



## **Financial Statements**

**For the six months ended  
31 December 2004**

## **DIRECTORS' REVIEW**

The Directors of the Company would like to present the financial statements of the Company reviewed by the auditors for the period ended 31 December 2004.

### **Overview**

Sales revenue has increased to Rs 449.829M as against Rs 348.125M during the same period last year registering a growth of 29.21% as a consequence of which the profit before tax has improved over last year due to better controls over operating expenses and increase in other income due to investment of surplus funds in eligible securities. However, the gross profit has slightly declined by 1.29% as the cost of goods sold had risen due to increase in the prices of raw material in the international market.

As a result of better overall performance over the same period last year the earning per share for the period under review is Rs 7.04 as compared to Rs 3.76.

The financial position of the company is consistently improving which is evident from the current ratio of 1.46:1 thus facilitating the company to invest in strengthening its brands' equity and distribution network.

The company intends to take this opportunity to further invest in BMR and diversification of business operations. This would provide impetus to its operations and secure a sustainable return on investment in spite of operating in a difficult business environment with unfair competition coupled with the increase in smuggling of cheaper brands of soap into the country and the anomalies in the duty/tariff structure on the local industry vis a vis import of finished goods.

Henceforth, the company shall place its quarterly/periodical accounts on website: [www.zulfeqarindustriesltd.com](http://www.zulfeqarindustriesltd.com).

### **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

Karachi: 23 February 2005

Syeda Ferial R. Ali  
Chief Executive Officer

## **Review Report to the Members**

We have reviewed the annexed balance sheet of Zulfeqar Industries Limited as at 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”) for the six months then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**Date: 23 February 2005**

**Karachi**

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

# Zulfeqar Industries Limited

## Balance Sheet (Unaudited)

As at 31 December 2004

	<b>31 December 2004</b>	30 June 2004 (Restated)
<i>Notes</i>	<b>(Rupees in '000)</b>	
<b>OPERATING ASSETS - at cost / revaluation</b>		
less accumulated depreciation	<b>156,801</b>	106,414
<b>CAPITAL WORK IN PROGRESS - at cost</b>	<b>3,128</b>	54,633
<b>TRADE MARKS - at cost</b>	<b>471</b>	471
<b>LONG TERM INVESTMENTS</b>	<b>23,450</b>	30,972
<b>LONG TERM DEPOSITS</b>	<b>2,335</b>	2,116
<b>LOANS AND ADVANCES TO EMPLOYEES - unsecured considered good</b>	<b>294</b>	294
<b>CURRENT ASSETS</b>		
Stores and spares	<b>3,991</b>	3,365
Stock-in-trade	<b>96,472</b>	95,888
Short term investments	<b>50,856</b>	31,566
Trade debtors - unsecured, considered good	<b>12,989</b>	6,430
Current maturity of loans and advances to employees	<b>463</b>	283
Advances, deposits, prepayments and other receivables	<b>37,792</b>	27,767
Cash and bank balances	<b>39,456</b>	41,451
	<b>242,019</b>	206,750
<b>CURRENT LIABILITIES</b>		
Current maturity of liabilities against assets subject to finance lease	<b>17,046</b>	17,967
Creditors, accrued expenses and other liabilities	<b>118,822</b>	121,243
Provision for taxation	<b>30,212</b>	16,269
	<b>166,080</b>	155,479
<b>NET CURRENT ASSETS</b>	<b>75,939</b>	51,271
<b>TOTAL ASSETS</b>	<b>262,418</b>	246,171
<b>FINANCED BY :</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
AUTHORISED CAPITAL	<b>50,000</b>	50,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL	<b>40,000</b>	40,000
REVENUE RESERVES	<b>6,000</b>	6,000
UN-APPROPRIATED PROFIT	<b>87,964</b>	68,167
SHAREHOLDERS' EQUITY	<b>133,964</b>	114,167
SURPLUS ON REVALUATION OF FIXED ASSETS	<b>52,119</b>	53,755
LONG TERM DEPOSITS	<b>475</b>	475
DEFERRED LIABILITIES	<b>50,787</b>	47,168
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	<b>25,073</b>	30,606
CONTINGENCIES AND COMMITMENTS	<b>-</b>	-
	<b>262,418</b>	246,171

The annexed notes 1 to 13 form an integral part of these financial statements.

