing	7	65,476,939	146,750,153
Overdue portion of long term borrowing	7	-	20,260,240
		65,476,939	167,010,393

9 DEFERRED LIABILITIES

Deferred tax relating to surplus on revaluation of property, plant and equipment	6	136,193,068	145,788,566
Employee retirement benefits- gratuity	9.1 to 9.8	118,181,227	95,309,300
		254,374,295	241,097,866

- 9.1 The scheme provides for gratuity benefits for all the permanent employees of the Company who attain the minimum qualifying period of one year. Provision has been made on the basis of latest actuarial valuation made as on June 30, 2020 using projected unit credit actuarial cost method.

	Note	2020 (Rupees)	2019 (Rupees)
9.2 The amount recognized in the balance sheet			
Present value of defined benefit obligations		118,181,227	95,309,300
Less: Fair value of plan assets		-	-
		118,181,227	95,309,300
9.3 Charge for the year			
Current service cost		24,005,910	23,636,279
Interest cost		11,826,118	5,846,804
		35,832,028	29,483,083

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
9.4 Movement in liability			
Balance at beginning of year		95,309,300	86,519,195
Charge for the year		35,832,028	29,483,083
Benefits paid during the year		(12,111,159)	(22,153,125)
Unrecognised actuarial (gains) / losses		(848,942)	1,460,147
		118,181,227	95,309,300

9.5 Allocation of charge for the year			
Cost of sales	25.2	27,930,223	23,126,436
Distribution Cost	26.1	3,471,753	2,805,101
Administrative expenses	27.1	4,430,052	3,551,546
		35,832,028	29,483,083

9.6 Expected expense for the next year

The Company expects to charges Rs. 36.691 million of profit and loss account on account of defined benefit plan gratuity for the year ending June 30, 2021.

9.7 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on present value of the defined benefit obligation as at June 30, 2020 would have been as follows:

	(Rupees)	(Rupees)
	Gratuity	
	Increase / (decrease) on on present value of defined benefits obligation due to	
	Increase	Decrease
Discount rate 100 bps movement	104,595,213	134,557,898
Future salary 100 bps movement	134,557,898	104,363,002

	Year	Value (Rupees)
--	------	---------------------

9.8 Historical information

Present value of defined benefit obligation.	2020	118,181,227
	2019	95,309,300
	2018	86,519,195
	2017	76,456,869
	2016	66,434,617

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
10 TRADE AND OTHER PAYABLES			
Creditors		595,177,229	358,988,343
Accrued liabilities		165,962,066	154,109,519
With holding tax		18,971,644	13,966,049
Retention money payable		700,000	700,000
Workers' funds	10.1 & 10.2	37,466,646	30,882,302
		818,277,585	558,646,213
10.1 Workers' funds			
Workers' profit participation fund			
Opening balance		19,259,187	26,645,875
Provision for the year		4,027,900	7,855,480
Payment during the year		-	(18,185,205)
Interest on funds utilized in Company's business	30	2,417,991	2,943,037
		25,705,077	19,259,187
Workers' welfare fund			
Opening balance		11,623,115	11,015,992
Provision for the year		138,454	607,123
		11,761,569	11,623,115
		37,466,646	30,882,302
10.2	Mark up on Workers' Profit Participation Fund has been provided @ 12.555% per annum (2019: 11.045% per annum).		
11 ACCRUED MARK-UP			
Long term financing		17,076,198	13,719,107
Short term borrowings		7,027,238	9,096,098
		24,103,436	22,815,205

Notes to the Financial Statements

For the year ended June 30, 2020

12 SHORT TERM BORROWINGS

Facility	Note	Sanctioned limit Rupees (M)	Markup rate (Matching KIBOR/ LIBOR+)	Repayment terms	2020 (Rupees)	2019 (Rupees)
From banking companies - secured:						
Pre - shipment	12.1 & 12.4	1,172	3.00% to 14.14%	Half Yearly	1,172,000,000	1,072,681,000
Post - shipment	12.2 & 12.4	100	15.10%	Half Yearly	18,000,000	44,975,000
Running finance	12.3 & 12.4	118.430	13.90% to 14.40	Half Yearly	112,886,209	115,062,577
From related parties - unsecured:						
Loan from directors	12.5	17.300	Interest free	On demand	17,300,000	17,300,000
					1,320,186,209	1,250,018,577

12.1 The Company has aggregated sanctioned limits of pre - shipment facilities amounting to Rs. 1,172.00 million. The Company has availed these limits amounting to Rs. 50.00 million from United Bank Limited, Rs. 237.00 million from Habib Bank Limited, Rs. 320 million from National Bank of Pakistan Limited and Rs. 565.00 million from Bank of Punjab.

12.2 The Company has aggregated sanctioned limit of post - shipment facility amounting to Rs. 100 million. The Company has availed limit of Rs. 18.00 million from Bank of Punjab.

12.3 The Company has aggregate sanctioned limits of running finance facilities amounting to Rs. 118.430 million. The Company has availed these limits amounting to Rs. 13.354 million from Faysal Bank Limited and Rs. 99.532 million from National Bank of Pakistan Limited.

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

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

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has filed a recovery suit against the Punjab Cotton Mills Limited for Rs. 5.107 million along with interest. The execution was filed which is still pending.

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

The Company has filed a recovery suit against the M/s M. J. Industries for Rs. 0.545 million. The summon and notices have been issued to the defendant and the case is pending due to non appearance of the defendant before the Honorable Civil Judge, Lahore. The Company is hopeful of settlement of the case in its favor.

13.3 The Company has filed a recovery suit against the M/s. Amtex Limited for Rs. 2.917 million. The case is decreed in favour of Zephyr Textiles Limited by the Honorable Judge, high Court, Lahore. The case is pending for execution.

13.4 M/s. Sitara Textiles has filed a suit against the Company for recovery of damages against non performance of contract no. LO417 for supply of fabric. According to legal confirmation status, suit is pending for framing of issues.

Notes to the Financial Statements

For the year ended June 30, 2020

The Company has filed a suit against M/s. Sitara Textiles Limited for financial loss, cost of sales loss, loss of business and loss due to breach of contract for Rs. 37.680 million. Company is hopeful of settlement of the case in its favor.

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

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

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

13.6 The Company has filed a suit against old tenants for vacation of property purchased by the Company situated at Ek Moria Pull Lahore. The matter is pending for adjudication. Certain suits were filed against the Company regarding the said property which are as under:

- Muhammad Sajid (the plaintiff) has filed a suit for permanent injunctions and declaration against interfering the possession of plaintiff property by pretending that the suit property has been purchased by Zephyr Textiles Limited (the defendant) through registered sales deed bearing distavez no. 2775 dated 01-09-2010, whereas the purchased property of the defendant is separate and different from the suit property of the plaintiff. The case is dismiss by the Court during the year.

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

13.7 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregate to Rs. 49.976 million (2019: Rs. 49.976 million).

