

ANNUAL REPORT

'04



Directors' Report

The Directors of the Company would like to present the financial results of the Company for the year ended 30 June 2004.

1. Election of Directors

An Extra-Ordinary General Meeting of the Company was held on 28 June 2004 and the following persons were elected as Directors of the Company for a three-year term commencing from 01 July 2004:

Syed Wajid Ali
Syeda Ferial R. Ali
Syed Yawar Ali
Syed Tariq Ali
Mr. Kemal Shoaib - Nominee NIT
Mr. Shahid Nazir Ahmed
Ms. Aaliya K. Dossa
Mr. Aamir Zia - Nominee Treet Corporation Limited

Following the election of Directors, Syeda Ferial R. Ali was appointed Chief Executive Officer of the Company for three years commencing from 01 July 2004.

2. Overview

It is a pleasure to inform that by the grace of Almighty, the company has earned profit after tax of Rs 34.767 M during the year under review as compared to Rs 21.548 M last year depicting a growth of 61.35% despite of the escalation of raw material prices internationally.

These results have encouraged the management to take far reaching strategic business decisions for sustainable profitability for the coming years to combat the environment of uneven competition and meet the challenges of WTO regime.

Balancing, modernization and replacement (BMR) of the company was undertaken in the year 2000 to attain competitive edge through greater bottom-line efficiencies. The improvement in various processes as a consequence of BMR resulted in savings that enabled the turnaround of the company and good profitability for its stakeholders. This enabled the company to give adequate thrust in marketing and trade related activities to sustain and increase share of its brand portfolio.



The results could have been still better if the cost of production is further reduced by rationalization of duty structure on raw materials compared to the 25% duty on finished soap and other taxes namely Central Excise Duty by the Government. The local soap industry is already confronted with the menace of under invoicing and smuggling, which can be countered only by reducing duties and taxes on basic raw material.

3. Financial Review

The company generated net sales of Rs 713.977 M as against Rs 622.019 M posted for the preceding year 2002-2003, which shows a growth of 14.78% in sales. Whereas the gross profit remained constant at approximately 23% and cost of production at approximately 77% inspite of increase in raw material prices internationally.

The administrative, selling, distribution and financial expenses remained well under control during the period under review.

The retained earnings have further improved to Rs 58.167 M as compared to Rs 31.664 M last year. There had been an addition of Rs 1.736 M in retained earnings on account of transfer of incremental depreciation on surplus on revaluation of fixes assets.

The book value of the share has appreciated from Rs 19.41 to Rs 26.04 carrying a premium of 160.4% over the par value of Rs 10.00.

The liquidity position of the company is quite strong and minimum running finance facility was utilized from the banks during the year. Strict control has been exercised on trade debts.

The financial strength of the company is robust as is evident from the current ratio of 1.25.

4. Earning per Share

Earning per share for the year under review is **Rs 8.69** as compared to Rs 5.38 last year.

5. Operating Results

The Company has earned an operating profit of Rs 48.059 M for the year ended 30 June 2004 with an improvement of 53.74% over last year. Profit and loss for the year ended is as follows:

	(Rs '000)	
	2004	2003
	Rs	Rs
Operating profit	48,059	31,260
Add: Other income	5,512	2,270



Profit before taxation	53,571	33,530
Provision for taxation	18,804	11,982
Profit after taxation	34,767	21,548
Proposed Final Dividend @ 25%	10,000	8,000
Unappropriated profit	58,167	31,664

6. 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.

7. Dividend

It is a pleasure to propose a final cash dividend of Rs 2.50 per share (25%) on the face value of shares.

8. Outstanding Statutory Payments

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

9. Significant Plans and Decisions

It is being considered feasible to acquire approximately 12 acres of land in the east industrial zone of Port Qasim Authority for future business set-up in Karachi.

10. Risks

There is no major risk except the anomalies in the existing duty structure of raw materials and finished soap continue to expose the indigenous industry to risks until and unless the Government adopts remedial measures to remove the discrimination by rationalizing the duty structures.

11. Uncertainties

The introduction of WTO regime from 2005 and the availability of smuggled/ under invoiced imported soap would determine the market behaviour. If the Government does not curb smuggling with an iron hand and check the hazards of under invoicing, the existence of indigenous industry would continue to be at stake.

12. Gratuity and Provident Funds

The company is operating a funded Provident Fund but an unfunded Gratuity Scheme. 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 year ended 30 June 2003 is Rs 34.851M.



13. Meetings of the Board of Directors

Four meetings of the Board of Directors of the Company were held on 02 September, 22 October 2003, 24 February and 16 April 2004. Following was the attendance of the directors:

<u>Names of Directors</u>	<u>No. of Meetings attended</u>
Syed Wajid Ali	1
S. Feriel R. Ali	4
Syed Yawar Ali	4
Syed Tariq Ali	3
Syed Shahid Ali	0
Mr. Karam Ellahi Shaikh	2
Mr. Kemal Shoaib	4

14. Marketing Review

The year under review registered an overall growth of 16% in the personal wash category of the company despite tough competition with indigenous as well as imported brands that were available in abundance throughout the year from regular and grey channels.

The growing market share of the Company brands in all 3 segments of personal wash i.e. Premium, Popular and Discounted had a very encouraging effect on the results of the company and given us an edge over the competitors.

In order to meet the challenges that lie ahead, the Company will utilize the combination of marketing thrust and better distribution channels to realize the potential of its products. The distribution channels have been revamped that should provide momentum for achieving the brand objectives.

