



## **Financial Statements**

**For the Nine months ended  
31 March 2005**

## **DIRECTORS' REVIEW**

The Directors of the Company would like to present the financial statements of the Company for the quarter ended 31 March 2005.

### **Overview**

Sales revenue has increased to Rs 625.459M during the period under review as against Rs 509.845M during the same period last year registering a growth of 22.68% as a consequence of which gross profit ratio has also increased by 12.31% as compared to the same period last year.

However, sale volumes were lower during the quarter under review with previous quarters due to the seasonal effect and rationalization of stocks and relaunch of its products in the forthcoming months. This is another step in providing quality products to the consumers through innovation in formulation and upgrade in technology that the company has been investing in for the last few years.

It will enable the company to attain competitive edge over other brands of national and international soaps available in the market and through greater bottom line efficiencies that has been the aim of its continuous balancing, modernization and replacement (BMR) policy.

The company registered a post tax profit of Rs 34.590M during the period under review as against post tax profit of Rs 21.587M during the same period last year.

As a result of better overall performance over the same period last year, earning per share for the period under review is Rs 8.65 as compared to Rs 5.40.

### **Future Outlook**

It will not be out of place to mention here that Federal Budget for the year 2005-06 would be announced soon and it would benefit the indigenous soap industries if the Government reduces the duty structure on raw material and maintains 25% duty on finished soap and other taxes with specific reference to central excise duty on indigenous soap.

Central Excise Duty is actually levied on items of which the Government wants to prohibit use, whereas soap is an essential item for personal hygiene, therefore CED on indigenous soap should be abolished.

This would definitely help the local industry to combat soaps brought into the country by under-invoicing and smuggling.

The rising cost of raw material and borrowing will have a negative impact on the company's profitability but the management is confident that through its better marketing initiatives and cost control, the current positive trend would prevail.

### **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: 26 April 2005

Syeda Ferial R. Ali  
Chief Executive Officer

# Zulfeqar Industries Limited

## Balance Sheet (Unaudited)

As at 31 March 2005

	31 March 2005	30 June 2004 (Restated)
	<b>(Rupees in '000)</b>	
<b>OPERATING ASSETS - at cost / revaluation</b>		
less accumulated depreciation	159,837	106,414
<b>CAPITAL WORK IN PROGRESS - at cost</b>	15,027	54,633
<b>TRADE MARKS - at cost</b>	471	471
<b>LONG TERM INVESTMENTS</b>	19,636	30,972
<b>LONG TERM DEPOSITS</b>	2,401	2,116
<b>LOANS AND ADVANCES TO EMPLOYEES - unsecured considered good</b>	298	294
<b>CURRENT ASSETS</b>		
Stores and spares	4,576	3,365
Stock-in-trade	109,232	95,888
Short term investments	42,041	31,566
Trade debtors - unsecured, considered good	11,626	6,430
Current maturity of loans and advances to employees	447	283
Advances, deposits, prepayments and other receivables	42,437	27,767
Cash and bank balances	20,230	41,451
	<b>230,589</b>	<b>206,750</b>
<b>CURRENT LIABILITIES</b>		
Current maturity of liabilities against assets subject to finance lease	17,650	17,967
Finance under mark-up arrangements - secured	9,268	-
Creditors, accrued expenses and other liabilities	103,360	121,243
Provision for taxation	30,948	16,269
	<b>161,226</b>	<b>155,479</b>
<b>NET CURRENT ASSETS</b>	<b>69,363</b>	<b>51,271</b>
<b>TOTAL ASSETS</b>	<b>267,033</b>	<b>246,171</b>
<b>FINANCED BY :</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
AUTHORISED CAPITAL	50,000	50,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL	40,000	40,000
REVENUE RESERVES	6,000	6,000
UN-APPROPRIATED PROFIT	95,210	68,167
SHAREHOLDERS' EQUITY	141,210	114,167
SURPLUS ON REVALUATION OF FIXED ASSETS	51,301	53,755
LONG TERM DEPOSITS	475	475
DEFERRED LIABILITIES	53,372	47,168
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	20,675	30,606
CONTINGENCIES AND COMMITMENTS	-	-
	<b>267,033</b>	<b>246,171</b>

The annexed notes 1 to 12 form an integral part of these financial statements.

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

\_\_\_\_\_  
Director

**Zulfeqar Industries Limited**  
**Profit and Loss Account (Unaudited)**  
*For the nine month period ended 31 March 2005*

