

ANNUAL REPORT

'03



Zulfeqar Industries Limited



Directors' Report

The Directors have the pleasure to submit the audited accounts for the financial year ended on June 30th 2003.

1. Overview

The period under review remained difficult for the indigenous soap industry as the inequitable competition with the smuggled and imported soaps was at its peak. It has been reported that approximately 10,000 tons of soap was imported and smuggled during the period under review.

By the Grace of Almighty, the company successfully took the challenge and improved its brand range image and reinforced the distribution channels. This resulted in 17.47% growth in gross sales revenue over last year due to the efforts and timely strategic decisions of the management by utilizing the best available resources to enhance sales in an inequitable competitive environment for the indigenous soap industry.

2. Financial Review

The liquidity position of the company improved appreciably due to good funds management. The company did not utilize the running finance facility from any of the banks and was able to pay off the demand finance liability of Rs 5.200M during the year. The trade debtors have considerably reduced due to the implementation of strict credit policy and timely recoveries from them.

However, the creditors, accrued expenses and other liabilities increased by Rs 28.000M due to establishment of letters of credit on D.A. basis and liability of heavy advertisement cost. The income tax liability has also increased with the profitability of the company over and above the advance income tax that the company had to pay on account of deduction at source at import stage and deductions by the parties.

The retained earnings now stand at Rs 31.664M positive as compared to Rs 4.630M negative last year. The improvement in retained earnings is the result of an addition of Rs 22.746M on account of transfer of depreciation on the surplus on revaluation of fixed assets of prior years and current year to the retained earnings due to amendment in the law of accounting treatment apart from the remarkable profit that the company has earned during the year.

As a result of the above measures, the decade old accumulated losses have been absorbed by the good financial strength of the company despite difficult market conditions. Resultantly, the shareholders' equity has almost doubled as compared to last year. There has been a remarkable improvement in the current ratio of the company, which now stands at 1.63:1.



3. Earning per Share

The earning per share for the period under review is Rs 5.38 in comparison to Rs 4.03 in the preceding year, which reflects the good earning potential of the company.

4. Operating Results

The Company has earned an operating profit of Rs 31.260M for the year ended 30 June 2003 with an improvement of 44% over last year with the significant feature of accumulated losses being wiped off. Profit and loss for the year ended is as follows:

	(Rs '000)	
	2003	2002
Operating profit	31,260	21,668
Add: Other income	2,270	3,571
Profit before taxation	33,530	25,239
Provision for taxation	11,982	9,133
Profit after taxation	21,548	16,106
Proposed Final Dividend @ 10%	4,000	-
Unappropriated profit/(accumulated loss)	31,664	(4,630)

A provision of Rs 3.495M for doubtful debts and a provision of Rs 2.000M for stock in trade has been made in the accounts.

5. Summary of key Operating and Financial data of last seven years

A summary of key operating and financial results for the last seven years is included in the financial results for the year under review.

6. Dividend

Due to satisfactory performance, the company declared @ 10% interim dividend at the close of half year ended 31 December 2002. The company has now declared the final cash dividend @ 10% on the face value of shares.

7. Outstanding Statutory Payments

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

8. Significant Plans and Decisions

In order to sustain the good bottom line results and growth momentum in an environment of uneven competition and the challenges of post WTO scenario, the company embarked upon a program of continuous improvement process whereby the inefficiencies at all levels of operations were reviewed and improvements made and proposed.



The company wide plan of improvement at all levels of operation started in the year 2001 and part of which was the balancing, modernization and replacement (BMR) to make the company cost efficient.

After the acquisition and replacement of the boiler last year, the energy cost has reduced by nearly 25 %. The company now plans to acquire new finishing lines for the expansion of the soap making plant and to remove the bottlenecks in the flow of manufacturing process.

9. Provident and Gratuity Funds

The company is operating a funded Provident Fund but an unfunded Gratuity Fund. The provident fund has been appropriately invested in the Government securities and is audited annually by independent auditors. The value of investments of Provident Fund as per the audited accounts for the ended 30 June 2002 is Rs 16.128M.

10. Meetings of the Board of Directors

Five meetings of the Board of Directors of the Company were held on 3 July 2002, 31 August 2002, 25 October 2002, 18 February 2003 and 25 April 2003

Following was the attendance of the directors:

<u>Names of Directors</u>	<u>No. of Meetings attended</u>
Syed Wajid Ali	3
S. Ferial R. Ali	5
Syed Yawar Ali	5
Syed Tariq Ali	5
Syed Shahid Ali	1
Mr. Karam Ellahi Shaikh	2
Mr. Kemal Shoaib	3

11. Capital expenditure and commitments

The Company has established a letter of credit for Euro 540,520/- C&F to acquire a brand new finishing line comprising of plodder, milling machine etc. with state of the art technology from Italy to upgrade its existing facilities and enhance the capacity utilization.

12. Marketing Review

Distribution has and will become more focused especially in the main towns and cities in order to meet the growth in sales and improve the quality of sales calls and coverage. The launch of Capri Sensitive has met with an excellent response and it shall be the sincere endeavour of the company to constantly strive through research and development to manufacture products that meet the changing needs of today's consumer.



13. Corporate Review

Human resource allocation and development

i. The human resource standards have been introduced in their right perspective, which has enabled the Company to hire the most suitable candidates and ensure motivation and productivity in the staff.

The company has provided refresher courses and trainings in house and externally to its employees on regular basis to further their education and achieve professional excellence in their chosen fields.

The Company continues to have very cordial relations with the Collective Bargaining Agents and all its employees.

ii. Key Business strategic thrusts

There are three strategic thrusts for the business:

1. Control Costs
2. Maintaining high standard of quality in all levels of operations
3. Strengthening distribution channels with better focus

14. Safety, health and environment

The company has provided safe, healthy and congenial environment to its employees. There were no casualties in the company during the period under review.