13.8 Foreign bills purchased by banks amounting to Rs. 276.246 million (2019: Rs. 245.868 million).

Commitments

13.9 Contracts for capital expenditure are Rs. 5.667 million (2019: Rs. 2.006 million).

13.10 Letters of credit other than for capital expenditure are Rs. 16.133 million (2019: Rs. 27.891 million).

13.11 Outstanding foreign currency forward contracts of Rs. 658.366 million (2019: Rs. 462.227 million).

Notes to the financial statements

For the year ended June 30, 2020

14. PROPERTY, PLANT AND EQUIPMENT

Particulars	Land - freehold	Buildings on freehold land	Link road	Non factory building	Plant and machinery	Furniture and fittings	Vehicles	Electrical installation	Office equipments	Total
COST										
Balance as at July 01, 2018	176,946,000	327,009,248	29,702,478	78,630,094	1,319,293,606	6,916,123	50,861,860	70,565,191	27,421,340	2,087,345,939
Additions during the year	-	372,800	-	-	83,392,906	924,450	11,083,110	673,400	3,694,895	100,141,561
Disposals	-	-	-	-	(2,000,000)	-	(3,958,745)	-	-	(5,958,745)
Balance as at June 30, 2019	176,946,000	327,382,048	29,702,478	78,630,094	1,400,686,512	7,840,573	57,986,225	71,238,591	31,116,235	2,181,528,755
Additions during the year	-	-	-	110,000	161,644,790	1,090,300	13,856,910	1,475,099	4,414,749	182,591,848
Disposals	-	-	-	-	(20,824,492)	-	(2,534,623)	(1,300,000)	(65,000)	(24,724,115)
Balance as at June 30, 2020	176,946,000	327,382,048	29,702,478	78,740,094	1,541,506,810	8,930,873	69,308,512	71,413,690	35,465,984	2,339,396,488

DEPRECIATION

Balance as at July 01, 2018	-	-	13,109,149	-	-	3,854,295	30,176,977	43,145,529	15,624,373	105,910,322
Accumulated depreciation eliminated on disposal	-	-	-	-	(166,667)	-	(3,349,435)	-	-	(3,516,102)
Depreciation expense	-	16,355,122	829,666	7,863,009	135,132,849	379,798	4,711,349	2,800,981	1,353,893	169,426,668
Balance as at June 30, 2019	-	16,355,122	13,938,815	7,863,009	134,966,182	4,234,093	31,538,891	45,946,510	16,978,266	271,820,888
Accumulated depreciation eliminated on disposal	-	-	-	-	(3,488,102)	-	(1,766,800)	(577,142)	(18,328)	(5,850,372)
Depreciation expense	-	15,551,346	788,183	7,077,626	134,695,183	448,810	7,150,892	2,572,762	1,701,561	169,986,363
Balance as at June 30, 2020	-	31,906,468	14,726,998	14,940,635	266,173,263	4,682,903	36,922,983	47,942,130	18,661,499	435,956,879
Written down value as at June 30, 2020	176,946,000	295,475,580	14,975,480	63,799,459	1,275,333,547	4,247,970	32,385,529	23,471,560	16,804,485	1,903,439,609
Written down value as at June 30, 2019	176,946,000	311,026,926	15,763,663	70,767,085	1,265,720,330	3,606,480	26,447,334	25,292,081	14,137,969	1,909,707,867
Rate of depreciation		0%	5%	5%	10%	10%	10%	20%	10%	10%

Notes to the Financial Statements

For the year ended June 30, 2020

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

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

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

Land - freehold

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

Buildings on freehold land and non factory building

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

Plant and machinery

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

14.3 Forced sale value

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

	Note	2020 (Rupees)	2019 (Rupees)
14.4 Depreciation for the year has been allocated as under :			
Cost of sales	25	160,685,100	162,981,628
Distribution cost	26	4,650,632	3,222,520
Administrative expenses	27	4,650,632	3,222,520
		169,986,363	169,426,668

- 14.5 Land - freehold, buildings on freehold land, non factory building and plant and machinery represents values subsequent to revaluation as at June 30, 2020. Had there been no revaluation, the cost, accumulated depreciation, and book value of the revalued property, plant and equipment as on June 30, 2020 would have been as follows:

	Cost as at June 30, 2020	Accumulated depreciation as at June 30, 2020	Book value as at June 30, 2020	Book value as at June 30, 2019
Land - freehold	106,864,276	-	106,864,276	106,864,276
Buildings on freehold land	375,086,869	188,635,361	186,451,508	196,264,745
Non factory building	62,567,053	46,166,253	16,400,800	18,223,111
Plant and machinery	2,259,645,354	1,424,454,974	835,190,380	948,226,223
	2,804,163,552	1,659,256,588	1,144,906,964	1,269,578,355

Notes to the Financial Statements

For the year ended June 30, 2020

14.6 Disposal of Property, Plant and Equipment

The following is the detail of disposals during the year:

Particulars	Cost/ Assessed value	Book value	Sale proceed	Gain / (loss)	Mode of disposal	Name and Address of Buyers
Vehicles						
FAW XPV LEA - 16A - 4562	932,190	517,055	625,000	107,945	Negotiation	Mr. Aziz Ahmed s/o Muhammad Bashir, Ali Pur Road, Chungi 3, Street no. 6, Mohallah Kashmir Nagar, Hafizabad.
Suzuki Alto LEA - 11 - 1207	768,673	114,346	510,000	395,654	Negotiation	Mr. Arshad Sohail s/o Muhammad Zafar Iqbal, House no. 687, Street no. 55, Mujahid Asad Colony, Mughalpura, Lahore.
Suzuki Alto LEA - 11 - 3356	833,760	136,422	588,000	451,578	Negotiation	Mr. Mubashar Younas s/o Muhammad Younas, House no. 309-B, Al-hamd Colony, Allama Iqbal Town, Lahore.
Plant and Machinery						
Gas Genset	20,824,492	17,336,390	1,950,000	(15,386,390)	Negotiation	Prima Energy Systems, DP 81, Sector 12C, North Karachi Industrial Area, Karachi.
Office Equipments						
Photocopier _ Konica 421	65,000	46,672	20,000	(26,672)	Negotiation	Altdigital, Basement no. 6, Pititla Complex, Pititla Ground, Lahore.
Electrical Installation						
Grid End Panel	1,300,000	722,858	948,541	225,683	Insurance Claim	Jubilee General Insurance (Private) Limited, 1 - Captain Anwar-ul-Haq Shaheed, Montogmery, Lahore.
2020	24,724,115	18,873,743	4,641,541	(14,232,202)		
2019	5,958,745	2,442,644	2,852,210	409,566		

	Note	2020 (Rupees)	2019 (Rupees)
15 CAPITAL WORK IN PROGRESS			
Plant and machinery		38,200,000	31,075,383
Building		25,118,407	-
	15.1	63,318,407	31,075,383

15.1 Movement in the account is as follows

Opening balance as at July 01,	31,075,383	-
Addition made during the year:		
- Plant and machinery	114,741,561	60,868,758
- Building	11,315,665	13,802,742
	126,057,226	74,671,500
Capitalized during the year:		
- Plant and machinery	93,814,202	43,596,117
- Building	-	-
	93,814,202	43,596,117
	63,318,407	31,075,383

