

# Zulfeqar Industries Limited

## Balance Sheet (unaudited)

As at 31 December 2003

Note **31 December** 30 June  
**2003** 2003

		(Rs. in '000)	
OPERATING ASSETS - at cost / revaluation			
less accumulated depreciation		64,746	67,220
CAPITAL WORK IN PROGRESS - at cost		9,892	1,044
TRADE MARKS - at cost		471	471
LONG TERM DEPOSITS		2,356	2,174
DEFERRED TAXATION	5	2,993	3,037
LOANS AND ADVANCES TO EMPLOYEES		276	331
<b>CURRENT ASSETS</b>			
Stores and spares		2,543	2,298
Stock-in-trade		91,550	91,106
Short term investments	6	31,572	-
Trade debtors - unsecured, considered good		20,116	14,316
Current maturity of loans and advances to employees		147	165
Advances, deposits, prepayments and other receivables		45,542	39,057
Cash and bank balances		36,344	55,085
		<b>227,814</b>	<b>202,027</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		4,009	4,392
Creditors, accrued expenses and other liabilities		103,829	89,205
Provision for taxation		38,187	30,011
Dividend		-	4,000
		<b>146,025</b>	<b>127,608</b>
<b>NET CURRENT ASSETS</b>		<b>81,789</b>	<b>74,419</b>
<b>TOTAL ASSETS</b>		<b>162,523</b>	<b>148,696</b>
<b>FINANCED BY :</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
AUTHORISED CAPITAL		50,000	50,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		40,000	40,000
REVENUE RESERVES		6,000	6,000
UNAPPROPRIATED PROFIT		47,564	31,664
SHAREHOLDERS' EQUITY		93,564	77,664
SURPLUS ON REVALUATION OF FIXED ASSETS	7	24,085	24,953
LONG TERM DEPOSITS		475	475
DEFERRED LIABILITIES		42,626	41,719
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		1,773	3,885
CONTINGENCIES AND COMMITMENTS	8	162,523	148,696

The annexed notes 1 to 12 forms an integral part of these accounts

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

Zulfeqar Industries Limited  
Profit and Loss Account (unaudited)  
For the period ended 31 December 2003

		October to December		July to December	
		2003	2002	2003	2002
		(Rs. in '000)			
	<i>Note</i>				
Sales - net	9	<b>176,920</b>	159,499	<b>348,125</b>	320,361
Cost of goods sold	10	<b>138,214</b>	122,149	<b>269,550</b>	246,909
Gross profit		<b>38,706</b>	37,350	<b>78,575</b>	73,452
Administrative expenses		<b>4,125</b>	3,312	<b>7,858</b>	6,568
Selling & distribution expenses		<b>25,317</b>	23,804	<b>48,046</b>	42,388
Financial expenses		<b>516</b>	598	<b>1,004</b>	1,782
WPPF & WWF		<b>771</b>	847	<b>1,729</b>	1,827
		<b>30,729</b>	28,561	<b>58,637</b>	52,565
		<b>7,977</b>	8,789	<b>19,938</b>	20,887
Other income		<b>2,230</b>	468	<b>3,357</b>	1,117
Profit before taxation		<b>10,207</b>	9,257	<b>23,295</b>	22,004
Taxation:					
Current		<b>3,843</b>	5,877	<b>8,219</b>	10,906
Deferred		<b>(240)</b>	(2,221)	<b>44</b>	(2,463)
		<b>3,603</b>	3,656	<b>8,263</b>	8,443
Profit after taxation		<b>6,604</b>	5,601	<b>15,032</b>	13,561
Earning per share	<i>Rupees</i>	<b>1.65</b>	1.40	<b>3.76</b>	3.39

The annexed notes 1 to 12 forms an integral part of these accounts

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

Zulfeqar Industries Limited  
Cash Flow Statement (unaudited)  
For the six months ended 31 December 2003

	July to December 2003	July to December 2002
<b>(Rupees in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>23,295</b>	22,004
Adjustments for:		
Financial charges	909	1,698
Depreciation	3,430	3,803
Provision for gratuity	1,184	1,326
Provision for retirement benefits	3,081	4,272
Gain on disposal of fixed assets	(98)	-
	<u>8,506</u>	<u>11,099</u>
Operating profit before working capital changes	<b>31,801</b>	33,103
<b>Decrease / (Increase) in operating assets:</b>		
Stores and spares	(245)	5
Stock in trade	(444)	(21,738)
Trade debtors	(5,800)	(10,058)
Advances, deposits, prepayments and other receivables	(933)	(1,238)
Long term deposits	(182)	50
	<u>(7,604)</u>	<u>(32,979)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Creditors, accrued expenses and other liabilities	14,483	(26)
Cash generated from operations	<u>38,680</u>	<u>98</u>
Income tax paid	(5,522)	(7,173)
Gratuity paid	(1,249)	(859)
Retirement benefits paid	(2,109)	(1,373)
Mark-up paid	(912)	(1,978)
	<u>(9,792)</u>	<u>(11,383)</u>
<b>Net cash flow from operating activities</b>	<b>28,888</b>	(11,285)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(10,490)	(3,265)
Short term investments	(31,572)	-
Sale proceeds of fixed assets	783	154
<b>Net cash flow from investing activities</b>	<b>(41,279)</b>	(3,111)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(3,855)	-
Repayment/addition of lease liability-net	(2,495)	657
Long term demand finance	-	(5,200)
<b>Net cash flow from financing activities</b>	<b>(6,350)</b>	(4,543)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,741)</b>	(18,939)
<b>Cash and cash equivalents as at beginning of the period</b>	<b>55,085</b>	16,323
<b>Cash and cash equivalents as at end of the period</b>	<b>36,344</b>	(2,616)
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	36,344	9,432
Finance under mark-up arrangements	-	(12,048)
	<u>36,344</u>	<u>(2,616)</u>