15. Directors' statement

The directors state that:

- a. The financial statements prepared by the management present a true and fair state of affairs of the company.
- b. Proper books of accounts have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment, except for the following:
 - The provision has been made in the accounts based on the actuarial valuation using the Projected Unit Credit Method instead of on the previous basis of employees' last drawn basic salary and number of years of service on the terminal value of scheme.
 - In accordance with certain amendments in section 235 of the Companies Ordinance, 1984, incremental depreciation charged in prior years on assets carried at revalued amounts together with the incremental depreciation charged during the year has been transferred to retained earnings.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.



- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There is no significant doubt upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

16. Statement in compliance of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 2(10)SE/SMD/2002 of listing regulations of Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- a. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least five independent non-executive directors.
- b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- c. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- d. No casual vacancy occurred in the Board during the year.
- e. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and management employees of the Company.
- f. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are in the process of development and maintaining a complete record of particulars of significant policies along with the dates on which they were approved or amended.
- g. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
- h. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers,



were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

i. An orientation course was arranged for the directors during the year to apprise them of their duties and responsibilities. Study material and other relevant papers were provided to them for their review and understanding.

j. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

n. The Company has complied with all the corporate and financial reporting requirements of the Code.

o. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

p. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

q. The Board has set-up an internal audit function and taking appropriate measures to make it effective.

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

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



t. We confirm that all other material principles contained in the Code have been complied with.

17. Development and Diversification

The company is striving hard in the research and development of new products and bringing improvement in the existing products being fully mindful of the challenges that it would confront after the World Trade Order (WTO) comes into force from the year 2005.

18. Future Outlook

The management is optimistic about the future prospects of the company and is determined to maintain consistency in the profitability of the company. It will not be amiss here to state that the industry is still plagued with many problems and the company's future performance is highly susceptible to it. The influx of smuggled soap was at its peak during the period under review and the duty structure on imported finished soap remained at 25% only while the locally produced soap is burdened by 34% to 50% customs duty on raw material, 15% sales tax and 10% excise duty.

19. Risks

The local soap industry would be at risk if the Government does not take appropriate measures to remove the anomalies that now exist in the duty structure of raw material and finished goods. The highest slabs must be applied on the finished goods while the lowest slab on basic raw material. It is also stipulated in the World Trade Order (WTO) that there must be sufficient cushion in the rate of custom duty between raw materials and finished products made with the same raw material, so that the local industry must survive.

20. Uncertainties

The easy availability of imported and smuggled toilet soap at cheaper prices are fast eroding the market share of local manufacturers. If the Government does not redress the grievances being faced by the local manufacturers, the existence of local industries would be at stake and their survival would be dependent on the fiscal measures to be taken by the government and the unfolding of political and world events.

21. Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members:

Mr. Kemal Shoaib	Chairman
Syed Yawar Ali	Member
Syed Tariq Ali	Member



22. Auditors

The present auditors, Taseer Hadi Khalid & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2003-04.

23. Pattern of Shareholding

The statement of pattern of shareholding in the company is included in the audit report. (see page no. 37)

24. Director's Remuneration

The remuneration of Syed Tariq Ali, Director Commercial has been revised with necessary approvals from Rs 720,000/- per annum to Rs 960,000/- per annum with effect from 01 July 2003 to 30 June 2004. Other terms and conditions of his contract remain the same.

25. Obituary

With profound grief we have to inform about the sudden and sad demise of Late Dost Mohammed Hashmi, General Manager. His contribution to the progress of the company was commendable and will be long remembered. May his soul rest in peace and the Almighty grant courage to his family and the company to sustain this irreparable loss. (Aameen)

26. Acknowledgements

The Directors would like to express their gratitude to the shareholders, distributors, bankers and the development financial institutions for their continued support and encouragement and also place on record their appreciation of the valuable services rendered by the officers, staff and field force of the Company.

For and on behalf of the Board

S. Ferial R. Ali
Managing Director & Chief Executive

Karachi: 02 September 2003

**Key Operating & Financial Data****(From 1996-1997 to 2002-2003)**

PERIODS	July -June 1996-1997	July -June 1997-1998	July -June 1998-1999	July -June 1999-2000	July -June 2000-2001	July -June 2001-2002	July -June 2002-2003
Net Sales Revenue	430,375	346,499	385,312	438,844	421,566	536,443	622,019
Cost of Goods Sold	380,378	303,669	336,129	365,593	335,660	438,080	480,627
Gross Profit	49,997	42,830	49,183	73,251	85,906	98,363	141,392
Operating profit & Loss	(7,706)	(6,616)	(13,569)	3,647	10,907	21,668	31,260
Profit/(Loss)Before Tax	(4,100)	(6,017)	(13,359)	8,044	11,527	25,239	33,530
Profit/(Loss) After Tax	(6,253)	(7,050)	(15,744)	8,286	7,009	16,106	21,548
Paid Up Capital	20,000	20,000	20,000	20,000	40,000	40,000	40,000
Current Assets	161,644	145,518	122,678	134,461	136,306	143,084	202,027
Current Liabilities	143,360	134,573	125,844	95,451	91,609	85,863	127,608



Auditors' Report to the Members

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** as at 30 June 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as indicated in note 2.3 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: 02 September 2003.

Taseer Hadi Khalid & Co.
Chartered Accountants



Review report to the members on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance (Clause 16 of Directors' Report) with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Zulfeqar Industries Limited to comply with the Listing Regulation No. 37 of the Karachi and Lahore Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at 30 June 2003.