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
16 LONG TERM DEPOSITS			
Security deposits - WAPDA		9,230,022	9,230,022
Security deposits - OTHERS		13,235,279	13,228,479
		22,465,301	22,458,501
17 STOCK IN TRADE			
Raw material		89,163,484	231,185,931
Work in process		95,669,862	119,369,187
Finished goods		919,095,641	564,063,316
		1,103,928,987	914,618,433
17.1	Finished goods includes stock in transit amounting to Rs. 15.205 million (2019: Rs. 61.217 million).		
17.2	Finished goods includes stock held by third parties amounting to Rs. 33.828 million (2019: Rs. 21.932 million).		
18 TRADE DEBTS			
Considered good			
Export - secured against letters of credit		70,867,022	86,014,359
Local - Unsecured		638,003,431	626,447,602
Considered doubtful			
Local - Unsecured		-	5,575,951
Less: provision for expected credit loss	18.1	-	(5,575,951)
		708,870,453	712,461,961
18.1 Movement in provision for expected credit loss			
Balance at the beginning of the year		5,575,951	-
Charged during the year		-	5,575,951
Written off during the year		(5,575,951)	-
		-	5,575,951
19 LOANS AND ADVANCES			
Considered good:			
Loan due from employees - interest free		27,510,880	23,633,468
Advances to:			
Suppliers		36,181,797	31,938,818
Suppliers against letters of credit		13,045,094	44,926,060
		76,737,771	100,498,346
	Note	2020 (Rupees)	2019 (Rupees) Restated
20 TRADE DEPOSITS, PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES			
Prepayments		4,180,763	4,298,648
Advance income tax		42,623,305	27,902,037
Margin deposits		-	470,995
Sales tax refundable		193,092,538	153,319,916
Export rebate receivable		6,154,748	27,167,570
		246,051,354	213,159,166
21 OTHER RECEIVABLES			
Other receivables		80,032,166	86,417,352
		80,032,166	86,417,352

Notes to the Financial Statements

For the year ended June 30, 2020

22 SHORT TERM INVESTMENTS

	Notes	2020 Number of share/units	2019	2020 (Rupees)	2019 (Rupees)
Investment in Funds	22.1				
Atlas Money Market Fund		122,877	644	62,084,399	323,894
Faysal Money Market Fund		661	598	67,382	60,803
JS Growth Fund		4,744	37,132	710,027	450,410
		128,282	38,374	62,861,809	835,107
Investments at fair value through profit or loss - listed securities					
Pak Electron Limited		944	944	21,646	18,899
Attock Refinery Limited		13	13	1,161	1,005
Samba Bank Limited		24,500	24,500	191,345	134,505
		25,457	25,457	214,152	154,409
		153,739	63,831	63,075,961	989,516

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

	Note	2020 (Rupees)	2019 (Rupees)
Cash in hand		1,042,029	1,504,691
Cash at banks			
- current accounts	23.1	69,928,433	53,442,056
- saving account	23.2	18,868	18,868
Cash at banks - foreign currency		795,950	656,098
		71,785,280	55,621,713

23.1 This includes amount held in Habib Metropolitan Bank escrow account against dividend payable amounting to Rs. 134,348 (2019: Rs. 3,140,295).

23.2 The balance in saving account carry rate of profit @ 7.40% (2019: 7.40%).

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
24 SALES - NET			
Gross local sales		2,821,861,701	2,700,065,391
Sales tax		(410,791,840)	(5,605,018)
Net local sales		2,411,069,861	2,694,460,373
Export		1,920,816,735	2,386,002,007
Total sales		4,331,886,596	5,080,462,380
Export rebate		66,488,579	103,098,339
Commission and claims		(64,830,671)	(79,007,514)
Trade discount		(7,489,887)	(13,413,783)
		4,326,054,617	5,091,139,422
25 COST OF SALES			
Raw material consumed	25.1	2,592,010,819	2,642,076,580
Stores, spare parts and lose tools consumed		116,010,973	115,126,018
Packing, sizing and lubricants consumed		378,117,685	345,297,658
Fuel and power		406,821,838	480,889,362
Salaries, wages and other benefits	25.2	391,715,903	355,857,299
Processing charges		168,113,511	200,502,911
Insurance		10,232,652	9,788,154
Repairs and maintenance		7,033,198	10,508,133
Traveling and conveyance		5,227,203	4,098,029
Depreciation	14.4	160,685,100	162,981,628
Other production overheads		19,687,452	25,209,680
		4,255,656,333	4,352,335,452
Adjustment of work-in-process			
Opening stock		119,369,187	138,176,521
Closing stock		(95,669,862)	(119,369,187)
		23,699,325	18,807,335
		4,279,355,658	4,371,142,787
Adjustment of finished goods and waste			
Opening stock		564,063,316	760,315,911
Closing stock		(919,095,641)	(564,063,316)
		(355,032,325)	196,252,595
		3,924,323,333	4,567,395,382
25.1 Raw material consumed			
Opening stock		231,185,931	171,084,033
Purchases		2,454,595,319	2,703,942,033
Return / discount on purchases		(17,601,010)	(18,178,952)
		2,436,994,309	2,685,763,081
Freight		12,994,063	16,415,397
		2,681,174,303	2,873,262,511
Closing stock		(89,163,484)	(231,185,931)
		2,592,010,819	2,642,076,580

25.2 This includes employee benefits amounting to Rs. 27.930 million (2019: Rs. 23.126 million).

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
26 DISTRIBUTION COST			
Salaries, wages and other benefits	26.1	22,307,781	18,929,980
Traveling and conveyance		1,682,276	2,363,968
Sales promotion		1,782,544	3,718,530
Communication		7,024,638	6,969,109
Vehicles running and maintenance		1,708,132	1,195,949
Freight		71,552,371	86,208,681
Clearing and forwarding		6,138,141	6,975,781
Depreciation	14.4	4,650,632	3,222,520
Others		14,461,480	10,651,945
		131,307,995	140,236,463

26.1 This includes employee benefits amounting to Rs. 3.472 million (2019: Rs. 2.805 million).

27 ADMINISTRATIVE EXPENSES

Directors' remuneration		6,000,000	6,000,000
Salaries and other benefits	27.1	33,697,316	31,594,595
Traveling and conveyance		12,888,840	10,691,784
Rent, rates and taxes		4,843,592	5,441,805
Printing and stationery		2,238,245	2,238,496
Communication		2,417,221	2,316,541
Vehicle running and maintenance		4,693,744	3,718,861
Repairs and maintenance		1,154,476	2,492,167
Auditors' remuneration	27.2	954,250	954,250
Fee and subscription		1,476,697	2,363,353
Legal and professional		2,865,070	3,260,980
Electricity, gas and water		3,738,784	3,209,769
Insurance		1,407,729	1,040,299
Advertisement		200,700	280,700
Depreciation	14.4	4,650,628	3,222,520
Provision for expected credit loss		-	5,575,951
Others		1,238,216	602,703
		84,465,508	85,004,774