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

\_\_\_\_\_  
Director

**Zulfeqar Industries Limited**  
**Profit and Loss Account (Unaudited)**  
*For the six months period ended 31 December 2004*

	<i>Notes</i>	October to December		July to December	
		<b>2004</b>	2003	<b>2004</b>	2003
<b>(Rupees in '000)</b>					
Sales - net	<i>10</i>	<b>202,299</b>	176,920	<b>449,829</b>	348,125
Cost of goods sold	<i>11</i>	<b>163,280</b>	138,214	<b>354,094</b>	269,550
Gross profit		<b>39,019</b>	38,706	<b>95,735</b>	78,575
Administrative expenses		<b>4,195</b>	4,125	<b>9,445</b>	7,858
Selling and distribution expenses		<b>16,555</b>	25,317	<b>43,361</b>	48,046
Financial expenses		<b>1,211</b>	516	<b>2,598</b>	1,004
Workers' Welfare Fund		<b>415</b>	222	<b>818</b>	477
Workers' Profit Participation Fund		<b>1,006</b>	549	<b>2,304</b>	1,252
		<b>23,382</b>	30,729	<b>58,526</b>	58,637
		<b>15,637</b>	7,977	<b>37,209</b>	19,938
Other income		<b>3,063</b>	2,230	<b>5,741</b>	3,357
Profit before taxation		<b>18,700</b>	10,207	<b>42,950</b>	23,295
Taxation:					
Current		<b>6,977</b>	3,843	<b>13,943</b>	8,219
Deferred		<b>(653)</b>	(240)	<b>846</b>	44
		<b>6,324</b>	3,603	<b>14,789</b>	8,263
Profit after taxation		<b>12,376</b>	6,604	<b>28,161</b>	15,032
Earning per share	<i>Rupees</i>	<b>3.09</b>	1.65	<b>7.04</b>	3.76

The annexed notes 1 to 13 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Director**

# Zulfeqar Industries Limited

## Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2004

	July to December 2004	July to December 2003
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	42,950	23,295
Adjustments for:		
Financial charges	2,596	909
Depreciation	7,085	3,430
Provision for gratuity	2,094	1,184
Provision for retirement benefits	1,181	3,081
(Gain) on revaluation of investment	(459)	-
(Gain) on disposal of fixed Assets	-	(98)
	<u>12,497</u>	<u>8,506</u>
Operating profit before working capital changes	55,447	31,801
<b>Decrease / (Increase) in operating assets:</b>		
Stores and spares	(626)	(245)
Stock in trade	(583)	(444)
Trade debtors	(6,559)	(5,800)
Advances, deposits, prepayments and other receivables	(827)	(933)
Loans & advances	(180)	-
Long term deposits	(218)	(182)
	<u>(8,993)</u>	<u>(7,604)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Creditors, accrued expenses and other liabilities	(3,431)	14,483
Cash generated from operations	<u>43,023</u>	<u>38,680</u>
Income tax paid	(9,198)	(5,522)
Gratuity paid	(256)	(1,249)
Retirement benefits paid	(247)	(2,109)
Mark-up paid	(2,003)	(912)
	<u>(11,704)</u>	<u>(9,792)</u>
<b>Net cash flows from operating activities</b>	<u>31,319</u>	<u>28,888</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(5,966)	(10,490)
Short term investments	(18,831)	(31,572)
Sales proceeds of fixed assets	7,522	783
<b>Net cash flows from investing activities</b>	<u>(17,275)</u>	<u>(41,279)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(9,585)	(3,855)
(Repayment) / addition of lease liability-net	(6,454)	(2,495)
<b>Net cash flows from financing activities</b>	<u>(16,039)</u>	<u>(6,350)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(1,995)</u>	<u>(18,741)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>41,451</u>	<u>55,085</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>39,456</u></u>	<u><u>36,344</u></u>

The annexed notes 1 to 13 form an integral part of these financial statements.

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

\_\_\_\_\_  
Director

**Zulfeqar Industries Limited**  
**Statement of Changes in Equity (Unaudited)**  
*For the six months period ended 31 December 2004*

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Unappropriated Profit</b>	<b>Total</b>
	<b>(Rupees in '000)</b>			
Balance as at 1 July 2003 as previously reported	40,000	6,000	31,664	77,664
Effect of change in accounting policy with respect to dividend declared after the balance sheet date	-	-	4,000	4,000
Balance as at 1 July 2003 as restated	<u>40,000</u>	<u>6,000</u>	<u>35,664</u>	<u>81,664</u>
Profit for the period ended 31 December 2003	-	-	15,032	15,032
Transferred from surplus on revaluation of fixed assets	-	-	868	868
Final dividend paid @ Rs. 1 per share	-	-	(4,000)	(4,000)
Balance as at 31 December 2003	<u>40,000</u>	<u>6,000</u>	<u>47,564</u>	<u>93,564</u>
Balance as at 1 July 2004 as previously reported	40,000	6,000	58,167	104,167
Effect of change in accounting policy with respect to dividend declared after the balance sheet date	-	-	10,000	10,000
Balance as at 1 July 2004 as restated	<u>40,000</u>	<u>6,000</u>	<u>68,167</u>	<u>114,167</u>
Profit for the period ended 31 December 2004	-	-	28,161	28,161
Transferred from surplus on revaluation of fixed assets	-	-	1,636	1,636
Final dividend paid @ Rs. 2.5 per share	-	-	(10,000)	(10,000)
Balance as at 31 December 2004	<u>40,000</u>	<u>6,000</u>	<u>87,964</u>	<u>133,964</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Director**