Karachi: 02 September 2003

**Taseer Hadi Khalid & Co.
Chartered Accountants**

**Balance Sheet**

As at 30 June 2003

	Note	2003 (Rupees in '000)	2002
FIXED CAPITAL EXPENDITURE	3	68,264	70,972
TRADE MARKS - at cost		471	471
LONG TERM DEPOSITS	4	2,174	2,269
DEFERRED TAXATION	5	3,037	8,408
LOANS AND ADVANCES TO EMPLOYEES	6	331	424
CURRENT ASSETS			
Stores and spares	7	2,298	2,040
Stock-in-trade	8	91,106	64,837
Trade debts-unsecured - considered good	9	14,316	31,899
Current maturity of loans and advances to employees	6	165	101
Advances, deposits, prepayments and other receivables	10	39,057	23,829
Cash and bank balances	11	55,085	20,378
		202,027	143,084
CURRENT LIABILITIES			
Current maturities of long term demand finance and liabilities against assets subject to finance lease	12	4,392	8,207
Finance under mark-up arrangements – secured	13	-	4,055
Creditors, accrued expenses and other liabilities	14	89,205	61,167
Provision for taxation	15	30,011	12,434
Proposed dividend		4,000	-
		127,608	85,863
NET CURRENT ASSETS		74,419	57,221
NET ASSETS		148,696	139,765
FINANCED BY:			
SHARE CAPITAL	16	40,000	40,000
REVENUE RESERVE		6,000	6,000
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)		31,664	(4,630)
SHARE HOLDERS' EQUITY		77,664	41,370
SURPLUS ON REVALUATION OF FIXED ASSETS	17	24,953	58,088
LONG TERM DEPOSITS		475	475
DEFERRED LIABILITIES	18	41,719	33,363
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	19	3,885	6,469
CONTINGENCIES AND COMMITMENTS	20		
		148,696	139,765

The annexed notes 1 to 35 form an integral part of these financial statements.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR

**Profit and Loss Account**

For the year ended 30 June 2003

	Note	2003 (Rupees in '000)	2002
Sales – net	21	622,019	536,443
Cost of goods sold	22	480,627	438,080
Gross profit		141,392	98,363
Administrative expenses	23	14,867	13,187
Selling and distribution expenses	24	89,526	54,941
Financial charges	25	2,929	6,497
Workers' Welfare Fund		993	705
Workers' Profit Participation Fund		1,817	1,365
		110,132	76,695
Other income – net	26	31,260	21,668
Profit before taxation		2,270	3,571
		33,530	25,239
Taxation			
- Current	27	17,577	12,332
- Prior years		(576)	(1,069)
- Deferred		(5,019)	(2,130)
		11,982	9,133
Profit after taxation		21,548	16,106
Accumulated loss brought forward		(4,630)	(20,736)
Transferred from surplus on revaluation of fixed assets:			
- Prior years		20,817	-
- Current year		1,929	-
		18,116	(20,736)
Profit available for appropriation		39,664	(4,630)
Appropriations:			
- Interim dividend @ Re. 1 (2002: Nil) per share		4,000	-
- Proposed final dividend @ Re. 1 (2002: Nil) per share		4,000	-
		8,000	-
Unappropriated profit / (Accumulated loss) carried forward		31,664	(4,630)
Earnings per share	29	5.38	4.03

The annexed notes 1 to 35 form an integral part of these financial statements.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR

**Statement of Changes in Financial Position***For the year ended 30 June 2003*

	2003	2002
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,530	25,239
Adjustments for:		
Mark-up expense	2,846	6,365
Depreciation	7,734	8,069
Provision for gratuity	2,039	2,414
Provision for retirement benefits	9,766	8,050
Provision for doubtful debts	3,495	-
Provision for slow moving stock	2,000	2,292
Gain on disposal of fixed assets	(80)	(909)
	<u>27,800</u>	<u>26,281</u>
Operating profit before working capital changes	61,330	51,520
Decrease / (increase) in operating assets		
Stores and spares	(258)	(505)
Stock in trade	(28,269)	(1,019)
Trade debtors	14,088	(10,465)
Loans and advances	29	15
Advances, deposits, prepayments and other receivables	696	1,219
Long term deposits	94	(395)
	<u>(13,620)</u>	<u>(11,150)</u>
Increase in operating liabilities		
Creditors, accrued expenses and other liabilities	28,319	2,924
Cash generated from operations	<u>76,029</u>	<u>43,294</u>
Income tax paid	(15,345)	358
Gratuity paid	(1,366)	(1,247)
Retirement benefits paid	(2,083)	(1,996)
Mark-up paid	(3,141)	(6,407)
	<u>(21,935)</u>	<u>(9,292)</u>
Net cash flows from operating activities	54,094	34,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(5,200)	(18,661)
Short term investment	-	1,669
Sale proceeds of fixed assets	255	1,181
Net cash flow from investing activities	<u>(4,945)</u>	<u>(15,811)</u>



2003 2002
(Rupees in '000)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(3,987)	(2,986)
(Repayment) / addition of lease liability – net	(1,200)	6,864
Long term demand finance	(5,200)	(16,800)
Net cash flow from financing activities	(10,387)	(12,922)
Net increase in cash and cash equivalents	38,762	5,269
Cash and cash equivalents at the beginning of the year	16,323	11,054
Cash and cash equivalents at the end of the year	55,085	16,323
CASH AND CASH EQUIVALENTS		
Cash and bank balances	55,085	20,378
Finance under mark-up arrangements	-	(4,055)
	55,085	16,323

The annexed notes 1 to 35 form an integral part of these financial statements.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR

**Statement of Changes in Equity***For the year ended 30 June 2003*

	Share capital	Revenue reserve	(Rupees in '000) Unappropriated profit / (accumulated loss)	Total
Balance as at 30 June 2001	40,000	6,000	(20,736)	25,264
Profit for the year	-	-	16,106	16,106
Balance as at 30 June 2002	<u>40,000</u>	<u>6,000</u>	<u>(4,630)</u>	<u>41,370</u>
Transferred from surplus on revaluation of fixed assets				
- Prior years	-	-	20,817	20,817
- Current year	-	-	1,929	1,929
Profit for the year	-	-	21,548	21,548
Interim dividend	-	-	(4,000)	(4,000)
Proposed final dividend	-	-	(4,000)	(4,000)
Balance as at 30 June 2003	<u>40,000</u>	<u>6,000</u>	<u>31,664</u>	<u>77,664</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR



Notes to the Accounts

For the year ended 30 June 2003

1. STATUS AND NATURE OF BUSINESS

- 1.1** The company was incorporated in Pakistan in February 1960 as a private limited company with registered office in Karachi Sindh and subsequently converted into a public limited company in November 1986 and was listed on Karachi Stock Exchange and Lahore Stock Exchange in December 1986 and 1987 respectively. The principal activity of the company is the manufacture and sale of toilet and washing soaps.

2. ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance 1984, or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except to the extent that certain fixed assets as stated in note 3 are shown at revalued amounts.

2.3 Staff retirement benefits

a) Gratuity scheme – defined benefit plan

The company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in the accounts based on the actuarial valuation using the Projected Unit Credit Method. Previously the expense was recognised with reference to employees' last drawn basic salary and number of years of service on the basis of terminal value of scheme. Actuarial gains /losses are recognised as income or expense in the year in which it arises. Had the policy not changed the charge for the period would have been higher by Rs. 1.480 million with corresponding effect on the liability.

b) Retirement benefit scheme – defined benefit plan

The company also operates as un-funded retirement benefit scheme for its eligible employees. Provision is made in the accounts based on the actuarial valuation using the Projected Unit Credit Method. Previously the expense was recognised with reference to employees' last drawn basic salary and number of years of service on the basis of terminal value of scheme. Actuarial gains /losses are recognised as income or expense in the year in which it arises. Had the policy not changed the charge for the period would have been lower by Rs. 3.033 million with corresponding effect on the liability.



c) *Provident Fund - defined contribution plan*

The Company operates an approved provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 10 percent of basic salary.

2.4 Taxation

a) *Current*

The charge for current taxation is based on higher of liability at taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any, or minimum tax liability at the rate of one-half of one percent of turnover.

b) *Deferred*

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised.

Consequent to amendments in section 235 of the Companies Ordinance, 1984, and in accordance with the Securities and Exchange Commission of Pakistan directives confirmed in SRO 45 (1) / 2003 dated 13 January 2003, the company has provided deferred tax liability on revaluation surplus by debiting such surplus.

2.5 Fixed assets

Owned

- a) Fixed assets including all additions are carried at cost or revaluation less accumulated depreciation.
- b) Depreciation on fixed assets other than freehold land is charged on a reducing balance method at the rates specified in note 3.
- c) A full year's depreciation is charged on all fixed assets capitalized during the year while no depreciation is charged in the year fixed assets are disposed or scrapped.
- d) Assets, which have been fully depreciated, are retained in the books at a nominal value of Re.1.
- e) Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.
- f) Normal repairs and maintenance is charged to expenses, as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.



Leased

- a) Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations, under the lease are accounted for as liabilities.
- b) Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability.
- c) Depreciation is charged to income applying the reducing balance method at the rates specified in note 3.

Revaluation surplus

Revaluations surplus equivalent to incremental depreciation on revalued assets is credited to retained earnings.

During the year certain amendments in section 235 of the Companies Ordinance, 1984 were promulgated and clarifications were issued by the Securities and Exchange Commission of Pakistan allowing transfer of incremental depreciation on assets stated at revalued amounts to retained earnings. Accordingly, incremental depreciation charged in prior years on assets carried at revalued amounts together with the incremental depreciation charged during the year has been transferred to retained earnings.

2.6 Capital work-in-progress

Capital work-in-progress is stated at cost and represents expenditure on fixed assets in course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.7 Stores and spares

These are valued at cost determined on moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.8 Stock-in-trade

Stock-in-trade, except for those in transit, is valued at lower of cost determined on moving average cost basis and net realizable value. Cost of work-in-process and finished goods comprises cost of direct material, labour and an appropriate portion of manufacturing overheads.

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

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.9 Trade debtors

Known bad debts, if any, are written off and impairment loss is recognised for debts considered doubtful.



2.10 Basis of allocation of common expenses

Wazir Ali Industries Limited (an associated company) has, under an agreement, allocated on proportionate basis common selling and distribution expenses being the costs incurred and services rendered on behalf of Zulfeqar Industries Limited.

2.11 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rupees at the foreign exchange rate ruling on that date.

Exchange gains and losses are included in income currently.

2.12 Provisions

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

2.13 Off-setting

Assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits. Short term running finance that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.15 Revenue recognition

Sale

Local sales are recorded on dispatch of goods to customers. Export sales are recorded on the basis of goods shipped to customers. Rebate on exports, if any, are recorded on receipt basis.

Profit on term deposits

Profit on term deposits are accrued on time proportion basis at effective rate of return.

2.16 Financial instruments

At the time of initial recognition all the financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received for it. The estimated fair value of financial assets and liabilities at the balance sheet date are considered not significantly different from their book values.



3. FIXED CAPITAL EXPENDITURE

		2003	2002
		(Rupees in '000)	
Operating assets	3.1	67,220	70,972
Capital work in progress	3.2	1,044	-
		68,264	70,972

3.1 Operating Assets - at cost / revaluation less accumulated depreciation

	COST AND REVALUATION			Rate %	DEPRECIATION			(Rupees in '000)	
	As at 1 July 2002	Additions/ (Disposals) *Adjustment	As at 30 June 2003		As at 1 July 2002	For the year	(Disposals)/ *Adjustment	As at 30 June 2003	Written Down Value as on 30 June 2003
Owned									
Freehold land	7,560	-	7,560	-	-	-	-	-	7,560
Building on freehold land	13,963	-	13,963	10	2,650	1,131	-	3,781	10,182
Plant, machinery and equipment	43,490	1,272 *460	45,222	10	8,019	3,702	- *187	11,908	33,314
Furniture and fixtures	2,988	103	3,091	10	1,427	166	-	1,593	1,498
Vehicles	3,900	-	3,423	20	2,720	201	-	2,619	804
Computers	1,542	(477) 223	1,765	30	670	329	(302) -	999	766
	73,443	1,598 (477) *460	75,024		15,486	5,529	(302) *187	20,900	54,124
Leased									
Equipment	460	(460)	-	10	*187	-	(187)	-	-
Plant and machinery	9,500	-	9,500	10	950	855	-	1,805	7,695
Vehicles	6,411	2,559	8,970	20	2,219	1,350	-	3,569	5,401
	16,371	2,559 (460)	18,470		3,356	2,205	-	5,374	13,096
2003	89,814	4,157 (937) *460	93,494		18,842	7,734	(489) *187	26,274	67,220
2002	75,950	15,588 (1,724)	89,814		11,552	8,069	- (779)	18,842	70,972

* Transfer from leased assets to own assets.