27.1 This includes employee benefits amounting to Rs. 4.430 million (2019: Rs. 3.552 million).

27.2 Auditors' remuneration

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

Notes to the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees)	2019 (Rupees)
28 OTHER OPERATING EXPENSES			
Exchange loss		-	1,279,993
Provision for workers' profit participation fund		4,027,900	7,855,480
Provision for workers' welfare fund		138,454	607,123
Loss on disposal of property, plant and equipment	14.6	14,232,202	-
Loss on investments at fair value		-	70,399
Others		3,999,943	1,448
		22,398,498	9,814,443
29 OTHER INCOME			
Income from financial assets			
Exchange gain		30,210,351	-
Dividend income		769,526	19,770
Profit on bank deposits		-	395
Gain on investments at fair value		633,047	-
Income from non financial assets			
Gain on disposal of property, plant and equipment	14.6	-	409,566
Other Income - fair price shop		165,922	190,821
Others		2,673,349	3,700,607
		34,452,195	4,321,159
30 FINANCE COST			
Mark-up on long term financing		33,475,003	33,776,836
Mark-up on short term borrowings		64,874,244	79,101,634
Interest on Workers' Profit Participation Fund	10.1	2,417,991	2,943,037
Bank charges and others		12,965,848	18,196,726
Unwinding of discount		7,886,755	10,344,282
		121,619,841	144,362,515
31 TAXATION			
Provision for taxation- current		30,914,938	41,073,574
Deferred taxation		(9,595,498)	(10,265,039)
		21,319,441	30,808,535

Notes to the Financial Statements

For the year ended June 30, 2020

31.1 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.

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

	Note	2020 (Rupees)	2019 (Rupees)
32 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED			
Earnings attributable to ordinary shareholders		55,072,196	117,838,469
Weighted average number of ordinary shares	5	59,428,729	59,428,729
		0.93	1.98
33 CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before taxation		76,391,637	148,647,004
Adjustments for:			
Depreciation on property, plant and equipment	14.4	169,986,363	169,426,668
Provision for expected credit loss		-	5,575,951
Loss/ (gain) on disposal property, plant and equipment		14,232,202	(409,566)
Gain on sale of investments		(633,047)	-
Dividend income		(769,526)	(19,770)
Staff retirement benefits - gratuity		35,832,028	29,483,083
Provision for WPPF & WWF		4,166,353	8,462,603
Interest on Workers' Profit Participation Fund		2,417,991	2,943,037
Unwinding of discount		7,886,755	10,344,282
Finance cost		111,315,095	131,075,196
Profit before working capital changes		420,825,851	505,528,488
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(30,018,516)	(6,210,779)
Stock in trade		(189,310,554)	154,958,032
Trade debts		3,591,508	(59,433,126)
Loans and advances		23,760,575	(64,532,886)
Other receivables		6,385,186	(8,878,577)
Trade deposits, prepayments and balances with statutory authorities		(18,170,920)	(21,982,549)
Increase / (decrease) in current liabilities			
Trade and other payables		253,047,028	(64,078,612)
Contract liabilities		4,260,798	3,902,029
Payment of workers' profit participation fund		-	(18,185,205)
Net changes in working capital		53,545,105	(84,441,673)
		474,370,956	421,086,815

Notes to the Financial Statements

For the year ended June 30, 2020

34. FINANCIAL ASSETS AND LIABILITIES

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Mark-up bearing		Mark-up bearing		TOTAL	TOTAL
	Maturity up to one year (Rupees)	Maturity after one year (Rupees)	Maturity up to one year (Rupees)	Maturity after one year (Rupees)	2020 (Rupees)	2019 (Rupees)
Financial Assets						
- Loans and receivables						
Long term deposits	-	-	-	22,465,301	22,465,301	22,458,501
Trade debts	-	-	708,870,453	-	708,870,453	712,461,961
Loans and advances	-	-	27,510,880	-	27,510,880	23,633,468
Trade deposits	-	-	-	-	-	470,995
Cash and bank balances	814,818	-	70,970,462	-	71,785,280	55,621,713
- At fair value through profit or loss						
Investments	63,075,961	-	-	-	63,075,961	989,516
	63,890,779	-	807,351,795	22,465,301	893,707,875	815,636,154
Financial Liabilities						
- At amortized cost						
Long term financing	65,476,939	350,037,080	-	-	415,514,019	471,828,963
Trade and other payables	-	-	818,277,585	-	818,277,585	558,646,213
Accrued mark-up	-	-	24,103,436	-	24,103,436	22,815,205
Short term borrowings	1,320,186,209	-	-	-	1,320,186,209	1,250,018,577
Unclaimed Dividend	-	-	4,859,107	-	4,859,107	659,831
	1,385,663,148	350,037,080	847,240,128	-	2,582,940,356	2,303,968,789
On balance sheet gap	(1,321,772,369)	(350,037,080)	(39,888,333)	22,465,301	(1,689,232,481)	(1,488,332,635)
Off balance sheet items						
Bills discounted with recourse					276,245,953	245,867,524
Bank guarantees issued in the ordinary course of business					49,976,000	49,976,000
Letters of credit					21,800,361	29,897,045

Notes to the Financial Statements

For the year ended June 30, 2020

35 FINANCIAL RISK MANAGEMENT

Effective interest rates

Financial liabilities

Long term financing	3.00% to 15.85% (2019: 5.00% to 12.99%) per annum
Short term borrowings	3.00% to 15.92% (2019: 3.00% to 14.96%) per annum

35.1 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. 893.708 million (2019: Rs. 815.636 million), the financial assets that are subject to credit risk amounted to Rs. 758.846 million (2019: Rs. 759.025 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:

	2020 (Rupees)	2019 (Rupees)
Long term deposits	22,465,301	22,458,501
Trade debts	708,870,453	712,461,961
Loans and advances	27,510,880	23,633,468
Trade deposits and other receivables	-	470,995
Bank balances	70,743,251	54,117,022
	829,589,885	813,141,947

Notes to the Financial Statements

For the year ended June 30, 2020

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

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

Liquidity risk management

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

Market risk

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

Currency risk

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

Notes to the Financial Statements

For the year ended June 30, 2020

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

	2020 (Rupees)	2019 (Rupees)
Foreign debtors	70,867,022	86,014,359
Foreign currency bank account	795,950	656,098
Gross balance sheet exposure	71,662,972	86,670,457
Letters of credit	21,800,361	29,897,045
	93,463,333	116,567,502

	Avarege rate		Reporting date rate	
	2020	2019	2020	2019
Rupees per USD	158.48	137.08	168.75	164.50
Rupees per Euro	175.52	156.40	189.73	186.99
Rupees per GBP	200.04	176.93	207.67	208.45

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

	30-Jun-20		30-Jun-19	
	% Change (+ -)	Impact (+ -)	% Change (+ -)	Impact (+ -)
Effect on profit or loss				
USD	10	3,067,350	10	1,745,977
Euro	10	2,002,575	10	8,590,793
Pound Sterling	10	-	10	-

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

Interest rate risk

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

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

	2020 Effective interest rate %	2019 Effective interest rate %	2020 Carrying value in Rupees	2019 Carrying value in Rupees
Long term financing	3.00% to 15.85%	5.00% to 12.99%	415,514,019	471,828,963
Short term financing	3.00% to 15.92%	3.00% to 14.96%	1,320,186,209	1,250,018,577

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 2020.