# Zulfeqar Industries Limited

## Notes to the Financial Statements (Unaudited)

*For the six months period ended 31 December 2004*

### **1. STATUS AND NATURE OF BUSINESS**

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 to manufacture and sale of toilet and washing soaps.

### **2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the requirements of the "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are consistent with those applied for the preparation of the annual audited financial statements of the company for the year ended 30 June 2004, except as stated below:

- 3.1** Upto 30 June 2004, the company had the policy to charge a full year depreciation on all fixed assets capitalized during the year, while no depreciation was charged in the year fixed assets were disposed off or scrapped. During the current period, the company has changed its accounting policy whereby depreciation is charged from the date on which the assets are put to use and on disposal upto the date the asset is in use.

Had this change not been made, the profit for the period and operating fixed assets would have been lower by Rs. 0.572 million.

- 3.2** During the current period the company has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognised in the financial statements as liability. Previously such dividend declarations were being treated as adjusting events in the financial statements of the company and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended 30 June 2004 by Rs. 10 million.



4. **OPERATING FIXED ASSETS** - at cost / revaluation less accumulated depreciation

Details of additions / disposals of operating fixed assets during the six months period are as follows:

	<b>31 December 2004</b>	31 December 2003
	(Rupees in '000)	
<b>Additions</b>		
<i>Owned:</i>		
Building	399	-
Plant, Machinery and Equipments	6,985	696
Furniture and Fixtures	17	13
Vehicles	938	927
Computers	444	5
	<u>8,783</u>	<u>1,641</u>
<i>Leased:</i>		
Plant, Machinery and Equipments	47,987	-
Vehicles	700	-
	<u>57,470</u>	<u>1,641</u>
<b>Disposals</b>		
<i>Vehicles</i>		
Owned	-	532
Leased	-	824
	<u>-</u>	<u>1,356</u>

5. Details of cost of capital work in progress added during the six months period are as follows:

Plant, Machinery and Equipments	<u>5,966</u>	<u>10,490</u>
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6. **INVESTMENTS**

	<b>31 December 2004</b>	30 June 2004
	(Rupees in '000)	
<i>Available for sale</i>		
<i>Quoted</i>		
Shares	1,766	1,556
Term Finance Certificates	6.1 <u>4,000</u>	4,708
	5,766	6,264
<i>Unquoted</i>		
Pakistan Investment Bonds	6.2 <u>10,174</u>	10,154
<i>Held to maturity</i>		
<i>Investments maturing within twelve months</i>		
Certificate of Musharika	6.3 <u>7,040</u>	7,040
Certificate of investments and certificate of deposits	<u>27,876</u>	8,108
	34,916	15,148
	<u>50,856</u>	<u>31,566</u>

- 6.1** These represent 1,000 certificates of Rs. 5,000 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.
- 6.2** 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.
- 6.3** These represent investments maturing from 31 March 2005 to 19 May 2007 carrying mark-up from 5.5 percent to 12 percent per annum.

<b>7. SURPLUS ON REVALUATION OF FIXED ASSETS</b>	<b>31 December 2004</b>	<b>30 June 2004</b>
	<b>(Rupees in '000)</b>	
Opening Balance	71,377	34,303
Revaluation during the period	-	39,746
Transferred to retained earnings due to incremental depreciation - net of deferred tax	<b>(1,636)</b>	(1,736)
Related deferred tax liability	<b>(881)</b>	(936)
	<b>68,860</b>	71,377
Less: Related deferred tax liability on:		
- Revaluation	<b>17,622</b>	18,558
- Incremental depreciation charged during the year - transferred to profit and loss account	<b>(881)</b>	(936)
	<b>16,741</b>	17,622
Balance at the end of the period	<b>52,119</b>	53,755
<b>8. DEFERRED LIABILITIES</b>		
Deferred tax liability	<b>9,702</b>	8,856
Staff gratuity	<b>21,638</b>	19,799
Staff retirement benefits	<b>19,447</b>	18,513
	<b>50,787</b>	47,168
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
Letters of credit	<b>55,621</b>	72,599
Bank guarantee	<b>4,012</b>	2,849
Commitment for lease of land	<b>9,000</b>	9,000