3.1.1 The above balance of owned operating assets represents the value of assets subsequent to revaluation on 25 January 1981, 25 June 1982 and 30 June 2000 which had resulted in surplus of Rs. 7.617 million, 8.914 million and Rs. 42.242 million respectively and additions thereafter at cost. The incremental values of revalued assets are being depreciated over the remaining useful life of the assets at the date of revaluation.

3.1.2 As at 30 June 2003, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 34.303 million (2002: 37.271 million).

3.1.3 Depreciation for the year has been allocated as follows:

		2003	2002
		(Rupees in '000)	
Cost of goods sold	22	6,728	6,697
Administrative expenses	23	619	807
Selling and distribution expenses	24	387	565
		7,734	8,069



3.1.4 As referred to in note 3.1 of these financial statements, freehold land, building and plant and machinery are carried at revalued amounts. Had there been no revaluation, related figures of revalued assets would have been as follows:

	(Rupees in '000)
Freehold land	29
Building	2,392
Plant and machinery	14,391
2003	16,812
2002	17,131

3.1.5 Disposal of fixed assets

	Year of Purchase	Cost/ revaluation	Accumulated depreciation	Written down value	Surplus on revaluation	Net written down value	Sale proceeds	Gain / (loss) on Disposal	(Rupees in '000)	
									Mode of disposal	Sold to
Vehicles										
Toyota Corolla	1999	375	222	153	-	153	153	-	Car financing scheme	Nasir Ali Khan (Ex- employee)
Honda Motor Cycle	1995	51	40	11	-	11	51	40	Motor cycle scheme	Muhammad Mujeeb (Ex- employee)
Honda Motor Cycle	1995	51	40	11	-	11	51	40	Motor cycle scheme	Abdul Jabbar (Ex- employee)
2003		477	302	175	-	175	255	80		
2002		1,724	779	944	(673)	271	1,180	909		

3.2 This represents cost incurred on plant, machinery and equipment.

4. LONG TERM DEPOSITS

	2003	2002
	(Rupees in '000)	
Letters of guarantee – margin	1,821	1,821
Utilities	4	4
Against finance lease	203	203
Trade deposits	96	141
Central Depository Company	50	100
	2,174	2,269

5. DEFERRED TAXATION

This is composed of the following:

Debit balances arising in respect of

- Provision for gratuity and retirement benefits	14,601	11,677
- Provision for slow moving stock and doubtful debts	2,725	802

Credit balances arising in respect of

- Depreciation	(3,182)	(3,285)
- Lease rentals	(1,757)	(786)
- Revaluation surplus	(9,350)	-
	17	
	3,037	8,408

**6. LOANS AND ADVANCES TO EMPLOYEES** - considered good2003 2002
(Rupees in '000)

Loans due from:			
- Executives		-	-
- Other employees		<u>496</u>	<u>525</u>
	6.1	<u>496</u>	<u>525</u>
Receivable within one year		<u>(165)</u>	<u>(101)</u>
		<u>331</u>	<u>424</u>
Age analysis of long term loans are as follows:			
- Outstanding for periods exceeding three years		-	-
- Others		<u>331</u>	<u>424</u>
		<u>331</u>	<u>424</u>

6.1 These loans have not been discounted to their present values as the financial impact is not material.

Maximum aggregate balances due at the end of any month during the year were as follows:

Executives	-	-
Other employees	<u>508</u>	<u>628</u>

7. STORES AND SPARES

Stores	2,879	2,675
Spares	919	865
Provision for slow moving stores spares	<u>(1,500)</u>	<u>(1,500)</u>
	<u>2,298</u>	<u>2,040</u>

8. STOCK-IN-TRADE

Raw materials	24,479	17,435
Packing materials	3,695	3,792
Work-in-process	11,209	8,030
Finished goods	37,610	17,405
Stock in transit	16,905	18,967
Provision for slow moving stock-in-trade	8.1 <u>(2,792)</u>	<u>(792)</u>
	<u>91,106</u>	<u>64,837</u>

8.1 Provision for slow moving stock in trade

Opening balance	792	-
Provided during the period	<u>2,000</u>	<u>792</u>
Closing balance	<u>2,792</u>	<u>792</u>

**9. TRADE DEBTS – unsecured – considered good**

	2003 (Rupees in '000)	2002
Considered good	14,316	31,899
Considered doubtful	3,495	-
	17,811	31,899
Provision for doubtful debts	(3,495)	-
	<u>14,316</u>	<u>31,899</u>

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances – considered good		
To suppliers and contractors - net	1,581	1,740
For taxation	18,667	2,406
	<u>20,248</u>	<u>4,146</u>
Tax refundable	13,984	14,321
Prepayments	259	139
	<u>14,243</u>	<u>14,460</u>
Other receivables		
Due from associated undertaking	10.1 180	-
Miscellaneous	1,249	2,086
	<u>1,429</u>	<u>2,086</u>
Assets acquired on winding up of subsidiary (held for disposal)	10.2 3,137	3,137
	<u>39,057</u>	<u>23,829</u>

10.1 Maximum amount due at the end of any month was Rs. 0.35 million (2002: 1.1 million).

10.2 This represents written down value of machinery and equipment acquired by the company on winding up of subsidiary Hi-Lander Soaps (Private) Limited in full satisfaction of receivables and residual surplus.

11. CASH AND BANK BALANCES

In hand	20	-
With Banks on:		
Current accounts	3,471	275
Collection accounts	2,332	1,078
Deposit account	11.1 49,262	19,025
	<u>55,065</u>	<u>20,378</u>
	<u>55,085</u>	<u>20,378</u>

11.1 Included in this amount is cash margin maintained with Prime Commercial Bank Limited amounting to Rs. 2.7 million, as a short notice term deposit against outstanding letters of credit. It carries interest @ 0.1164 paisa per Rs. 1,000 per day.