Notes to the Financial Statements

For the year ended June 30, 2020

	Profit and loss 100 BPS	
	Increase	decrease

As at 30 June 2020

Cash flow sensitivity-Variable rate financial liabilities	17,357,002	(17,357,002)
-----------------------------------------------------------	------------	--------------

As at 30 June 2019

Cash flow sensitivity-Variable rate financial liabilities	17,218,475	(17,218,475)
-----------------------------------------------------------	------------	--------------

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

Past due balance

	2020 (Rupees)	2019 (Rupees)
The aging of trade receivable at the reporting date is:		
Past due 1-30 days	686,134,215	674,111,059
Past due 30-150 days	22,736,238	38,350,902
Past due 150 days	-	5,575,951
Less: provision for expected credit loss	-	(5,575,951)
	708,870,453	712,461,961

35.2 Capital risk management

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2020

The salient information relating to capital risk management of the Company as of June 30, 2020 and June 30, 2019 were as follows:

	2020 (Rupees)	2019 (Rupees)
Total borrowings	1,735,700,228	1,721,847,540
Cash and bank balances	(71,785,280)	(55,621,713)
	1,663,914,948	1,666,225,827
Total equity	1,613,260,897	1,587,054,124
	3,277,175,845	3,253,279,951
Gearing ratio %	50.77	51.22

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Description	Chief Executive	2020 Directors	Executive	Chief Executive	2019 Directors	Executive
Managerial remuneration	2,000,000	2,000,000	6,264,000	2,000,000	2,000,000	3,878,904
House rent allowance	800,000	800,000	2,505,600	800,000	800,000	1,551,562
Utilities	200,000	200,000	626,400	200,000	200,000	387,890
	3,000,000	3,000,000	9,396,000	3,000,000	3,000,000	5,818,356
No. of persons	1	1	4	1	1	3

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

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

37 TRANSACTIONS WITH RELATED PARTIES

There were no related parties other than those as disclosed in note # 36 above.

38. ENTITY-WIDE INFORMATION

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

	2020 (Rupees)	2019 (Rupees)
Fabric	1,887,388,832	2,226,132,992
Towel	2,444,497,764	2,854,329,388
	4,331,886,596	5,080,462,380

38.2 Major export sales are made to Belgium, Germany, Greece and Italy which represents 78% of total export sales (2019: 75%).

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

38.4 The Company's customer base is diverse with no single customer accounting for more than 37% of net revenue.

Notes to the Financial Statements

For the year ended June 30, 2020

39 PLANT CAPACITY AND PRODUCTION

	2020 (Rupees)	2019 (Rupees)
Grieg fabric unit		
No. of looms installed	199	199
No. of looms worked	199	199
Shifts per day	3	3
No. of days actually worked	365	365
Installed capacity (square meters in millions @ 50 picks)	84.62	84.62
Actual production (square meters in millions @ 50 picks)	65.56	73.11
Towel unit		
No. of looms installed	45	45
No. of looms worked	45	45
Shifts per day	3	3
No. of days actually worked	365	365
Installed capacity (Tons)	4,835	4,835
Actual production (Tons)	3,905	4,238
Towel dyeing and processing unit		
Installed capacity (Tons)	5,825	5,700
Actual production (Tons)	3,795	3,802

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

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

40 NUMBER OF EMPLOYEES

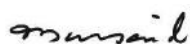
Number of employees as on June 30,	1176	1128
Average number of employees during the year	1156	1122

41 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 25, 2020.

42 Figures

Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR


5. کمپنی کے اندرونی کنٹرول نظام کا ڈیزائن مستحکم ہے اور اس کو موثر انداز میں مناسب نگرانی کے ساتھ نافذ کیا گیا ہے۔
6. کمپنی کے کاروبار کو جاری رکھنے کی صلاحیت شہادت سے بالاتر ہے۔
7. کارپوریٹ گورننس کے اصولوں کے منافی کوئی اقدام نہیں کیا گیا ہے۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز، میسرز اظہر ظفر اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے 30 جون 2020 کو ختم ہونے والے مالی سال کا سالانہ آڈٹ مکمل کر لیا ہے، اور ایک غیر قابل تجدید آڈٹ رپورٹ جاری کی ہے۔ موجودہ آڈیٹرز کمپنی کے سالانہ عام اجلاس کے اختتام پر ریٹائر ہو جائیں گے۔ اور انہوں نے 30 جون 2021 کو ختم ہونے والے سال کے لئے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔

اعتراف

بورڈ اپنے قابل قدر حصص داران، بینکوں، مالیاتی اداروں اور صارفین کا تہہ دل سے شکر گزار ہے۔ جن کے مستقل تعاون اور سرپرستی کی بدولت کمپنی کو مستحکم بہتری کے لئے جدوجہد کرنے میں مدد ملی ہے۔ زیر جائزہ مدت کے دوران، انتظامیہ اور ملازمین کے مابین تعلقات خوشگوار رہے اور ہم کمپنی کے عملے اور کارکنوں کی لگن، استقامت اور مستعدی کا برملا اعتراف کرتے ہیں۔



محترمہ صباح برہان
ڈائریکٹر



محترم مساعد حنیف
چیف ایگزیکٹو

لاہور

25 ستمبر، 2020

بورڈ آف ڈائریکٹرز کے اجلاس

زیر غور سال کے دوران، کمپنی کے بورڈ آف ڈائریکٹرز کے 4 اجلاس ہوئے تھے۔ اور حاضری کی پوزیشن درج ذیل ہے۔

نمبر شمار	ڈائریکٹرز کے نام	اجلاس میں شمولیت
1.	محترم مساعد حنیف	4
2.	* محترم برہان محمد خان	3
3.	محترم رانا کمال الدین	4
4.	محترمہ تنہیت مساعد	4
5.	محترمہ نزہت کامران	4
6.	محترمہ صباح برہان	4
7.	محترمہ سارہ نیوی والا	2

* محترم برہان محمد خان کے انتقال پر ملال کے باعث خالی ہونے والی آسامی کو قانون کے مطابق مقررہ مدت میں پُر کر لیا جائے گا۔

ڈائریکٹرز کے معاوضے

بورڈ ممبروں کے معاوضے کی منظوری بورڈ ہی دیتا ہے۔ تاہم، کارپوریٹ گورننس کے کوڈ کے مطابق، یہ یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنے معاوضے کے فیصلے میں حصہ نہیں لے گا۔ کمپنی غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرتی ہے اور میٹنگز میں شرکت کے لئے آزاد ڈائریکٹرز کو فیس دی جاتی ہے۔ چیف ایگزیکٹو اور دیگر ایگزیکٹو ڈائریکٹرز کے معاوضے کے پیکیج کو مالی گوشوارے کے نوٹ نمبر 37 بیان کر دیا گیا ہے۔