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 NBFBI 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. Future Outlook

We are confident that we would double our share in the personal wash market in five years in accordance with our vision statement and sustained profitability. However, despite our representations to the Government from different forums for adopting remedial measures to save the indigenous industry from disintegration, the Government has not given any relief to the soap industry.

18. 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

19. Auditors

The present auditors, Taseer Hadi Khalid & Co., Chartered Accountants are due for rotation in terms of Clause xli of the Code of Corporate Governance. Securities and Exchange Commission of Pakistan has permitted to appoint Taseer Hadi Khalid & Co., Chartered Accountants as auditors of the company for the year 2004-05 subject to rotation of partner who was incharge of audit of the company for the year 2003-04 in view of the pending proceeding in the Sindh High Court on the matter of rotation of auditors and the grant of stay by the said Honourable Court.

20. Pattern of Shareholding

The statement of pattern of shareholding in the company is included in the audit report.



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

Syeda Ferial R. Ali
Chief Executive Officer

Karachi: 02 September 2004

**Key Operating & Financial Data**

(From 1997-1998 to 2003-2004)

PERIODS	July - June 1997- 1998	July -June 1998- 1999	July - June 1999- 2000	July - June 2000- 2001	July - June 2001- 2002	July - June 2002- 2003	July - June 2003- 2004
Net Sales Revenue	346,499	385,312	438,844	421,566	536,443	622,019	713,977
Cost of Goods Sold	303,669	336,129	365,593	335,660	438,080	480,627	553,575
Gross Profit	42,830	49,183	73,251	85,906	98,363	141,392	160,402
Operating profit & Loss	(6,616)	(13,569)	3,647	10,907	21,668	31,260	48,059
Profit/(Loss)Before Tax	(6,017)	(13,359)	8,044	11,527	25,239	33,530	53,571
Profit/(Loss) After Tax	(7,050)	(15,744)	8,286	7,009	16,106	21,548	34,767
Paid Up Capital	20,000	20,000	20,000	40,000	40,000	40,000	40,000
Current Assets	145,518	122,678	134,461	136,306	143,084	202,027	206,750
Current Liabilities	134,573	125,844	95,451	91,609	85,863	127,608	155,479



Auditors' Report to the Members

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** as at 30 June 2004 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.
 - 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 2004

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 with the best practices in the Code of Corporate Governance prepared by the Board of Directors of Zulfeqar Industries Limited to comply with the Listing Regulation 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 2004.

Karachi: 02 September 2004


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

**Balance Sheet**

As at 30 June 2004

	Note	2004 (Rupees in '000)	2003
TANGIBLE FIXED ASSETS	3	161,047	68,264
TRADE MARKS - at cost		471	471
LONG TERM INVESTMENTS	4	30,972	-
LONG TERM DEPOSITS	5	2,116	2,174
DEFERRED TAXATION	6	-	3,037
LOANS AND ADVANCES TO EMPLOYEES - unsecured considered good	7	294	331
CURRENT ASSETS			
Stores and spares	8	3,365	2,298
Stock-in-trade	9	95,888	91,106
Short term investments	10	31,566	-
Trade debts-unsecured - considered good	11	6,430	14,316
Current maturity of loans and advances to employees	7	283	165
Advances, deposits, prepayments and other receivables	12	27,767	39,057
Cash and bank balances	13	41,451	55,085
		206,750	202,027
CURRENT LIABILITIES			
Current maturities of liabilities against assets subject to finance lease	20	17,967	4,392
Creditors, accrued expenses and other liabilities	15	121,243	89,205
Provision for taxation	16	16,269	30,011
Proposed dividend		10,000	4,000
		165,479	127,608
NET CURRENT ASSETS		41,271	74,419
NET ASSETS		236,171	148,696
FINANCED BY:			
SHARE CAPITAL	17	40,000	40,000
REVENUE RESERVE		6,000	6,000
UNAPPROPRIATED PROFIT		58,167	31,664
SHARE HOLDERS' EQUITY		104,167	77,664
SURPLUS ON REVALUATION OF FIXED ASSETS	18	53,755	24,953
LONG TERM DEPOSITS		475	475
DEFERRED LIABILITIES	19	47,168	41,719
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	20	30,606	3,885
CONTINGENCIES AND COMMITMENTS	21		
		236,171	148,696

The annexed notes 1 to 36 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 2004

	Note	2004 (Rupees in '000)	2003
Sales - net	22	713,977	622,019
Cost of goods sold	23	553,575	480,627
Gross profit		160,402	141,392
Administrative expenses	24	15,246	14,867
Selling and distribution expenses	25	90,987	89,526
Financial charges	26	2,298	2,929
Workers' Welfare Fund		943	993
Workers' Profit Participation Fund		2,869	1,817
		112,343	110,132
Other income - net	27	5,512	31,260
Profit before taxation		53,571	33,530
Taxation			
- Current	28	16,166	17,577
- Prior years		(49)	(576)
- Deferred		2,687	(5,019)
		18,804	11,982
Profit after taxation		34,767	21,548
Accumulated profit / (loss) brought forward		31,664	(4,630)
Transferred from surplus on revaluation of fixed assets:			
- Prior years		-	20,817
- Current year		1,736	1,929
		33,400	18,116
Profit available for appropriation		68,167	39,664
Appropriations:			
- Interim dividend @ Rs. Nil (2003: Re.1) per share		-	4,000
- Proposed final dividend @ Rs. 2.5 (2003: Re. 1) per share		10,000	4,000
		10,000	8,000
Unappropriated profit carried forward		58,167	31,664
			(Rupees)
Basic and diluted earnings per share	30	8.69	5.38