**10. SALES-NET**

	October to December		July to December	
	2004	2003	2004	2003
	<b>(Rupees in '000)</b>			
Gross sales	<b>251,647</b>	221,004	<b>552,975</b>	436,793
Sales tax	<b>(32,518)</b>	(32,613)	<b>(71,555)</b>	(64,341)
Trade promotion discount	<b>(16,827)</b>	(11,453)	<b>(31,561)</b>	(24,281)
Sale return / rebate	<b>(3)</b>	(18)	<b>(30)</b>	(46)
	<b>(49,348)</b>	(44,084)	<b>(103,146)</b>	(88,668)
	<b>202,299</b>	176,920	<b>449,829</b>	348,125

**11. COST OF GOODS SOLD**

Raw and packing material consumed	<b>110,626</b>	94,029	<b>233,044</b>	168,633
Stores and spares consumed	<b>1,243</b>	1,798	<b>2,243</b>	3,156
Salaries, wages and other benefits	<b>13,061</b>	12,967	<b>27,003</b>	27,164
Contribution to Provident Fund	<b>247</b>	261	<b>501</b>	531
Repairs and maintenance	<b>408</b>	496	<b>841</b>	861
Fuel and power	<b>7,558</b>	6,930	<b>16,638</b>	13,267
Rent, rates and taxes	<b>36</b>	6	<b>52</b>	28
Insurance	<b>424</b>	398	<b>839</b>	780
Product research and development	<b>8</b>	7	<b>23</b>	19
Excise duty	<b>22,254</b>	20,560	<b>47,361</b>	38,901
Traveling and conveyance	<b>483</b>	319	<b>987</b>	602
Printing and stationery	<b>67</b>	110	<b>153</b>	222
Postage, telegrams and telephones	<b>184</b>	248	<b>304</b>	437
Legal charges	<b>-</b>	17	<b>2</b>	30
Professional fee	<b>20</b>		<b>34</b>	
Entertainment	<b>1</b>		<b>3</b>	
Subscription	<b>3</b>	4	<b>20</b>	18
Depreciation	<b>3,660</b>	1,519	<b>6,481</b>	2,984
Other expenses	<b>822</b>	878	<b>1,868</b>	1,425
	<b>161,105</b>	140,547	<b>338,397</b>	259,058
Opening stock of work-in-process	<b>15,112</b>	11,077	<b>15,115</b>	11,209
Closing stock of work-in-process	<b>(15,204)</b>	(11,690)	<b>(15,204)</b>	(11,690)
	<b>161,013</b>	139,934	<b>338,308</b>	258,577
Opening stock of finished goods	<b>38,273</b>	24,917	<b>51,792</b>	37,610
Closing stock of finished goods	<b>(36,006)</b>	(26,637)	<b>(36,006)</b>	(26,637)
	<b>163,280</b>	138,214	<b>354,094</b>	269,550

## 12. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties comprise related group companies, directors and their close family members, staff provident fund, executives and major shareholders of the company. Associated companies with whom such transactions have taken place include Wazir Ali Industries Limited, IGI Insurance Company of Pakistan Limited, Treet Corporation Limited and Packages Limited. These are associated companies as they are either under the same management and / or with common directors. The company has a policy whereby all transactions with related parties are entered on commercial terms and conditions, further common expenses are shared equitably under the agreed terms of arrangements. The transactions with related parties are as follows:

	<b>July to December 2004</b>	<b>July to December 2003</b>
	<b>(Rupees in '000)</b>	
Purchases and services received	<u>17,114</u>	<u>18,118</u>
Sales and services rendered	<u>3,183</u>	<u>1,589</u>
Common expenses charged by the associated company	<u>2,424</u>	<u>7,961</u>
Profit commission	<u>49</u>	<u>73</u>
Contribution to employees' provident fund	<u>862</u>	<u>694</u>
Chief executive and directors remuneration	<i>12.1</i> <u>1,925</u>	<u>1,729</u>

12.1 The transactions with the Chief Executive Officer, whole time working director and other senior executives were undertaken in accordance with their terms of employment.

## 13 GENERAL

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

13.2 These accounts were approved in the Board of Directors' meeting held on 23 February 2005.

13.3 Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 through SRO 589(I)2004 dated July 5,2004, previous year's figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison.

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Chief Executive Officer

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Director