The annexed notes 1 to 12 forms an integral part of these accounts

Chief Executive

Director

**Zulfeqar Industries Limited**  
**Statement of Changes in Equity (unaudited)**  
*For the period ended 31 December 2003*

(Rs. in '000)

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Unappropriated Profit</b>	<b>Total</b>
Balance as at 1 July 2002	40,000	6,000	(4,630)	41,370
Profit for the six months ended 31 December 2002	-	-	13,561	13,561
Transferred from surplus on revaluation of fixed assets -				
- prior years	-	-	20,817	20,817
- current period	-	-	965	965
Interim dividend ( 10%)	-	-	(4,000)	(4,000)
Balance as at 31 December 2002	<u>40,000</u>	<u>6,000</u>	<u>26,713</u>	<u>72,713</u>

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Unappropriated Profit</b>	<b>Total</b>
Balance as at 1 July 2003	40,000	6,000	31,664	77,664
Profit for the six months period ended 31 December 2003	-	-	15,032	15,032
Transferred from surplus on revaluation of fixed assets -				
- current period	-	-	868	868
Balance as at 31 December 2003	<u>40,000</u>	<u>6,000</u>	<u>47,564</u>	<u>93,564</u>

The annexed notes 1 to 12 forms an integral part of these accounts

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

# Zulfeqar Industries Limited

## Notes to the Financial Statements (unaudited)

For the six months ended 31 December 2003

- These financial statements are unaudited, prepared in compliance with IAS-34 'Interim Financial Reporting', and are circulated to the shareholders as required by section 245 of the Companies Ordinance 1984.
- The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the company for the year ended 30 June 2003. During the period the company made investments in listed securities and certificates of investments, the accounting policy of investments is given as follows:

### Investments

Quoted and unquoted investments are classified as available-for-sale and are stated at fair value, with any resultant gains or losses being recognized directly in profit and loss account.

- Following is the cost of operating assets that have been added / disposed off during the six months period ended 31 December 2003:

	<b>31 December 2003</b>	31 December 2002
	(Rupees in '000)	
<b>Additions</b>		
<b>Owned:</b>		
Plant, Machinery and Equipments	696	309
Furniture and Fixture	13	103
Vehicles	927	-
Computer	5	100
	<u>1,641</u>	<u>512</u>
<b>Leased:</b>		
Vehicles	-	2,559
	<u>1,641</u>	<u>3,071</u>
<b>Disposals</b>		
<b>Vehicles</b>		
Owned	<u>532</u>	<u>375</u>
Leased	<u>824</u>	<u>-</u>

- Following is the cost of capital work in progress that have been added during the six months period ended 31 December 2003:

Plant, Machinery and Equipments	<u>10,490</u>	<u>705</u>
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	<b>31 December 2003</b>	30 June 2003
	(Rupees in '000)	
<b>5. Deferred Tax is composed of the following:</b>		
Debit Balances arising in respect of		
-Provision for gratuity and retirement benefits	14,919	14,601
-Provision for slow moving stock & doubtful debts	2,533	2,725
Credit Balances arising in respect of		
-Revaluation Surplus	(8,882)	(9,350)
-Depreciation	(3,372)	(3,182)
-Excess of lease liability over written down value of leased assets	(2,205)	(1,757)
	<u>2,993</u>	<u>3,037</u>

		<b>31 December 2003</b>
		<b>(Rupees in '000)</b>
<b>6. Short term investments</b>		
<i>Available for sale</i>		
<b>Quoted</b>		
Shares	6.1	1,272
Term Finance Certificates	6.2	5,300
		<u>6,572</u>
<b>Unquoted</b>		
Certificates of Investments	6.3	25,000
		<u>31,572</u>

6.1 These are fully paid up shares of Rs. 10/- each

	<u>Number of shares</u>	<u>As on 31 December Market value per share</u>	<u>Fair value</u>
			<b>(Rupees in '000)</b>
Oil and Gas Development Corporation	24,459	52	<u>1,272</u>

	<u>No. of Certificates</u>	<u>Profits</u>		<u>Principal repayment</u>	<u>Maturity date</u>	<u>Fair value</u>
		<u>Repayment frequency</u>	<u>Rates %</u>			<b>(Rupees in '000)</b>
<b>6.2 Quoted - Term Finance Certificates</b>						
Oil and Gas Securitisation Company Limited	1,000 of 5,000 each	Monthly	SBP Discount Rate + 2.5%	142,570	4 December 2006	<u>5,300</u>

**6.3 Certificates of Investment**

These are of 141 days term and carry interest at rate of 5.35 percent per annum and are due to mature on 31 January 2004. The principal and interest are payable on maturity.