The annexed notes 1 to 36 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 2004*

	2004	2003
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	53,571	33,530
Adjustments for:		
Mark-up expense	2,203	2,846
Depreciation	7,664	7,734
Provision for gratuity	3,969	2,039
Provision for retirement benefits	246	9,766
Provision for doubtful debts	1,457	3,495
Loss on revaluation of investments	40	-
Provision for slow moving stock	-	2,000
(Gain) on disposal of fixed assets	(322)	(80)
	<u>15,257</u>	<u>27,800</u>
Operating profit before working capital changes	68,828	61,330
Decrease / (increase) in operating assets		
Stores and spares	(1,067)	(258)
Stock in trade	(4,782)	(28,269)
Trade debtors	6,429	14,088
Loans and advances	(81)	29
Advances, deposits, prepayments and other receivables	(3,745)	696
Long term deposits	58	94
	<u>(3,188)</u>	<u>(13,620)</u>
Increase in operating liabilities		
Creditors, accrued expenses and other liabilities	32,027	28,319
Cash generated from operations	<u>97,667</u>	<u>76,029</u>
Income tax paid	(14,827)	(15,346)
Gratuity paid	(2,901)	(1,366)
Retirement benefits paid	(4,721)	(2,082)
Mark-up paid	(2,206)	(3,141)
	<u>(24,655)</u>	<u>(21,935)</u>
Net cash flows from operating activities	73,012	54,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(61,500)	(5,200)
Short term investment	(31,606)	-
Sale proceeds of fixed assets	1,122	255
Long term investment	(30,972)	-
Net cash flow from investing activities	<u>(122,956)</u>	<u>(4,945)</u>



2004 2003
(Rupees in '000)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	(3,986)	(3,987)
(Repayment) / addition of lease liability – net	40,296	(1,200)
Long term demand finance	-	(5,200)
Net cash flow from financing activities	36,310	(10,387)
Net (decrease) / increase in cash and cash equivalents	(13,634)	38,762
Cash and cash equivalents at the beginning of the year	55,085	16,323
Cash and cash equivalents at the end of the year	41,451	55,085
CASH AND CASH EQUIVALENTS		
Cash and bank balances	41,451	55,085
	41,451	55,085

The annexed notes 1 to 36 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 2004*

	Share capital	Revenue reserve	Unappropriated profit / (accumulated loss)	(Rupees in '000) Total
Balance as at 30 June 2002	40,000	6,000	(4,630)	41,370
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)
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>
Transferred from surplus on revaluation of fixed assets	-	-	1,736	1,736
Profit for the year	-	-	34,767	34,767
Proposed final dividend	-	-	(10,000)	(10,000)
Balance as at 30 June 2004	<u>40,000</u>	<u>6,000</u>	<u>58,167</u>	<u>104,167</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Syeda Feriel R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR



Notes to the Accounts

For the year ended 30 June 2004

1. STATUS AND NATURE OF BUSINESS

- 1.1** The company was incorporated in Pakistan in February 1960 as a private limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) with registered office in Karachi Sindh and subsequently converted into a public limited company in November 1986. Its shares are listed on the Karachi and Lahore Stock Exchanges. 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 Companies Ordinance, 1984 or the requirement 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 and certain investments are stated at fair values.

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. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

b) Retirement benefit scheme – defined benefit plan

The company also operates an 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. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

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.

The company provides deferred tax liability on revaluation surplus by debiting such surplus.

2.5 Tangible 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.



2.6 Capital work-in-progress

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

2.7 Investments

Investments available- for-sale

These are stated at fair value with any resultant gains or losses taken directly to the profit or loss account. These are recognised/ derecognised on the date the company commits to purchase/ sell investments.

All quoted investments are initially recognised at cost inclusive of transaction costs and are subsequently marked to market using the closing market quotation of Karachi Stock Exchange at the close of the financial year. Investment in PIBs are valued at PKRV rates.

Investments held to maturity

Where the company has the positive intent and ability to hold the debt securities upto maturity, they are stated at amortised cost less impairment losses, if any. Investments in held-to-maturity securities are recognised/ derecognised on the day the company commits to acquire/ transfer the ownership.

2.8 Stores and spares

These are valued at cost determined on moving average method less impairment losses, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.9 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.

2.10 Trade debtors

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

2.11 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.



2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 investments and term deposits

Profit on investments and term deposits are recognized on time proportion basis.

Dividend income

Dividend income on equity investments is recognized when a right to receive the same is established

2.17 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.



2.18 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. Gains and losses on derecognition of financial assets and liabilities are taken to profit and loss account.