ڈائریکٹرز کا بیان

1. کوڈ آف کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل میں، کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک پر بیانات درج ذیل ہیں:
فنانشل سٹیٹمنٹ کمپنی کی انتظامیہ نے تیار کی ہے۔ کمپنی کے معاملات، عملی کارکردگی کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو خوش اسلوبی سے پیش کیا گیا ہے۔
2. کمپنی کے حسابات کی کتابیں حسب ضابطہ برقرار رکھی گئیں۔
3. مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
4. بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی گوشوارے کی تیاری میں ان پر عمل کیا گیا ہے اور اگر اس کے علاوہ کچھ ہوا ہے تو اسے ظاہر کیا گیا ہے۔

کارپوریٹ اور مالی رپورٹنگ فریم ورک کی تعمیل

ہم اچھی کارپوریٹ گورننس کے لئے پرعزم ہیں اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے کوڈ آف کارپوریٹ گورننس کی فہرست میں شامل قواعد ریگولیشن 2019 (سی سی جی 2019) کی ضروریات کی تعمیل کرتے ہیں۔ سی سی جی 2019 کی تعمیل کا بیان منسلک ہے۔

بورڈ کمیٹیاں

آڈٹ کمیٹی

یہ آڈٹ کمیٹی بورڈ کے تینوں غیر ایگزیکٹو ارکان پر مشتمل ہے۔ کمیٹی کی چیئر پرسن ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی اپنے ضابطہ کی شرائط کے مطابق اپنے فرائض سرانجام دے رہی ہے جیسا کہ بورڈ آف ڈائریکٹرز نے طے کیا ہے۔ زیر غور سال کے دوران، آڈٹ کمیٹی کے چار اجلاس ہوئے، حاضری کی پوزیشن درج ذیل ہے:

نام	عہدہ	اجلاس میں شمولیت
محترمہ نزہت کامران	چیئر پرسن / رکن	4
محترمہ تہنیت مسعود	رکن	4
محترم رانا کمال الدین	رکن	4

انسانی وسائل اور معاوضہ کمیٹی

معاوضہ کمیٹی میں تین ممبر شامل ہیں جن میں سے دو نان ایگزیکٹو ڈائریکٹر ہیں اور چیئر پرسن آزاد ڈائریکٹر ہیں۔ یہ کمیٹی اپنے ریفرنس کی شرائط کے مطابق اپنے فرائض سرانجام دے رہی ہے جیسا کہ بورڈ آف ڈائریکٹرز نے طے کیا ہے۔ زیر جائزہ مدت کے دوران اس کمیٹی کا صرف 1 اجلاس منعقد ہوا اور حاضری کی پوزیشن درج ذیل ہے:

نام	عہدہ	اجلاس میں شمولیت
محترمہ نزہت کامران	چیئر پرسن / رکن	1
* محترم برہان محمد خان	رکن	1
محترمہ صباح برہان	رکن	1

* محترم برہان محمد خان کے انتقال پر ملال کے باعث خالی ہونے والی آسامی کو پُر کرنے کے بعد انسانی وسائل اور معاوضہ کمیٹی کی تشکیل نو کی جائے گی۔

کارپوریٹ گورننس

بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز مندرجہ ذیل ہیں:

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

*محترم برہان محمد خان کے انتقال پر ملال کے باعث خالی ہونے والی آسامی کو قانون کے مطابق مقررہ مدت میں پُر کر لیا جائے گا۔

ڈائریکٹرز کا تربیتی پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں 7 ڈائریکٹرز شامل ہیں جن میں سے مندرجہ ذیل چار ڈائریکٹرز نے مقامی اداروں کے ذریعے پیش کردہ ڈائریکٹرز کے ٹریننگ پروگرام کے لئے سند حاصل کی ہے جو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان "ایس ای سی پی" کے ذریعے متعین کردہ معیار پر پورا اترتی ہے:

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

جبکہ بقیہ تین ڈائریکٹرز ایک اقرار نامہ کے ذریعے استثنیٰ کے لئے ایس ای سی پی کو درخواست دیں گے یا مقررہ مدت ختم ہونے سے قبل سند یافتہ ہو جائیں گے۔

مستقبل کے امکانات

کورونا وائرس کے کیسز میں نمایاں کمی حکومت اور اسٹیٹ بینک کے معیشت کی بحالی کے لئے فوری اور موثر اقدامات کی وجہ سے زیریں ٹیکسٹائل لمیٹڈ کی انتظامیہ کورونا وائرس (COVID-19) کے بعد کے کاروباری منظر نامے کے بارے میں خاصی پر امید ہے۔ کمپنی ویلیو ایڈڈ مصنوعات میں توسیع کی توقع کر کے بی ایم آر اور نئے منصوبوں میں سرمایہ کاری کر رہی ہے جس سے کمپنی کی برآمدات اور منافع کو مضبوط بنانے میں مدد ملے گی۔ زیر جائزہ سال کے دوران، کمپنی نے کامیابی سے نٹ وئیر کی رنگائی کا کام شروع کیا۔ فی الحال، ہم نٹ وئیر گارمنٹس برآمد کنندگان کے لئے کمرشل طریقے سے رنگنے کا کام کر رہے ہیں اور گارمنٹس کی پیداوار اور برآمد شروع کرنے کے منصوبے آخری مراحل میں ہیں۔ ان منصوبوں پر عمل درآمد رواں سال کی تیسری اور چوتھی سہ ماہی کے دوران شروع ہوگا۔ نٹ وئیر گارمنٹس تیزی سے برآمدی شعبے میں بڑھ رہا ہے اور ہمیں یقین ہے کہ ہماری نئی مصنوع لائن ہماری ترقی کی صلاحیت کو مزید تقویت بخشنے گی۔

کارپوریٹ سماجی ذمہ داری

معاشرتی اور ماحولیاتی ذمہ داری کمپنی کی ساکھ کی عکاسی کرتی ہے۔ کیونکہ مالیاتی کارکردگی اور کاروباری، سماجی اور ماحولیاتی ذمہ داری کے مابین یکسانیت موجود ہے۔ معاشرتی اور ماحولیاتی ذمہ داری میں درج ذیل شامل ہیں:

- معاشرتی سرمایہ کاری اور فلاحی اسکیمیں۔
- ماحولیاتی تحفظ کے اقدامات۔
- پیشہ ورانہ صحت اور حفاظت۔
- کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات۔
- توانائی کی بچت۔
- صنعتی تعلقات۔
- قومی خزانے میں تعاون۔
- صارفین کے تحفظ کے اقدامات۔

کارپوریٹ شہری کی حیثیت سے ہمارا کردار اپنے صارفین کا اطمینان اور ہمارے حصص داران کے لئے منافع حاصل کرنے کے لئے انتہائی اہم ہے۔ ہم اپنے اسٹیک ہولڈرز کی بہتری اور خوشحالی کے لئے کام کرنے کے لیے پرعزم ہیں۔ انتظامیہ نے ایک محفوظ اور صحتمند کام کا ماحول پیدا کرنے کی کوشش کی ہے۔ جو ہمارے ملازمین، وینڈرز، ٹھیکیداروں، سپلائرز اور صارفین کے لئے محفوظ اور صحتمند ماحول فراہم کرتا ہے۔

