



Financial Statements

**For the half year ended
31 December 2005**

DIRECTORS' REVIEW

The Directors of the Company would like to present the financial statements of the Company reviewed by the statutory auditors for the period ended 31 December 2005.

Overview

It is with great pleasure to inform you that the company in keeping with the momentum of growth has achieved net sales of Rs. 484.079M as against Rs 449.829M in the corresponding period last year and earned profit after tax of Rs 40.676M during the year under review as compared to Rs 28.161M last year depicting a growth of 44.44%.

During the period under review, the company introduced the following value for money propositions as its proactive strategy to attain a strong position in the market:

- Capri Sensitive in mini pack
- Palmy 150 grams family pack for Rs 15.00
- Opal single pack

To celebrate our Rs.1 billion gross sales achievement of last year, a sales conference was held in Dubai to motivate our field staff.

The gross profit has also increased to Rs 146.469M during the period under review from Rs 95.735M during the same period last year. Cost of goods sold, as a percentage of sales, has been substantially reduced during the period under review from 78.72% to 69.74% during the same period last year as a consequence of measures being carried out by the company.

The selling and distribution expenses increased by 54% during period under review due to heavy advertising campaigns carried out on electronic as well as print media and reinforcement of the field force. Further, the high cost of fuel has increased the distribution cost. The administrative expenses have increased mainly due to the increase in depreciation expenses due to capitalization of vehicles & computer equipment for ERP which is in the process of implementation.

However, the financial cost has reduced due to non-utilization of running finance facility and maturing of lease facilities in the near future.

Earning per Share

Earning per share during the period under review is **Rs 10.17** as compared to Rs 7.04 during the same period last year.

Gratuity and Provident Funds

The company is already 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 company now plans to have the Gratuity Scheme funded & approved, for the benefit of employees.

Future Outlook

The Corporate strategy of the Company is to re-invest its profits into brand building, technological advancements, IT & HR in order to add value for our customers, employees & shareholders.

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: 31 January 2006

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 2005 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 half year 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 Review Engagements 2400. 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 accompanying financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures of profit and loss account for the quarters ended 31 December 2004 and 2005 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2005.

Date: 31 January 2006

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Zulfeqar Industries Limited

Balance Sheet

As at 31 December 2005

		31 December 2005 (Unaudited) (Rupees in '000)	30 June 2005 (Audited)
	<i>Note</i>		
FIXED ASSETS			
Property, plant and equipment	4	178,133	175,646
LONG TERM INVESTMENTS			
LONG TERM ADVANCE AND DEPOSITS	5	7,968	15,788
LOANS AND ADVANCES TO EMPLOYEES	6	27,976	8,913
		247	314
CURRENT ASSETS			
Stores and spares		7,484	6,149
Stock-in-trade	7	141,797	126,711
Short term investments	8	39,370	30,787
Trade debts		10,677	6,172
Mark-up / profit accrued		1,872	1,771
Current maturity of loans and advances to employees		242	477
Advances, deposits, prepayments and other receivables		41,283	21,239
Cash and bank balances		30,339	23,731
		273,064	217,037
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		17,821	18,613
Accrued mark-up		409	628
Trade and other payables		130,507	101,683
Provision for taxation		39,082	17,684
		187,819	138,608
NET CURRENT ASSETS		85,245	78,429
NET ASSETS		299,569	279,090
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised Capital 5,000,000 (30 June 2005: 5,000,000) ordinary shares of Rs. 10 each		50,000	50,000
Issued, subscribed and paid-up capital 4,000,000 (30 June 2005: 4,000,000) ordinary shares of Rs. 10 each		40,000	40,000
REVENUE RESERVES		6,000	6,000
UN-APPROPRIATED PROFIT		131,721	103,572
SHAREHOLDERS' EQUITY		177,721	149,572
SURPLUS ON REVALUATION OF FIXED ASSETS		49,010	50,483
LONG TERM DEPOSITS		450	475
DEFERRED LIABILITIES		61,485	58,608
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		10,903	19,952
CONTINGENCIES AND COMMITMENTS	9	-	-
		299,569	279,090

The annexed notes 1 to 15 form an integral part of these financial statements.