3. TANGIBLE FIXED ASSETS

		2004	2003
		(Rupees in '000)	
Operating assets	3.1	106,414	67,220
Capital work in progress	3.2	54,633	1,044
		161,047	68,264

3.1 Operating Assets - at cost / revaluation less accumulated depreciation

	COST AND REVALUATION					Rate %	DEPRECIATION					Written Down Value as on 30 June 2004
	As at 1 July 2003	Additions/ (Disposals) *Adjustment	Surplus on revaluation	As at 30 June 2004			As at 1 July 2003	For the year	(Disposals)/ *Adjustment	Released on revaluation	As at 30 June 2004	
	(Rupees in '000)											
Owned												
Freehold land	7,560	-	13,440	21,000	-	-	-	-	-	-	-	21,000
Building on freehold land	13,963	1,084	874	15,921	10	3,781	1,126	-	(4,907)	-	-	15,921
Plant, machinery and equipment	45,222	3,970	2,314	51,506	10	11,908	3,728	-	(15,636)	-	-	51,506
Furniture and fixtures	3,091	18	-	3,109	10	1,593	152	-	-	1,745	-	1,364
Vehicles	3,423	927 (1,039) *715	-	4,026	20	2,619	292	(766) *422	-	2,567	-	1,459
Computers	1,765	91	-	1,856	30	999	257	-	-	1,256	-	600
	75,024	6,090 (1,039) *715	16,628	97,418		20,900	5,555	(766) *422	(20,543)	5,568	-	91,850
Leased												
Plant and machinery	9,500	-	-	9,500	10	1,805	770	-	(2,575)	-	-	9,500
Vehicles	8,970	1,822 (824) *(715)	-	9,253	20	3,569	1,339	(297) *(422)	-	4,189	-	5,064
	18,470	1,822 (824) *(715)	-	18,753		5,374	2,109	(297) *(422)	(2,575)	4,189	-	14,564
2004	93,494	7,912 (1,863)	16,628	116,171		26,274	7,664	(1,063)	(23,118)	9,757	-	106,414
2003	89,814	4,157 (937) 460	-	93,494		18,842	7,734	(489) 187	-	26,274	-	67,220

* Transfer from leased assets to own assets.

3.1.1 The above balance of owned operating assets other than furniture and fixtures, vehicles and computers represents the value of assets subsequent to revaluation on 25 January 1981, 25 June 1982, 30 June 2000 and 30 June 2004 which had resulted in surplus of Rs. 7.617 million, 8.914 million, Rs. 42.242 million and Rs. 39.746 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 2004, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 71.377 million (2003: 34.303 million).

3.1.3 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)
	Written down value
Freehold land	29
Building	3,128
Plant and machinery – owned	16,525
Plant and machinery – leased	6,925
2004	26,607
2003	16,812

3.1.4 Depreciation for the year has been allocated as follows:

		2004	2003
		(Rupees in '000)	
Cost of goods sold	23	6,479	6,728
Administrative expenses	24	565	619
Selling and distribution expenses	25	620	387
		7,664	7,734

3.1.5 Disposal of fixed assets

Vehicles	Year of Purchase	Cost	Accumulated depreciation	(Rupees in '000)			Mode of disposal	Sold to
				Written down value	Sale proceeds	Gain / (loss) on Disposal		
<i>Leased</i>								
Toyota Corolla	2002	824	297	527	527	-	Car financing scheme	Dost Muhammad Hashmi (Ex-employee)
<i>Owned</i>								
Toyota Corolla	1998	375	278	97	124	27	Car financing scheme	Rao Irfan Ali (Ex-employee)
Suzuki Hi-Roof	1999	250	168	82	82	-	Car financing scheme	Mukhtar Hussain (Employee)
Sohrab Motor Cycle	2000	49	30	19	26	7	Motor cycle Scheme	Muhammad Rifaq (Employee)
Honda Motor Cycle	2001	65	32	33	66	33	Motor cycle Scheme	Abdul Raees (Employee)
Honda Motor Cycle	1996	51	42	9	51	42	Motor cycle Scheme	Basheer Ahmed (Ex-Employee)
Honda Motor Cycle	1994	41	36	5	41	36	Motor cycle Scheme	Shakeel Ahmed (Ex-Employee)
Honda Motor Cycle	1994	42	36	6	41	35	Motor cycle Scheme	Khairat Hussain (Employee)
Honda Motor Cycle	1994	42	36	6	41	35	Motor cycle Scheme	Nannay Khan (Employee)
Honda Motor Cycle	1994	41	36	5	41	36	Motor cycle Scheme	Mushtaq Ahmed (Employee)
Honda Motor Cycle	1994	41	36	5	41	36	Motor cycle Scheme	Babu Khan (Employee)
Honda Motor Cycle	1994	42	36	6	41	35	Motor cycle Scheme	Maqsood Baig (Employee)
2004		1,863	1,063	800	1,122	322		
2003		477	302	175	255	80		

3.2 This represents cost incurred on plant, machinery and equipment in the installation phase.

	2004	2003
	(Rupees in '000)	
Plant and machinery	47,952	-
Equipment	6,681	1,044
	54,633	1,044

**4. LONG TERM INVESTMENTS**

		2004	2003
		(Rupees in '000)	
<i>Held to maturity</i>			
Certificates of Musharika	4.1	21,120	-
Certificate of Investment	4.2	25,000	-
		<u>46,120</u>	<u>-</u>
Maturing within twelve months		<u>(15,148)</u>	<u>-</u>
		<u><u>30,972</u></u>	<u><u>-</u></u>

4.1 These represent 12 certificates of musharika of Rs. 1,760,000 each of First Habib Modaraba carrying return at 7 percent per annum maturing quarterly from 19 August 2004 to 19 February 2007.

4.2 This represents certificate of investment amounting to Rs. 25 million maturing on 1 May 2007 carrying mark-up of 7 percent per annum.