**12. CURRENT MATURITIES OF LONG TERM DEMAND FINANCE
AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2003 (Rupees in '000)	2002
Long term demand finance	-	5,200
Liabilities against assets subject to finance lease	<u>4,392</u>	<u>3,007</u>
	<u><u>4,392</u></u>	<u><u>8,207</u></u>

13. FINANCE UNDER MARK-UP ARRANGEMENTS - secured

The facilities for running finance available from various banks aggregates to Rs. 43 million (2002: Rs. 35 million) and carry mark-up ranging between 25 to 30 paisas (2002: 41 to 46 paisas) per Rs. 1000 per day payable each month. The arrangements are generally for a period of one year and are renewable after expiry. The facility from Habib Bank Limited of Rs. 10 million is secured against a charge by way of registered hypothecation of stock-in-trade, book debts and mortgage over plant and machinery of the company. The facility from Prime Commercial Bank Limited of Rs. 13 million is secured against registered pari passu charge on fixed assets and hypothecation of stocks and book debts. The facility from Faysal Bank Limited of Rs. 20 million is secured through equitable mortgage over land and building ranking pari passu.

14. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors		25,852	17,401
Accrued mark-up on short term financing and lease facilities		64	359
Accrued expenses		42,725	23,720
Advances from customers		6,161	5,412
Due to associated companies	14.1	3,948	3,596
Sales tax payable		4,982	7,341
Unclaimed dividend		23	23
Worker's Welfare Fund		1,828	835
Worker's Profit Participation Fund	14.2	1,823	1,365
Dividend payable		27	14
Other liabilities		<u>1,772</u>	<u>1,101</u>
		<u><u>89,205</u></u>	<u><u>61,167</u></u>

- 14.1** This includes transactions on account of common expenses with Wazir Ali Industries Limited amounting to Rs. 2.587 million (2002: Rs.2.33 million). Maximum amount due at the end of any month was Rs. 7.6 million (2002: 19.731 million)

The associated companies have not charged any interest on the outstanding balances.

14.2 WORKERS' PROFIT PARTICIPATION FUND

Balance as on 1 July		1,365	630
Interest on WPPF		83	77
Contribution for the year		1,817	1,365
Payments made during the year		<u>(1,442)</u>	<u>(707)</u>
		<u><u>1,823</u></u>	<u><u>1,365</u></u>



15. PROVISION FOR TAXATION

The Income Tax assessments of the company have been finalized upto and including assessment year 2001-02. The return for the assessment year 2002-03 has been filed by the Company for which tax assessment has not yet been finalised.

16. SHARE CAPITAL

Authorized			2003	2002
2003	2002		(Rupees in '000)	
5,000,000	5,000,000	Ordinary shares of Rs. 10 each	50,000	50,000
Issued, subscribed and paid-up ordinary shares of Rs. 10/- each				
3,550,000	3,550,000	Issued as fully paid in cash	35,500	35,500
50,000	50,000	Issued as fully paid for consideration other than cash	500	500
400,000	400,000	Issued as fully paid bonus shares	4,000	4,000
4,000,000	4,000,000		40,000	40,000

17. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus arising on revaluation of freehold land, building and plant and machinery of the Company as on 25 January 1981, 25 June 1982 and 30 June 2000.

Balance at the beginning of the year	58,088	58,761
Transferred to retained earnings due to incremental depreciation		
- Prior years	(20,817)	-
- Current year – net-off deferred tax	(1,929)	-
	(22,746)	-
Related deferred tax liability	(1,039)	-
Adjustment for assets disposed	-	(673)
	34,303	(673)
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	10,389	-
- Incremental depreciation charged during the year - transferred to profit and loss account	(1,039)	-
	9,350	-
Balance at the end of the year	24,953	58,088

18. DEFERRED LIABILITIES

Staff gratuity	18.1	18,731	18,058
Staff retirement benefits	18.2	22,988	15,305
		41,719	33,363



18.1 Gratuity scheme

The company operates an unfunded gratuity scheme to provide gratuity to the permanent employees on retirement and has made provisions on the basis of actuarial advice.

Actuarial valuation of the gratuity scheme was carried out as at 30 June 2003 under the Projected Unit Credit Method.

Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level - 7% per annum
- Discount rate - 7% per annum

Reconciliation of payable to defined benefit plan

	2003 (Rupees in '000)
Present value of defined benefit obligation	18,731
Fair value of any plan assets	-
Net actuarial gains / (losses)	(1,520)
Transitional asset / (liability)	-
	<u><u>17,211</u></u>

Movement in net liability recognised

Opening net liability	18,058
Expense recognized	519
Benefits paid during the year	<u>(1,366)</u>
Closing net liability	<u><u>17,211</u></u>

Charge for defined benefit plan

Current service cost	974
Interest cost	996
Past service cost - vested benefit	(1)
Recognised transitional (assets) / liability	<u>(1,450)</u>
	<u><u>519</u></u>

18.2 Staff retirement benefit scheme

The company operates an unfunded retirement benefit scheme for employees on cessation of employment on the following grounds and has made provisions on the basis of actuarial advice:

- Death
- Retirement
- Early retirement or resignation

Actuarial valuation of the retirement benefit scheme was carried out as at 30 June 2003 under the Projected Unit Credit Method.



Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level - 7% per annum
- Discount rate - 7% per annum

Reconciliation of payable to / (receivable from) defined benefit plan

	2003
	(Rupees in '000)
Present value of defined benefit obligation	22,988
Fair value of any plan assets	-
Net actuarial gains / (losses)	(42)
Transitional asset / (liability)	<u>(3,561)</u>
	<u>19,385</u>

Movement in net liability recognised

Opening net liability	15,305
Expense recognized	6,162
Benefits paid during the year	<u>(2,082)</u>
Closing net liability	<u>19,385</u>

Charge for defined benefit plan

Current service cost	807
Interest cost	1,794
Recognised transitional (assets) / liability	<u>3,561</u>
	<u>6,162</u>

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2003			2002		
	Minimum lease payments	Financial charges for future periods	Principle outstanding	Minimum lease payments	Financial charges for future periods	Principle outstanding
	(Rupees in '000)					
Not later than one year	5,397	1,005	4,392	4,365	1,358	3,007
Later than one year and not later than five years	4,240	355	3,885	7,529	1,060	6,469
	<u>9,637</u>	<u>1,360</u>	<u>8,277</u>	11,894	2,418	9,476

Lease rentals include financial charges ranging between 14 percent to 21 percent per annum, which have been used as discounting factor and are payable on monthly basis. The company has an option to purchase the assets upon completion of lease period by adjusting the security deposit and has intention to exercise the option.