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Profit and Loss Account (Unaudited)
For the half year ended 31 December 2005

	<i>Note</i>	Half year ended		Quarter ended	
		31 December 2005	31 December 2004	31 December 2005	31 December 2004
		(Rupees in '000)			
Sales - net	10	484,079	449,829	221,896	202,299
Cost of sales	11	337,610	354,094	151,677	163,280
Gross profit		146,469	95,735	70,219	39,019
Selling and distribution cost		66,782	43,361	30,637	16,555
Administrative expenses		13,170	9,445	6,905	4,195
Other operating expenses		4,565	3,122	2,205	1,421
		84,517	55,928	39,747	22,171
Other operating income - net		2,627	5,741	928	3,063
Operating profit before financing cost		64,579	45,548	31,400	19,911
Finance cost		1,854	2,598	862	1,211
Profit before taxation		62,725	42,950	30,538	18,700
Taxation	12	22,049	14,789	11,755	6,324
Profit after taxation		40,676	28,161	18,783	12,376
Earnings per share - basic and diluted	<i>Rupees</i>	10.17	7.04	4.69	3.09

The annexed notes 1 to 15 form an integral part of these financial statements.

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Cash Flow Statement (Unaudited)
For the half year ended 31 December 2005

	31 December 2005	31 December 2004
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	62,725	42,950
Adjustments for:		
Mark-up expense	1,854	2,596
Depreciation	8,684	7,085
Provision for gratuity	1,992	2,094
Provision for retirement benefit	1,528	1,181
Loss / (gain) on revaluation of investments	807	(459)
Profit on investment	(1,941)	-
Gain on disposal of fixed assets	(133)	-
	<u>12,791</u>	<u>12,497</u>
Operating profit before working capital changes	75,516	55,447
Decrease / (increase) in operating assets:		
Stores and spares	(1,335)	(626)
Stock in trade	(15,085)	(583)
Trade debts	(4,505)	(6,559)
Loans and advances	301	(180)
Long term advance and deposits	(19,059)	(218)
Advances, deposits, prepayments and other receivables	(9,498)	(827)
	<u>(49,181)</u>	<u>(8,993)</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	28,739	(3,431)
Cash generated from operations	55,074	43,023
Income tax paid	(10,552)	(9,198)
Gratuity paid	(795)	(256)
Retirement benefits paid	(500)	(247)
Mark-up received on investments	1,840	-
Mark-up paid	(2,073)	(2,003)
	<u>(12,080)</u>	<u>(11,704)</u>
Net cash flows from operating activities	42,994	31,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(11,390)	(5,966)
Short term investments	609	(18,831)
Sale proceeds of fixed assets	350	7,522
Long term investments	7,820	-
Net cash flows from investing activities	(2,611)	(17,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(13,910)	(9,585)
Repayment/ addition of lease liability, net	(9,841)	(6,454)
Long term deposits	(25)	-
Net cash flows from financing activities	(23,776)	(16,039)
Net increase / (decrease) in cash and cash equivalents	16,607	(1,995)
Cash and cash equivalents at the beginning of the period	23,732	41,451
Cash and cash equivalents at the end of the period	<u>40,339</u>	<u>39,456</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,339	39,456
Certificate of investment (note 8.4)	10,000	-
	<u>40,339</u>	<u>39,456</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Statement of Changes in Equity (Unaudited)
For the half year ended 31 December 2005