5. LONG TERM DEPOSITS

Letters of guarantee – margin		1,821	1,821
Utilities		10	4
Against finance lease		131	203
Trade deposits		104	96
Central Depository Company		50	50
		<u>2,116</u>	<u>2,174</u>

6. DEFERRED TAXATION

This is composed of the following:

Debit balances arising in respect of

- Provision for gratuity and retirement benefits		13,409	14,601
- Provision for slow moving stock and doubtful debts		3,043	2,725

Credit balances arising in respect of

- Depreciation		(3,649)	(3,182)
- Lease rentals		(4,037)	(1,757)
- Revaluation surplus	18	<u>(17,622)</u>	<u>(9,350)</u>
		<u><u>(8,856)</u></u>	<u><u>3,037</u></u>

7. LOANS AND ADVANCES TO EMPLOYEES - considered good

Non-executive employees	7.1	577	496
Receivable within one year		<u>(283)</u>	<u>(165)</u>
		<u><u>294</u></u>	<u><u>331</u></u>
Age analysis of long term loans are as follows:			
- Outstanding for periods exceeding three years		55	-
- Others		239	331
		<u><u>294</u></u>	<u><u>331</u></u>



- 7.1 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:

		2004 (Rupees in '000)	2003
Non-executive employees		<u>545</u>	<u>508</u>
8. STORES AND SPARES			
Stores		4,034	2,879
Spares		831	919
Provision for slow moving stores and spares		<u>(1,500)</u>	<u>(1,500)</u>
		<u>3,365</u>	<u>2,298</u>
9. STOCK-IN-TRADE			
Raw materials		23,403	24,479
Packing materials		6,214	3,695
Work-in-process		15,115	11,209
Finished goods		51,792	37,610
Stock in transit		1,607	16,905
Provision for slow moving stock-in-trade	9.1	<u>(2,243)</u>	<u>(2,792)</u>
		<u>95,888</u>	<u>91,106</u>
9.1 Provision for slow moving stock in trade			
Opening balance		2,792	792
Provided during the period		-	2,000
Disposal of stock		<u>(549)</u>	<u>-</u>
Closing balance		<u>2,243</u>	<u>2,792</u>
10. SHORT TERM INVESTMENTS			
<i>Available for sale</i>			
<i>Quoted</i>			
Shares	10.1	1,556	-
Term Finance Certificates	10.2	<u>4,708</u>	<u>-</u>
		<u>6,264</u>	<u>-</u>
<i>Unquoted</i>			
Pakistan Investment Bonds	10.3	10,154	-
<i>Held to maturity</i>			
Investments maturing within twelve months	4	<u>15,148</u>	<u>-</u>
		<u>31,566</u>	<u>-</u>
10.1	These represents 24,459 shares of face value of Rs. 10 each of Oil and Gas Development Company Limited having cost of Rs.782,933.		



10.2 These represent 1,000 certificates of Rs. 50,000 each of First Oil and Gas Securitisation Company Limited carrying return at SBP discount rate + 2.5 percent maturing on 04 December 2006. The return on these certificates are payable semi-annually.

10.3 These are 20 years Pakistan Investment Bonds maturing on 20 January 2024 with face value of Rs. 10 million and coupon rate of 10 percent per annum.

11. TRADE DEBTS – unsecured – considered good

	2004 (Rupees in '000)	2003
Considered good	6,430	14,316
Considered doubtful	4,952	3,495
	<u>11,382</u>	<u>17,811</u>
Provision for doubtful debts	(4,952)	(3,495)
	<u>6,430</u>	<u>14,316</u>

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances – considered good			
To suppliers and contractors – net		1,025	1,581
For purchase of land	12.1	3,000	-
For taxation		17,606	18,667
		<u>21,631</u>	<u>20,248</u>
Tax refundable		10	13,984
Prepayments		380	259
		390	14,243
Other receivables			
Due from associated undertaking	12.2	233	180
Profit on investments		667	-
Miscellaneous		1,709	1,249
		<u>2,609</u>	<u>1,429</u>
Assets acquired on winding up of subsidiary (held for disposal)	12.3	3,137	3,137
		<u>27,767</u>	<u>39,057</u>

12.1 This represents amount paid to Port Qasim Authority as earnest money in respect of plot measuring 12 acres situated in the Eastern Industrial Zone.

12.2 Maximum amount due at the end of any month was Rs. 0.285 million (2003: 0.35 million).

12.3 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. The company has entered into an agreement to sell the said machinery and equipment for a sum of Rs. 3.8 million.

**13. CASH AND BANK BALANCES**

	2004	2003
	(Rupees in '000)	
In hand	20	20
With Banks on:		
Current accounts	3,945	3,471
Collection accounts	17,351	2,332
Deposit account	20,135	49,262
	41,431	55,065
	41,451	55,085

14. FINANCE UNDER MARK-UP ARRANGEMENTS - secured

The unutilized facilities for running finance available from various banks aggregates to Rs. 43 million (2003: Rs. 35 million) and carry mark-up ranging between 14 to 28 paisas (2003: 25 to 30 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 first pari passu hypothecation charge over specific present and future stocks and receivables 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 first pari passu hypothecation charge on all present and future fixed and current assets.

15. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors		45,127	25,852
Accrued mark-up on short term financing and lease facilities		61	64
Accrued expenses		54,068	42,725
Advances from customers		10,779	6,161
Due to associated companies	15.1	4,771	3,948
Sales tax payable		2,394	4,982
Unclaimed dividend		23	23
Worker's Welfare Fund		1,067	1,828
Worker's Profit Participation Fund	15.2	69	1,823
Dividend payable		41	27
Other liabilities		2,843	1,772
		121,243	89,205

15.1 DUE TO ASSOCIATED COMPANIES

I.G.I.Company of Pakistan Limited		76	134
Packages Limited		3,655	1,227
Wazir Ali Industries Limited		1,040	2,587
		4,771	3,948



15.1.1 Maximum amount due at the end of any month was Rs. 6.276 million (2003: Rs. 7.6 million)

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

15.2 WORKERS' PROFIT PARTICIPATION FUND

	2004	2003
	(Rupees in '000)	
Balance as on 1 July	1,823	1,365
Interest on WPPF	95	83
Contribution for the year	2,869	1,817
Payments made during the year	(4,718)	(1,442)
	<u>69</u>	<u>1,823</u>

16. PROVISION FOR TAXATION

The Income Tax assessments of the company have been finalized upto and including tax year 2003.

17. SHARE CAPITAL

Authorized				
2004	2003			
<u>5,000,000</u>	<u>5,000,000</u>	Ordinary shares of Rs. 10 each	<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up ordinary shares of Rs. 10/- each				
<u>3,550,000</u>	<u>3,550,000</u>	Fully paid in cash	<u>35,500</u>	<u>35,500</u>
<u>50,000</u>	<u>50,000</u>	Fully paid for consideration other than cash	<u>500</u>	<u>500</u>
<u>400,000</u>	<u>400,000</u>	Fully paid bonus shares	<u>4,000</u>	<u>4,000</u>
<u>4,000,000</u>	<u>4,000,000</u>		<u>40,000</u>	<u>40,000</u>

**18. SURPLUS ON REVALUATION OF FIXED ASSETS**

This represents surplus arising on revaluation of freehold land, building and plant and machinery of the Company.

	2004 (Rupees in '000)	2003
Balance at the beginning of the year	34,303	58,088
Revaluation during the year	39,746	-
Transferred to retained earnings due to incremental depreciation		
- Prior years	-	(20,817)
- Current year – net-off deferred tax	(1,736)	(1,929)
	(1,736)	(22,746)
Related deferred tax liability	(936)	(1,039)
	<u>71,377</u>	<u>34,303</u>
Less: Related deferred tax liability on:		
- Revaluation	18,558	10,389
- Incremental depreciation charged during the year - transferred to profit and loss account	(936)	(1,039)
	<u>17,622</u>	<u>9,350</u>
Balance at the end of the year	<u>53,755</u>	<u>24,953</u>

19. DEFERRED LIABILITIES

Staff gratuity	19.1	19,799	18,731
Staff retirement benefits	19.2	18,513	22,988
Deferred tax liability	6	8,856	-
		<u>47,168</u>	<u>41,719</u>

19.1 Gratuity scheme

The company operates an unfunded 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 2004 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 - 8% per annum
- Discount rate - 8% per annum

Reconciliation of payable to defined benefit plan

	2004 (Rupees in '000)	2003
Present value of defined benefit obligation	19,799	18,731
Fair value of any plan assets	-	-
Net actuarial gains / (losses) not recognized	-	-
Transitional asset / (liability)	-	-
	<u>19,799</u>	<u>18,731</u>

*Movement in net liability recognised*

	2004	2003
	(Rupees in '000)	
Opening net liability	18,731	18,058
Expense recognized	3,969	2,039
Benefits paid during the year	<u>(2,901)</u>	<u>(1,366)</u>
Closing net liability	<u><u>19,799</u></u>	<u><u>18,731</u></u>
<i>Charge for defined benefit plan</i>		
Current service cost	1,057	974
Interest cost	1,311	996
Past service cost - vested benefit	364	(1)
Actuarial (Gains)/ Losses recognized	1,237	1,520
Recognised transitional (assets) / liability	<u>-</u>	<u>(1,450)</u>
	<u><u>3,969</u></u>	<u><u>2,039</u></u>

19.2 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 2004 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 - 8% per annum
- Discount rate - 8% per annum

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

Present value of defined benefit obligation	18,513	22,988
Fair value of any plan assets	-	-
Net actuarial gains / (losses) not recognized	-	-
Transitional asset / (liability)	<u>-</u>	<u>-</u>
	<u><u>18,513</u></u>	<u><u>22,988</u></u>

Movement in net liability recognised

Opening net liability	22,988	15,305
Expense recognized	246	9,765
Benefits paid during the year	<u>(4,721)</u>	<u>(2,082)</u>
Closing net liability	<u><u>18,513</u></u>	<u><u>22,988</u></u>

Charge for defined benefit plan

Current service cost	878	807
Interest cost	1,609	1,794
Actuarial (Gains)/ Losses recognized	(2,241)	42
Recognised transitional (assets) / liability	<u>-</u>	<u>7,122</u>
	<u><u>246</u></u>	<u><u>9,765</u></u>

**20. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2004			2003		
	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	21,503	3,536	17,967	5,397	1,005	4,392
Later than one year and not later than five years	33,373	2,767	30,606	4,240	355	3,885
	54,876	6,303	48,573	9,637	1,360	8,277

Lease rentals include financial charges ranging between 8 percent to 21 percent per annum, which have been used as discounting factor and are payable on monthly basis. These leases are generally for three years period and are due to mature on June 2006. 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.