**20. CONTINGENCIES AND COMMITMENTS**

	2003	2002
	(Rupees in '000)	
Letters of credit	<u>14,230</u>	<u>27,189</u>
Bank guarantees	<u>2,490</u>	<u>2,490</u>

21. SALES - net

Gross sales	782,676	666,282
Sales tax	(113,027)	(95,589)
Trade promotion discount	(47,263)	(33,741)
Sale return / rebate	(367)	(509)
	<u>(160,657)</u>	<u>(129,839)</u>
	<u>622,019</u>	<u>536,443</u>

22. COST OF GOODS SOLD

Raw and packing material consumed	<i>22.1</i> 328,195	265,737
Stores and spares consumed	5,494	5,020
Salaries, wages and other benefits	57,200	52,480
Contribution to provident fund	1,073	1,030
Repairs and maintenance	1,677	1,990
Excise duty	70,581	59,889
Fuel and power	25,877	25,888
Rent, rates and taxes	122	92
Insurance	1,328	1,067
Product research and development	72	81
Travelling and conveyance	1,366	1,293
Printing and stationery	316	222
Postage, telegram and telephones	632	469
Legal	-	25
Professional	148	104
Entertainment	5	3
Subscriptions	50	65
Depreciation	<i>3.1.3</i> 6,728	6,697
Other expenses	3,147	2,167
	<u>504,011</u>	<u>424,319</u>
Opening stock of work-in-process	8,030	10,088
Closing stock of work-in-process	(11,209)	(8,030)
	<u>500,832</u>	<u>426,377</u>
Opening stock of finished goods	17,405	27,608
Closing stock of finished goods	(37,610)	(17,405)
	<u>480,627</u>	<u>436,580</u>
Provision for slow moving stores and spares	-	1,500
	<u>480,627</u>	<u>438,080</u>

**22.1 Raw and packing materials consumed**

	2003	2002
	(Rupees in '000)	
Opening stock	20,435	16,921
Purchases	334,935	269,251
	<u>355,370</u>	<u>286,172</u>
Closing stock	29,175	21,227
Write off / provision of stock in trade	(2,000)	(792)
	<u>27,175</u>	<u>20,435</u>
	<u>328,195</u>	<u>265,737</u>

23. ADMINISTRATIVE EXPENSES

Employees cost	8,413	7,025
Contribution to provident fund	209	183
Fuel and power	1,048	1,235
Repairs and maintenance	437	415
Rent, rates and taxes	975	866
Depreciation	619	807
Legal	150	340
Professional	859	608
Charity and donation	3	37
Auditors' remuneration	191	125
Postage and telephone	466	422
Printing and stationary	473	228
Traveling and conveyance	455	424
Computer expenses	52	72
Insurance	161	182
General advertisement	73	71
Other expenses	283	147
	<u>14,867</u>	<u>13,187</u>

23.1 The directors and their spouses did not have any interest in the donee fund.

23.2 Auditors' remuneration

Audit fee	100	75
Certification fee	30	25
Half yearly review	30	-
Out of pocket expense	31	25
	<u>191</u>	<u>125</u>

**24. SELLING AND DISTRIBUTION EXPENSES**

	2003	2002
	(Rupees in '000)	
Employees cost	2,528	1,576
Contribution to provident fund	70	58
Repair and maintenance	51	70
Rent, rates and taxes	1	23
Depreciation	387	565
Professional	-	28
Postage and telegram	75	87
Printing and stationery	38	33
Traveling and conveyance	227	175
Other expense	493	843
Advertising	51,658	27,130
Impairment loss for doubtful debts	3,495	-
Freight and handling	9,395	8,649
Product development	1,295	216
Common expenses charged by an associated company	19,813	15,488
	<u>89,526</u>	<u>54,941</u>

25. FINANCIAL EXPENSES

Mark-up on:		
- Running / demand finance	607	4,913
- WPPF	83	77
- Others	-	132
	<u>690</u>	<u>5,122</u>
Financial charges and front end fee on lease arrangements	1,543	644
Bank charges and commission	696	731
	<u>2,929</u>	<u>6,497</u>

26. OTHER INCOME - net

Profit commission	159	146
Interest on short term deposit	371	27
Gain on disposal of fixed assets	80	909
Scrap sales	1,660	2,489
	<u>2,270</u>	<u>3,571</u>

**27. TAXATION****Relationship between tax expense and accounting profit**

	2003	2002
	(Rupees in '000)	
Profit before tax	<u>33,530</u>	<u>25,239</u>
Tax at the applicable tax rate	11,736	8,834
Adjustment	504	(63)
Accounting depreciation on revaluation	-	1,153
Charity and donation	-	13
Excess perquisites	<u>318</u>	<u>265</u>
Tax expense	<u>12,558</u>	<u>10,202</u>
Presented as:		
- Current	17,577	12,332
- Deferred	<u>(5,019)</u>	<u>(2,130)</u>
	<u>12,558</u>	<u>10,202</u>

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives	
	2003	2002	2003	2002	2003	2002
No. of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>25</u>	<u>22</u>
Remuneration	900	900	480	540	5,030	3,640
Provident fund	90	90	-	-	503	364
Special pay	-	-	36	-	2,851	1,842
Housing and utilities	967	990	285	217	3,021	2,465
Medical	70	59	105	77	416	613
Leave passage and other benefits	5	-	-	-	1,024	333
	<u>2,032</u>	<u>2,039</u>	<u>906</u>	<u>834</u>	<u>12,845</u>	<u>9,257</u>

28.1 Aggregate amount charged in these accounts for fee to one non-executive director was Rs. Nil (2002: Rs. 1,500 to two non-executive directors).