سرمایہ داری اخراجات

کمپنی متوازن جدت اور تبدیلی کی اہمیت پر پختہ یقین رکھتی ہے اور مارکیٹ کی نئی ضروریات سے نمٹنے کے لئے موجودہ اور ساتھ ہی ساتھ نئے منصوبوں میں باقاعدگی سے سرمایہ لگاتی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے اپنی صلاحیت کے بل بوتے پر 214.835 ملین روپے کی سرمایہ کاری کی ہے۔

منافع

عالمی وبا کورونا وائرس (COVID-19) کے بعد غیر یقینی کاروباری صورتحال کی وجہ سے کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو اختتام پذیر سال کے لیے منافع کی سفارشات کو مسترد کر دیا ہے۔ جس کی شرح 30 جون 2019 میں 5% تھی۔ اور اسٹیٹ بینک آف پاکستان کے مطابق بینک قرضوں کے اصل زر کی واپسی کو بھی ایک سال کے لیے موخر کر دیا گیا ہے۔

فی حصص آمدنی

کمپنی کی فی حصص آمدنی گذشتہ سال 1.98 روپے کے مقابلے میں رواں سال 30 جون 2020 میں 0.93 روپے رہی۔

کورونا وائرس (COVID-19) سے پہلے اور بعد کا منظر نامہ

سال 2020 کی ابتداء نے پوری دنیا کو ایک غیر یقینی مستقبل کی یقین دہانی کے ساتھ وبائی امراض کے خلاف جنگ میں دھکیل دیا ہے۔ سیکڑوں ہزاروں میں ہونے والی ہلاکتوں اور لاکھوں افراد کے اس مرض میں مبتلا ہونے کی اطلاعات ہیں۔ غریب ترین ملکوں کے ساتھ ساتھ سب سے ترقی یافتہ ممالک بھی اس وبا سے نہ بچ سکے۔ دنیا اپنے آپ کو کورونا وائرس (COVID-19) سے پہلے اور بعد کے طور پر بیان کر رہی ہے۔ سال 2019 کے دوسرے نصف حصے میں، یہ پہلے ہی واضح ہوتا جا رہا تھا کہ عالمی معیشت کساد بازاری میں داخل ہو رہی ہے، البتہ 2020 میں اس صورتحال میں بہتری کی توقع کی جا رہی ہے، جس کی سربراہی بڑی ابھرتی ہوئی معیشتوں کی ہوگی، جس میں 2021 تک ممکنہ عالمی نمو کی واپسی ہوگی۔ کورونا وائرس (COVID-19) کے تباہ کن اثرات کے لیے کی گئی تمام تدابیر ناکام ہیں، اور 2020 کی تمام پیش گوئیاں نیچے کی طرف نظر ثانی کی جا رہی ہیں۔ مختلف ٹرانسمیشن چینلوں کے ذریعے (COVID-19) سے پاکستان جیسی دوسری ترقی پذیر معیشتوں کو متاثر ہونے کی توقع کی جا رہی ہے۔ وائرس کے پھیلاؤ پر قابو پانے کے لئے اٹھائے گئے اقدامات کی وجہ سے اس نے مجموعی طلب اور رسد کو متاثر کیا۔

حکومت پاکستان اور اسٹیٹ بینک آف پاکستان نے معاشی صورتحال پر قابو پانے کے لئے ایک اہم کردار ادا کیا اور مارچ اور جون 2020 کے درمیان پالیسی کی شرح کو 625 بنیاد پوائنٹس کمی کر کے مثبت رد عمل کا اظہار کیا۔ اسٹیٹ بینک آف پاکستان نے نئی ری فنانسنگ اسکیمیں متعارف کروائیں اور طویل مدتی قرضوں کی ادائیگی کو ایک سال کے لئے موخر کر دیا ہے۔ یہ مثبت اقدامات کورونا وائرس کے پھیلاؤ کے بعد صنعت کو فوری بحالی میں مدد فراہم کر رہے ہیں۔ چونکہ پاکستان میں کورونا کیسز میں تیزی سے کمی آئی ہے اور اگلی مالی سہ ماہی جولائی سے ستمبر 2020 میں صحت مند واپسی دیکھنے میں آئی ہے۔ معاشی حالات میں استحکام کا انحصار اس بات پر ہوگا کہ ممالک اس وبائی صورتحال کو کس قدر موثر طریقے سے قابو کر سکیں گے۔

معزز اراکین

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کو اختتام پزیریدت کے لئے آپ کے سامنے خود مختار آڈیٹر کی غیر جانب دار رپورٹ کے ساتھ آڈٹ شدہ سالانہ رپورٹ پیش کرتے ہیں۔

مالی جائزہ

کمپنی نے 4.326 ارب روپے کی فروخت ریکارڈ کی، جو گزشتہ سال 5.091 ارب روپے کی فروخت سے 15.03 فیصد کم ہے۔ برآمدات کی فروخت گزشتہ سال 2,396.679 ملین روپے کے مقابلے میں 1,914.985 ملین روپے کم ہوئی جو 20.10 فیصد کم ہے۔ گزشتہ سال کے 523.744 ملین روپے کے مجموعی منافع کے مقابلے میں موجودہ سال مجموعی منافع میں 401.731 ملین روپے رہا۔ موجودہ سال کے لئے مالیاتی لاگت میں 15.75 فیصد کمی واقع ہوئی ہے۔ عالمی وبا کو رونا وائرس (COVID-19) کی وجہ سے کمپنی نے بہت مشکل مقامی اور بین الاقوامی کاروباری ماحول کے باوجود گزشتہ سال 117.838 ملین روپے کے مقابلے میں 55.072 ملین روپے علاوہ ٹیکس منافع حاصل کیا۔

تفصیل	2020	2019	فیصد اضافہ
خالص فروخت	4,326,054,617	5,091,139,422	(15.03)
مجموعی منافع	401,731,284	523,744,040	(23.30)
ای بی آئی ٹی ڈی اے	246,678,400	318,073,672	(22.45)
فرسودگی	169,986,363	169,426,668	0.33
مالیاتی لاگت	121,619,841	144,362,515	(15.75)
منافع بمعدہ ٹیکس	76,391,637	148,647,004	(48.61)
منافع علاوہ ٹیکس	55,072,196	117,838,469	(53.26)
فی حصص آمدنی	0.93	1.98	(53.26)

مارچ 2020 کے بعد سے عالمی وبا کو رونا وائرس (COVID-19) کی وجہ سے فروخت آمدنی میں کمی واقع ہوئی ہے۔ اور اسی وجہ سے اس نے آخری سہ ماہی کو شدید متاثر کیا ہے، جس میں عام طور پر فروخت اپنے عروج پر ہوتی تھی۔ اس صورتحال نے کمپنی کو مجموعی مارجن میں 23.30 فیصد کمی کے ساتھ 15.03 فیصد کم فروخت آمدنی تک محدود کر دیا۔ ان مشکل حالات کے باوجود، کمپنی نے بہتر اور درست فیصلہ سازی کے ذریعے اس سال کو منافع بخش بنایا۔