21. CONTINGENCIES AND COMMITMENTS

	2004	2003
	(Rupees in '000)	
Letters of credit	72,599	14,230
Bank guarantees	2,849	2,490
Commitment for lease of land	12.1 9,000	-

22. SALES - net

Gross sales	896,357	782,676
Sales tax	(130,661)	(113,027)
Trade promotion discount	(51,635)	(47,263)
Sale return / rebate	(84)	(367)
	(182,380)	(160,657)
	713,977	622,019

**23. COST OF GOODS SOLD**

		2004 (Rupees in '000)	2003
Raw and packing material consumed	23.1	387,938	328,195
Stores and spares consumed		4,989	5,494
Salaries, wages and other benefits		51,124	57,200
Contribution to provident fund		1,043	1,073
Repairs and maintenance		1,259	1,677
Excise duty		82,415	70,581
Fuel and power		28,573	25,877
Rent, rates and taxes		86	122
Insurance		1,645	1,328
Product research and development		105	72
Travelling and conveyance		1,349	1,366
Printing and stationery		329	316
Postage, telegram and telephones		723	632
Legal		15	-
Professional		61	148
Entertainment		3	5
Subscriptions		24	50
Depreciation	3.1.4	6,479	6,728
Other expenses		3,503	3,147
		<u>571,663</u>	<u>504,011</u>
Opening stock of work-in-process		11,209	8,030
Closing stock of work-in-process		<u>(15,115)</u>	<u>(11,209)</u>
		567,757	500,832
Opening stock of finished goods		37,610	17,405
Closing stock of finished goods		<u>(51,792)</u>	<u>(37,610)</u>
		<u>553,575</u>	<u>480,627</u>

23.1 Raw and packing materials consumed

Opening stock	25,382	20,435
Purchases	<u>389,930</u>	<u>333,142</u>
	415,312	353,577
Closing stock	<u>27,374</u>	<u>27,382</u>
Provision of stock in trade	-	(2,000)
	<u>27,374</u>	<u>25,382</u>
	<u>387,938</u>	<u>328,195</u>

**24. ADMINISTRATIVE EXPENSES**

	2004	2003
	(Rupees in '000)	
Employees cost	7,946	8,413
Contribution to provident fund	238	209
Fuel and power	1,160	1,048
Repairs and maintenance	310	437
Rent, rates and taxes	980	975
Depreciation	565	619
Legal	41	150
Professional	1,683	859
Charity and donation	14	3
Auditors' remuneration	220	191
Postage and telephone	399	466
Printing and stationary	236	473
Traveling and conveyance	512	455
Computer expenses	78	52
Insurance	68	161
General advertisement	150	73
Other expenses	646	283
	<u>15,246</u>	<u>14,867</u>

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

24.2 Auditors' remuneration

Audit fee	125	100
Certification fee	30	30
Half yearly review	30	30
Out of pocket expense	35	31
	<u>220</u>	<u>191</u>

25. SELLING AND DISTRIBUTION EXPENSES

Employees cost	4,834	2,528
Contribution to provident fund	111	70
Repair and maintenance	135	51
Rent, rates and taxes	25	1
Depreciation	620	387
Professional	43	-
Postage and telegram	70	75
Printing and stationery	114	38
Traveling and conveyance	1,363	227
Other expense	1,740	493
Advertising	54,199	51,658
Impairment loss for doubtful debts	1,457	3,495
Freight and handling	11,253	9,395
Product development	699	1,295
Common expenses charged by an associated company	14,324	19,813
	<u>90,987</u>	<u>89,526</u>

**26. FINANCIAL EXPENSES**

2004 2003
(Rupees in '000)

Mark-up on:		
- Running / demand finance	16	607
- WPPF	95	83
	<u>111</u>	<u>690</u>
Financial charges and front end fee on lease arrangements	1,617	1,543
Bank charges and commission	570	696
	<u>2,298</u>	<u>2,929</u>

27. OTHER INCOME - net

Profit commission	82	159
Interest on short term deposit	1,088	371
Gain on disposal of fixed assets	322	80
Scrap sales	2,427	1,660
Rebate on export	32	-
Profit on investments	1,577	-
Dividend income	24	-
Loss on revaluation of investments	(40)	-
	<u>5,512</u>	<u>2,270</u>

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

Profit before tax	<u>53,571</u>	<u>33,530</u>
Tax at the applicable tax rate	18,750	11,736
Effect of lower tax rate on dividend income	(7)	-
Excess perquisites	224	318
Loss on revaluation of investments	14	-
Others	(128)	504
Tax expense	<u>18,853</u>	<u>12,558</u>
Presented as:		
- Current	16,166	17,577
- Deferred	2,687	(5,019)
	<u>18,853</u>	<u>12,558</u>

**29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES**

	Chief Executive		Director		Executives	
	2004	2003	2004	2003	2004	2003
No. of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>24</u>	<u>25</u>
Remuneration	900	900	620	480	4,123	5,030
Provident fund	90	90	-	-	412	503
Special pay	-	-	-	36	1,855	2,851
Housing and utilities	1,051	967	453	285	2,416	3,021
Medical	80	70	56	105	583	416
Leave passage and other benefits	5	5	-	-	1,024	1,024
	<u>2,126</u>	<u>2,032</u>	<u>1,129</u>	<u>906</u>	<u>10,413</u>	<u>12,845</u>

29.1 Aggregate amount charged in these accounts for fee to one non-executive director was Rs. 15,000 (2003: Rs. Nil).

29.2 In addition certain executives are also provided with free use of company maintained vehicles.

30. EARNINGS PER SHARE

	2004	2003
	(Rupees in '000)	
Net profit for the year	<u>34,767</u>	<u>21,548</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>8.69</u>	<u>5.38</u>

31. PLANT CAPACITY AND PRODUCTION

	Assessed / rated	Actual production	
		2004	2003
Soap (in tons)	9,500	<u>7,447</u>	<u>6,940</u>

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

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all the financial assets and financial liabilities are estimated to approximate their respective carrying values, except for held to maturity investments, the fair value of which approximates to Rs. 30.972 million.