	<b>31 December 2003</b>	<b>30 June 2003</b>
	<b>(Rupees in '000)</b>	
<b>7. Surplus on Revaluation of Fixed Assets</b>		
Opening Balance	34,303	58,088
Transferred to retained earnings due to incremental depreciation		
- Prior years	-	(20,817)
- Current year - net-off deferred tax	(868)	(1,929)
	<u>(868)</u>	<u>(22,746)</u>
	33,435	35,342
Related deferred tax liability	(467)	(1,039)
	<u>32,968</u>	<u>34,303</u>
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	9,350	10,389
- Incremental depreciation charged during the period transferred to profit and loss account	(467)	(1,039)
	<u>8,883</u>	<u>9,350</u>
Balance at the end of the period	<u>24,085</u>	<u>24,953</u>

**8. Contingencies and Commitments**

Letters of credit	<u>60,872</u>	<u>14,230</u>
Bank guarantee	<u>2,490</u>	<u>2,490</u>

	October to December		July to December	
	2003	2002	2003	2002
	(Rupees in '000)			
<b>9. Sales-net</b>				
Gross sales	221,004	199,466	436,793	398,852
Sales tax	(32,613)	(28,274)	(64,341)	(56,736)
Trade promotion discount	(11,453)	(11,547)	(24,281)	(21,283)
Sale return / rebate	(18)	(146)	(46)	(472)
	<u>(44,084)</u>	<u>(39,967)</u>	<u>(88,668)</u>	<u>(78,491)</u>
	<u>176,920</u>	<u>159,499</u>	<u>348,125</u>	<u>320,361</u>

**10. Cost of Goods Sold**

Raw & packing material consumed	94,029	85,082	168,633	176,066
Stores & spares consumed	1,798	1,300	3,156	2,614
Salaries, wages & other benefits	13,228	15,297	27,695	30,162
Repairs & maintenance	496	441	861	915
Fuel & power	6,930	6,950	13,267	13,773
Rent, rates & taxes	6	19	28	67
Insurance	398	327	780	635
Product research & development	7	15	19	46
Excise duty	20,560	18,037	38,901	36,304
Traveling & conveyance	319	296	602	593
Printing & stationery	110	84	222	170
Postage, telegrams & telephones	248	169	437	310
Legal & professional	17	22	30	32
Subscription	4	29	18	37
Depreciation	1,519	1,728	2,984	3,309
Other expenses	878	708	1,425	1,470
	<u>140,547</u>	<u>130,504</u>	<u>259,058</u>	<u>266,503</u>
Opening stock of work-in-process	11,077	10,322	11,209	8,030
Closing stock of work-in-process	(11,690)	(10,211)	(11,690)	(10,211)
	<u>139,934</u>	<u>130,615</u>	<u>258,577</u>	<u>264,322</u>
Opening stock of finished goods	24,917	26,352	37,610	17,405
Closing stock of finished goods	(26,637)	(34,818)	(26,637)	(34,818)
	<u>138,214</u>	<u>122,149</u>	<u>269,550</u>	<u>246,909</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of group companies, entities with common directors and their close family members, major shareholders, key management employees and staff provident fund. The Company has a policy whereby all transactions with related parties, are entered into at arm's length prices using the comparable uncontrolled price method except for common expenses which are shared equitably under the agreed terms of arrangement. The transactions with related parties are as follows:

	July to December 2003	July to December 2002
	(Rupees in '000)	
Purchases and services received	<u>18,118</u>	<u>12,727</u>
Sales and services rendered	<u>1,589</u>	<u>165</u>
Common expenses charged by the associated company	<u>7,961</u>	<u>9,945</u>
Profit commission	<u>73</u>	<u>104</u>
Contribution to employees' provident fund	<u>694</u>	<u>636</u>
Chief executive and directors remuneration	<i>11.1</i>	<u>1,729</u>
		<u>1,494</u>

**11.1** The transactions with the Chief Executive, whole time working director and other senior executives were undertaken in accordance with their terms of employments.

**12. General**

**12.1** Figures have been rounded off to the nearest thousand of rupees.

**12.2** These accounts were approved in the Board of Directors' meeting held on 24 February 2004.

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Chief Executive

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Director