اس سال کے دوران، بورڈ نے دیگر چیزوں کی سفارش اور منظوری دی۔

- روٹین بی ایم آر
- بجٹ
- سہ ماہی اور سالانہ گوشوارے
- اندرونی آڈٹ اور آڈٹ کمیٹی کی رپورٹیں اور نتائج
- بیرونی آڈیٹرز کی تقرری اور
- منافع کی تقسیم

اس کے مطابق، بورڈ نے سال 2020 کے لئے اپنی سالانہ خود تشخیص مکمل کر لی ہے اور مجھے یہ رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے کہ سال 2020 کے لیے مقرر کردہ معیار کی بنیاد پر کمپنی کی مجموعی کارکردگی نہایت اطمینان بخش ہے۔

A. Muneed

محترمہ تہنیت مسعود
چیئر پرسن

لاہور

25 ستمبر، 2020

معزز حصص داران،

زیفر ٹیکسٹائل لمیٹڈ کے بورڈ کا سالانہ جائزہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن، 2019 کی ضروریات کے عین مطابق ہے۔ 30 جون، 2020 کو ختم ہونے والے سال کے لیے میں کمپنی کے مقاصد کے حصول میں بورڈ کے ذریعہ کارکردگی کا جائزہ لینے اور اس میں اپنا کردار ادا کرنے پر خوشی محسوس کر رہی ہوں۔

زیفر ٹیکسٹائل لمیٹڈ سات رکنی بورڈ آف ڈائریکٹرز پر مشتمل ہے۔ جس میں مختلف پس منظر کے حامل افراد شامل ہیں۔ جن کو کمپنی کے کاروبار سے وابستہ بنیادی کام، علم اور مہارت حاصل ہے۔ اس کی ذیلی کمیٹیاں جیسے کہ آڈٹ کمیٹی، ہیومن ریسورس اور معاوضہ کا تعین کرنے والی کمیٹی بورڈ کو اس کی ذمہ داریاں نبھانے میں معاونت کرتی ہیں۔ ان ذیلی کمیٹیوں نے میٹنگز منعقد کیں اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن، 2019 کی شرائط کے مطابق بورڈ کو رپورٹ کی۔

ذکر رحلت

کمپنی کے کفیل اور ایگزیکٹو ڈائریکٹر محترم برہان محمد خان، جو کہ 15 ستمبر 2020 کو زیفر ٹیکسٹائل لمیٹڈ کے تمام ممبران اور اہل خانہ کو سوگوار چھوڑ کر اپنے خالق حقیقی سے جا ملے۔ دعا ہے کہ اللہ تعالیٰ ان کی روح کو سکون عطا فرمائے اور تمام اہل خانہ کو صبر جمیل اور ان کا نقصان برداشت کرنے کی توفیق عطا فرمائے (آمین)۔ ہم سب ہمیشہ ان کو اپنی دعاؤں میں یاد رکھیں گے۔ ان کی وفات کے بعد خالی ہوئی جگہ کو مکمل کرنے کا عمل جاری ہے۔ جو کہ 90 دن کی مقررہ مدت میں مکمل ہو جائے گا۔

بورڈ کی کارکردگی

30 جون 2020 کو ختم ہونے والے مالی سال کے لیے کورونا وائرس (COVID-19) عالمی وبا کی وجہ سے مشکل معاشی صورتحال اور سخت عالمی حالات کے باوجود بورڈ کی مجموعی کارکردگی اور تاثیر کو اطمینان بخش قرار دیا گیا ہے۔ جاری عمل میں بہتری عملی منصوبے کے باعث ہے۔ مذکورہ بالا مجموعی تشخیص انضمام کے اجزاء کی تشخیص پر مبنی ہے، جس میں وژن، مشن اور اقدار شامل ہیں۔ مشغولیت اسٹریٹجک منصوبہ بندی، پالیسیوں کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظام کی نگرانی، مؤثر مالی نگرانی، بورڈ کی ذمہ داری کو نبھانے کے لئے تمام ملازمین کے ساتھ منصفانہ سلوک اور مؤثر کارکردگی۔ آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے بورڈ اور اس کی کمیٹی کے اجلاسوں سے قبل مناسب وقت میں فالو اپ مواد سمیت ایجنڈا اور معاون تحریری مواد حاصل کیا۔ بورڈ کے ارکان اپنی ذمہ داریوں سے مناسب طریقے سے عہدہ برآہ ہونے کے لیے کثرت سے ملاقات کرتے ہیں۔ نان ایگزیکٹو اور خود مختار ڈائریکٹرز اہم فیصلوں میں مستقل طور پر شریک ہوتے ہیں۔

ZEPHYR TEXTILES LIMITED

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

PROXY FORM

I/ We,

Of

Being a member of ZEPHYR TEXTILES LTD, hereby appoint

Being a member of ZEPHYR TEXTILES LTD, hereby appoint
(NAME)

Of _____ another member of the company

Or failing him/ her _____

(NAME)

Of _____ another member of the company

(being member of the company) as my/ our proxy to attend vote for and on my / our behalf at the Annual General Meeting of the company held at its Registered Office, 3rd Floor IEP Building 97/B/D-1, Gulberg III, Lahore on October 28, 2020 at 10:00 AM and at every adoonments thereof.

As witnessed given under my / our hand (s) this _____ day of _____ 2020.

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

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Member

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

Shares held _____
Shareholders' _____
CDC A/c # _____

CNIC #: _____

Notes:

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

زیر ٹیکسٹائلز لمیٹڈ

پراکسی فارم

میں اہم سہمی اسماء ----- ساکن ----- ضلع -----
بحیثیت ممبر کمپنی سہمی اسماء ----- ساکن ----- کمپنی ممبر یا اسکی عدم موجودگی کی صورت میں
سہمی اسماء ----- ساکن ----- کمپنی ممبر کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری اجہاری جگہ اور میری
اجہاری طرف سے کمپنی کے سالانہ اجلاس عام جو کہ بتاریخ 28 اکتوبر 2020 بوقت صبح 10:30 کمپنی کے رجسٹرڈ آفس تیسری منزل IEP بلڈنگ 97-B/D-1 گلبرگ
لاہور میں منعقد ہو رہا ہے میں بول سکے اور ووٹ ڈال سکے۔

دستخط بتاریخ ----- دن ----- 2020

گواہ کے کوائف

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

دستخط: -----
نام: -----
پتہ: -----
کمپیوٹر آؤٹ پٹ شاختی کارڈ کا نمبر: -----
فولیو نمبر: -----
سی ڈی سی کھاتہ نمبر: -----
حصص کی تعداد: -----

اہم:

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

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
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Zephyr Textiles Limited
3 Floor, IEP Building, 97-B/D-1, Gulberg III,
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T + 92 42 3578 2905
F + 92 42 3575 3202
E info@zephyr.com.pk