	Issued subscribed and paid up Capital	Revenue reserves		Total
		General reserves	Un-appropriated profit	
	(Rupees in '000)			
Balance as at 1 July 2004	40,000	6,000	68,167	114,167
Profit for the half year ended 31 December 2004	-	-	28,161	28,161
Transferred from surplus on revaluation of fixed assets	-	-	1,636	1,636
Final dividend paid @ Rs.2.50 per share	-	-	(10,000)	(10,000)
Balance as at 31 December 2004	40,000	6,000	87,964	133,964
Profit for the half year ended 30 June 2005	-	-	13,971	13,971
Transferred from surplus on revaluation of fixed assets	-	-	1,637	1,637
Balance as at 30 June 2005	40,000	6,000	103,572	149,572
Profit for the half year ended 31 December 2005	-	-	40,676	40,676
Transferred from surplus on revaluation of fixed assets	-	-	1,473	1,473
Final dividend paid @ Rs.3.50 per share	-	-	(14,000)	(14,000)
Balance as at 31 December 2005	40,000	6,000	131,721	177,721

The annexed notes 1 to 15 form an integral part of these financial statements.

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited

Notes to the financial statements (Unaudited)

For the half year ended 31 December 2005

1. STATUS AND NATURE OF BUSINESS

Zulfeqar Industries Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was 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. The registered office of the Company is situated at 3rd floor, Kandawala Building, M.A. Jinnah Road, Karachi.

2. BASIS OF PRESENTATION

These financial statements are unaudited but subject to limited scope review by auditors and have been prepared in accordance with the requirement of International Accounting Standard 34 - "Interim Financial Reporting" as applicable in Pakistan. .

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2005, except available-for-sale investments are redesignated as 'financial assets at fair value through profit or loss' as per transitional provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement. Surplus/ deficit arising from re-measurement is taken to profit and loss account. The redesignation of the investments has no effect on the profit and loss for the period.

These financial statements are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

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

Fixed capital expenditure during the period amounted to Rs. 4.471 million (30 June 2005: Rs. 52.657 million). Book value of fixed assets disposed off during the period amounted to Rs. 0.506 million (30 June 2005: Rs. 0.604 million).

5. LONG TERM INVESTMENTS, held to maturity

		31 December 2005	30 June 2005
		(Rupees in '000)	
Certificates of Musharika	5.1	10,560	14,080
Certificates of Investment	5.2	12,890	16,892
		23,450	30,972
Maturity within twelve months	8	(15,482)	(15,184)
		7,968	15,788

- 5.1 These represent 6 certificate of musharika of Rs. 1.760 million each of First Habib Modaraba. These certificates carry a return @ 7 percent per annum and will mature by 19 February 2007.
- 5.2 These certificates were issued by Grays Leasing Limited and carry a return @ 7 percent per annum and will mature by 1 May 2007.
6. **LONG TERM ADVANCE AND DEPOSITS**, considered good

		31 December 2005	30 June 2005
		(Rupees in '000)	
Advance for purchase of land	6.1	22,310	3,000

Deposits:

- against letter of guarantee		2,510	2,510
- against utilities		195	195
- against finance lease		2,840	3,089
- to Central Depository Company Limited		14	12
- others		107	107
		5,666	5,913
		27,976	8,913

- 6.1 This represents advance paid to Port Qasim Authority for the purchase of land at Port Qasim, Karachi.

7. **STOCK IN TRADE**

Raw material		35,861	35,543
Packing material		9,315	4,702
Work-in-process		14,575	18,180
Finished goods		37,050	31,070
Stock in transit		47,239	39,459
Provision for slow moving stock-in-trade		(2,243)	(2,243)
		141,797	126,711

8. **SHORT TERM INVESTMENTS**

Financial assets held at fair value through profit and loss

Quoted

Shares	8.1	2,886	2,576
Term Finance Certificates	8.2	1,715	3,705
		4,601	6,281

Unquoted

Pakistan Investment Bonds	8.3	9,287	9,322
		13,888	15,603

Held to maturity:

Certificates of Investment	8.4	10,000	-
Investments maturing within twelve months	5	15,482	15,184
		39,370	30,787