29. EARNINGS PER SHARE

	2003	2002
	(Rupees in '000)	
Net profit for the year	<u>21,548</u>	<u>16,106</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>4,000,000</u>	<u>4,000,000</u>
	(Rupees)	
Earning per share	<u>5.38</u>	<u>4.03</u>



30. PLANT CAPACITY AND PRODUCTION

	Assessed / rated	Actual production	
		2003	2002
Soap (in tons)	9,500	<u>6,940</u>	<u>5,892</u>

Due to growing competition, depressed market and easy availability of foreign brands of soaps, the plant capacity could not be fully utilized.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all the financial assets and financial liabilities are estimated to approximate their respective carrying values.

32. INTEREST RATE RISK EXPOSURE

The information about the Company's exposure to interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

(Rupees in '000)

	2003								
	Interest/ mark-up Bearing				Non-interest Bearing				Total
	Less than one month	One month to one year	Over one year	Sub-total	Less than One month	One month to one year	Over one Year	Sub-total	
Financial Assets									
Trade debts	-	-	-	-	13,179	1,137	-	14,316	14,316
Loans and advances to employees	-	-	-	-	-	165	331	496	496
Long term deposits	-	-	-	-	-	177	1,997	2,174	2,174
Advances, deposits, margins and other receivables	-	-	-	-	-	1,429	1,581	3,010	3,010
Cash and bank balances	-	49,262	-	49,262	5,823	-	-	5,823	55,085
	-	49,262	-	49,262	19,002	2,908	3,909	25,819	75,081
Financial Liabilities									
Liabilities against assets subject to finance lease	431	3,961	3,885	8,277	-	-	-	-	8,277
Creditors, accrued expenses and other liabilities	-	1,823	-	1,823	5,046	82,336	-	87,382	89,205
Long term deposits	-	-	-	-	-	-	475	475	475
Proposed dividend	-	-	-	-	-	4,000	-	4,000	4,000
	431	5,784	3,885	10,100	5,046	86,336	475	91,857	101,957
On balance sheet gap (a) 2003	(431)	43,478	(3,885)	39,162	13,956	(83,428)	3,434	(66,038)	(26,876)
On balance sheet gap (a) 2002	(642)	10,881	(6,469)	3,770	(35,395)	13,578	(23)	(21,840)	(18,070)

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

(b) The effective interest rates for financial assets and liabilities are as follows:

	2003	2002
	Effective interest rate (%)	
Assets		
Term deposits	<u>4.25</u>	<u>8.50</u>
Liabilities		
Liabilities against assets subject to finance lease	<u>14-21</u>	<u>15-21</u>
Short term financing	<u>9.13 – 10.95</u>	<u>14.9-16.8</u>

**33. CONCENTRATION OF CREDIT RISK**

The Company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of the customers.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of parties related to group companies, directors and their close family members, staff provident fund, executive and major shareholders of the company. Associated companies with whom such transactions have taken place includes Wazir Ali Industries Limited, IGI Insurance Company Limited, Treet Corporation Limited and Packages Limited amount due from and due to these associated companies are shown under receivables and payables and the remuneration of Chief Executive, directors and executives are disclosed in note 28 of these financial statements. The company has a policy whereby all transactions with related parties are entered into at arm's length prices using the comparable uncontrolled valuation method. Transactions with related parties during the year are as follows:

	2003 (Rupees in '000)	2002
Interest paid / payable to associated company	<u>-</u>	<u>132</u>
Purchases and services received	<u>26,997</u>	<u>48,033</u>
Sales and services rendered	<u>4,416</u>	<u>4,467</u>
Common expenses charged by associated company	<u>19,813</u>	<u>15,488</u>
Profit commission	<u>159</u>	<u>146</u>
Contribution to employees' provident fund	<u>1,352</u>	<u>1,272</u>

35. GENERAL

35.1 Total number of employees as at 30 June 2003 was 207. (2002: 211).

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

35.3 These accounts were authorized for issue in the Board of Directors meeting held on 02 September 2003.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR



Pattern Of Share Holding As At 30 June 2003

Number of shareholders	Share Holding		Total shares held	%
	From	To		
1126	1	100	18,222	0.4556
179	101	500	41,587	1.0397
25	501	1000	18,402	0.4601
29	1001	5000	73,366	1.8342
6	5001	10000	44,908	1.1227
3	10001	15000	34,648	0.8662
2	15001	20000	32,252	0.8063
2	20001	25000	45,722	1.1431
1	80001	85000	84,888	2.1222
1	130001	135000	130,122	3.2531
2	175001	180000	352,582	8.8146
1	375001	380000	379,398	9.4850
1	390001	395000	394,820	9.8705
1	495001	500000	499,116	12.4779
1	515001	520000	519,891	12.9973
1	610001	615000	611,736	15.2934
1	715001	720000	718,340	17.9585
1382			4,000,000	100.0000

Categories Of Shareholders - 30 June 2003

	Number of	Shares	%
	Shareholders	held	
<u>DIRECTORS & FAMILY</u>			
S. Ferial R. Ali - Chief Executive	1	499,116	12.4779
Syed Wajid Ali - Chairman	1	10,648	0.2662
Mrs. Khadija Wajid Ali	1	15,708	0.3927
Syed Yawar Ali - Director	3	616,012	15.4003
Mrs. Nighat Ali W/o Syed Yawar Ali	2	5,390	0.1348
Syed Tariq Ali - Director	5	562,488	14.0622
Syed Shahid Ali - Director	2	13,060	0.3265
Mr. Karam Ellahi Shaikh - Director	2	184,082	4.6021
<u>ASSOCIATED COMPANIES</u>			
International General Insurance Co. of Pak. Ltd	1	130,122	3.2531
Treet Corporation Ltd	1	718,340	17.9585
N.B.P - TRUSTEE DEPTT. (NIT)	1	519,891	12.9973
INVESTMENT CORPORATION OF PAKISTAN	1	1,683	0.0421
16TH ICP MUTUAL FUND	1	8,964	0.2241
INSURANCE COMPANIES	2	22,778	0.5695
JOIN STOCK COMPANIES	11	35,713	0.8928
INDIVIDUAL	1345	653,210	16.3303
OTHERS	2	2,795	0.0699
	1382	4,000,000	100.0000