33. 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)

	2004								Total
	Interest/ mark-up Bearing				Non-interest Bearing				
	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									
Investments	-	30,010	30,972	60,982	-	1,556	-	1,556	62,538
Trade debts	-	-	-	-	6,012	418	-	6,430	6,430
Loans and advances to employees	-	-	-	-	-	283	294	577	577
Long term deposits	-	-	-	-	-	-	2,116	2,116	2,116
Advances, deposits, margins and other receivables	-	-	-	-	-	6,875	2,609	9,484	9,484
Cash and bank balances	-	20,135	-	20,135	21,316	-	-	21,316	41,451
	-	50,145	30,972	81,117	27,328	9,132	5,019	41,479	122,596
Financial Liabilities									
Liabilities against assets subject to finance lease	1,707	16,260	30,606	48,573	-	-	-	-	48,573
Creditors, accrued expenses and other liabilities	-	143	-	143	64,892	55,310	-	120,202	120,345
Proposed dividend	-	-	-	-	-	10,000	-	10,000	10,000
Long term deposits	-	-	-	-	-	-	475	475	475
	1,707	16,403	30,606	48,716	64,892	65,310	475	130,677	179,393
On balance sheet gap (a) 2004	(1,707)	33,742	366	32,401	(37,564)	(56,178)	4,544	(89,198)	(56,797)
On balance sheet gap (a) 2003	(431)	43,478	(3,885)	39,162	13,956	(83,428)	3,434	(66,038)	(26,876)

(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:

	2004	2003
	Effective interest rate (%)	
Assets		
Investments	<u>7-9</u>	<u>-</u>
Term deposits	<u>3.00</u>	<u>4.25</u>
Liabilities		
Liabilities against assets subject to finance lease	<u>8-21</u>	<u>14-21</u>

34. 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. Financial assets of the company includes trade debts amounting to Rs. 6.43 million (2003: Rs. 14.316 million) due from distributors, wholesalers and retailers. The company believes that it is not exposed to any major concentration of credit risk as it has varied number of customers with small amount outstanding against each.

**35. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of 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 29 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 price method. Transactions with related parties during the year are as follows:

	2004	2003
	(Rupees in '000)	
Purchases and services received	<u><u>32,180</u></u>	<u><u>26,997</u></u>
Sales and services rendered	<u><u>3,745</u></u>	<u><u>4,416</u></u>
Common expenses charged by associated company	<u><u>14,324</u></u>	<u><u>19,813</u></u>
Profit commission	<u><u>82</u></u>	<u><u>159</u></u>
Contribution to employees' provident fund	<u><u>1,393</u></u>	<u><u>1,352</u></u>

36. GENERAL

36.1 Total number of employees as at 30 June 2004 was 216. (2003: 207).

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

36.3 These accounts were authorized for issue in the Board of Directors meeting held on 2 September 2004.

Syeda Ferial R. Ali
CHIEF EXECUTIVE

Kemal Shoaib
DIRECTOR



Pattern Of Share Holding As At 30 June 2004

Number of shareholders	Share Holding		Total shares held	%
	From	To		
1057	1	100	16,896	0.4224
169	101	500	37,544	0.9386
26	501	1000	19,728	0.4932
23	1001	5000	60,727	1.5182
6	5001	10000	41,612	1.0403
1	10001	15000	10,648	0.2662
3	15001	20000	49,252	1.2313
2	20001	25000	45,722	1.1431
1	45001	50000	47,200	1.1800
1	85001	90000	89,888	2.2472
1	130001	135000	130,122	3.2531
1	150001	155000	154,582	3.8646
1	175001	180000	176,500	4.4125
1	360001	365000	360,636	9.0159
1	395001	400000	399,820	9.9955
1	505001	510000	509,156	12.7289
1	515001	520000	519,891	12.9973
1	610001	615000	611,736	15.2934
1	715001	720000	718,340	17.9585
1298			4,000,000	100.0000

Categories Of Shareholders - 30 June 2004

	Number of Shareholders	Shares held	%
<u>DIRECTORS & FAMILY</u>			
Syeda Feriel R. Ali - Chief Executive	1	509,156	12.7289
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	5,890	0.1473
Syed Tariq Ali - Director	5	542,448	13.5612
Syed Shahid Ali - Director	2	13,060	0.3265
Mr. Karam Ellahi Shaikh - Director	2	158,582	3.9646
<u>ASSOCIATED COMPANIES</u>			
International General Insurance Co. of Pak. Ltd	1	130,122	3.2531
Treet Corporation Ltd	1	718,340	17.9585
Loads Limited	1	100	0.0025
N.B.P - TRUSTEE DEPTT. (NIT)	1	519,891	12.9973
INVESTMENT CORPORATION OF PAKISTAN	1	1,683	0.0421
INSURANCE COMPANIES	1	22,778	0.5695
JOINT STOCK COMPANIES	14	77,728	1.9432
INDIVIDUALS	1259	657,663	16.4416
OTHERS	2	191	0.0048
	1298	4,000,000	100.0000