- 8.1** These represent 24,459 shares of face value of Rs. 10 each of Oil and Gas Development Company Limited with cost of Rs. 782,933.
- 8.2** These represent 1,000 certificates of Rs. 5,000 each of First Oil and Gas Securitization Company Limited carrying return at SBP discount rate plus 2.5 percent per annum. These certificates will mature on 4 December 2006.
- 8.3** These represent 20 year Pakistan Investment Bonds (PIBs) having face value of Rs. 10 million. These PIBs will mature on 20 January 2024. These PIBs carry a coupon rate of 10 percent per annum.
- 8.4** These represent certificate of investment of Atlas Investment Bank Limited carrying return / mark-up at 11% per annum. These certificates have matured on 16 January 2006.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- 9.1.1** Bank guarantees have been issued under certain supply contracts amounting to Rs. 4.787 million (30 June 2005: Rs. 5.146 million).
- 9.1.2** Post dated cheques have been issued to Collector of Customs amounting to Rs. 17.677 million (30 June 2005: Rs. 13.500 million).

9.2 Commitments

Commitments under letters of credit as at 31 December 2005 amounted to Rs. 62.984 million (30 June 2005: Rs. 61.819 million).

10. SALES - net

	Half year ended		Quarter ended	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
	(Rupees in '000)			
Gross sales	603,641	552,975	278,738	251,647
Sales tax	86,274	71,555	39,984	32,518
Trade promotion discount	33,257	31,561	16,856	16,827
Rebate/ sales return	31	30	2	3
	(119,562)	(103,146)	(56,842)	(49,348)
	484,079	449,829	221,896	202,299

11. COST OF SALES

	Half year ended		Quarter ended	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
	(Rupees in '000)			
Raw and packing material consumed	276,505	233,044	140,191	110,626
Stores and spares consumed	2,693	2,243	1,300	1,243
Salaries, wages and other benefits	28,131	27,003	14,093	13,061
Contribution to Provident Fund	569	501	281	247
Repairs and maintenance	1,056	841	500	408
Fuel and power	19,691	16,638	9,409	7,558
Rent, rates and taxes	65	52	14	36
Insurance	800	839	390	424
Product research and development	81	23	17	8
Excise duty	-	47,361	-	22,254
Traveling and conveyance	1,018	987	587	483
Printing and stationery	156	153	81	67
Postage, telegrams and telephones	288	304	137	184
Legal charges	3	2	2	-
Professional fee	33	34	17	20
Entertainment expenses	2	3	1	1
Subscription	19	20	4	3
Depreciation	7,230	6,481	3,614	3,660
Freight and material handling	1,172	1,464	618	637
Other expenses	473	404	237	185
	339,985	338,397	171,493	161,105
Opening stock of work-in-process	18,180	15,115	16,338	15,112
Closing stock of work-in-process	(14,575)	(15,204)	(14,575)	(15,204)
	343,590	338,308	173,256	161,013
Opening stock of finished goods	31,070	51,792	15,471	38,273
Closing stock of finished goods	(37,050)	(36,006)	(37,050)	(36,006)
	337,610	354,094	151,677	163,280

12. TAXATION

Current	21,398	13,943	10,553	6,977
Deferred	651	846	1,202	(653)
	22,049	14,789	11,755	6,324

13. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise associated companies, staff retirement plans, directors and key management personnel. Transactions with related parties and associated undertakings are as follows:

	Half year ended	
	31 December 2005	31 December 2004
	(Rupees in '000)	
Associated Companies		
Purchases and services received	2,892	17,114
Sales and services rendered	1,631	3,183
Common expenses charged by the associated company	1,491	2,424
Profit/ commission	-	49
Dividend paid	2,970	2,121
Staff Retirement Benefit Plan		
Contribution to employees' provident fund	893	862
Key Management Personnel		
Managerial remuneration, etc.	2,826	2,456
Directors and Chief Executive Officer		
Remuneration, fee, etc.	2,633	2,563
Dividend paid	5,880	4,198

- 13.1 Chief Executive Officer, certain directors and executives are also provided with free use of company maintained vehicles.

14. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors' meeting held on 31 January 2006.

15. GENERAL

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

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director