	Note	January to March		July to March	
		2005	2004	2005	2004
<b>(Rupees in '000)</b>					
Sales - net	9	<b>175,630</b>	161,720	<b>625,459</b>	509,845
Cost of goods sold	10	<b>145,046</b>	127,820	<b>499,141</b>	397,370
Gross profit		<b>30,584</b>	33,900	<b>126,318</b>	112,475
Administrative expenses		<b>4,848</b>	3,882	<b>14,293</b>	11,740
Selling and distribution expenses		<b>19,730</b>	20,302	<b>63,090</b>	68,348
Financial expenses		<b>1,300</b>	361	<b>3,899</b>	1,365
Workers' Welfare Fund		<b>43</b>	215	<b>861</b>	692
Workers' Profit Participation Fund		<b>458</b>	523	<b>2,762</b>	1,775
		<b>26,379</b>	25,283	<b>84,905</b>	83,920
		<b>4,205</b>	8,617	<b>41,413</b>	28,555
Other income		<b>4,462</b>	1,114	<b>10,204</b>	4,471
Profit before taxation		<b>8,667</b>	<b>9,731</b>	<b>51,617</b>	<b>33,026</b>
Taxation:					
Current		<b>736</b>	3,679	<b>14,679</b>	11,855
Prior Year		<b>6</b>	-	<b>6</b>	43
Deferred		<b>1,496</b>	(503)	<b>2,342</b>	(459)
		<b>2,238</b>	3,176	<b>17,027</b>	11,439
Profit after taxation		<b>6,429</b>	6,555	<b>34,590</b>	21,587
Earning per share	Rupees	<b>1.61</b>	1.64	<b>8.65</b>	5.40

The annexed notes 1 to 12 form an integral part of these financial statements.

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

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

Zulfeqar Industries Limited  
Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2005

	<b>July to March 2005</b>	July to March 2004
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>51,617</b>	33,026
Adjustments for:		
Financial charges	3,896	1,270
Depreciation	11,160	5,428
Provision for gratuity	2,900	1,776
Provision for retirement benefits	1,772	4,622
(Gain) on revaluation of investment	(1,968)	-
(Gain) on disposal of fixed Assets	(93)	(140)
	<u>17,667</u>	<u>12,956</u>
Operating profit before working capital changes	<b>69,284</b>	45,982
<b>Decrease / (Increase) in operating assets:</b>		
Stores and spares	(1,211)	(1,133)
Stock in trade	(13,344)	16,560
Trade debtors	(5,220)	(5,048)
Advances, deposits, prepayments and other receivables	(1,934)	(4,618)
Loans & advances to employees	(168)	-
Long term deposits	(285)	(182)
	<u>(22,162)</u>	<u>5,579</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Creditors, accrued expenses and other liabilities	(18,651)	15,072
Cash generated from operations	<u>28,471</u>	<u>66,633</u>
Income tax paid	(12,478)	(7,539)
Gratuity paid	(383)	(1,909)
Retirement benefits paid	(428)	(3,067)
Mark-up paid	(3,801)	(1,273)
	<u>(17,090)</u>	<u>(13,788)</u>
<b>Net cash flows from operating activities</b>	<b>11,381</b>	52,845
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(25,584)	(56,091)
Short term Investments	2,829	(17,523)
Sales proceeds of fixed assets	700	833
<b>Net cash flows from investing activities</b>	<b>(22,055)</b>	(72,781)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(9,566)	(3,985)
(Repayment) / addition of lease liability-net	(10,249)	(1,936)
<b>Net cash flows from financing activities</b>	<b>(19,815)</b>	(5,921)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(30,489)</b>	(25,857)
<b>Cash and cash equivalents at beginning of the period</b>	<b>41,451</b>	55,085
<b>Cash and cash equivalents at end of the period</b>	<b>10,962</b>	29,228
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	20,230	29,228
Finance and Mark-up arrangements	(9,268)	-
	<u>10,962</u>	<u>29,228</u>

The annexed notes 1 to 12 form an integral part of these financial statements

-----  
Chief Executive Officer

-----  
Director

**Zulfear Industries Limited**  
**Statement of Changes in Equity (Unaudited)**  
*For the nine months period ended 31 March 2005*

	<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 March 2004	-	-	21,587	21,587
Transferred from surplus on revaluation of fixed assets	-	-	1,302	1,302
Final dividend paid @ Re. 1 per share	-	-	(4,000)	(4,000)
Balance as at 31 March 2004	<u>40,000</u>	<u>6,000</u>	<u>54,553</u>	<u>100,553</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 March 2005	-	-	34,590	34,590
Transferred from surplus on revaluation of fixed assets	-	-	2,453	2,453
Final dividend paid @ Rs. 2.5 per share	-	-	(10,000)	(10,000)
Balance as at 31 March 2005	<u>40,000</u>	<u>6,000</u>	<u>95,210</u>	<u>141,210</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

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

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

# Zulfeqar Industries Limited

## Notes to the Financial Statements (Unaudited)

*For the nine months period ended 31 March 2005*

### **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. 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. 1.225 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 nine months period are as follows:

	<b>31 March 2005</b>	31 March 2004
	(Rupees in '000)	
<b>Additions</b>		
<i>Owned:</i>		
Building	399	-
Plant, Machinery and Equipments	9,409	724
Furniture and Fixtures	23	18
Vehicles	2,052	927
Computers	649	45
	<u>12,532</u>	<u>1,714</u>
<i>Leased:</i>		
Plant, Machinery and Equipments	47,987	-
Vehicles	4,670	1,822
	<u>65,189</u>	<u>3,536</u>
<b>Disposals</b>		
<i>Vehicles</i>		
Owned	2,098	582
Leased	-	824
	<u>2,098</u>	<u>1,406</u>

**4.1** Details of cost of capital work in progress added during the nine months period are as follows:

Plant, Machinery and Equipments, Vehicles and Others	<u>25,584</u>	<u>56,091</u>
--	---------------	---------------

**5 SHORT TERM INVESTMENTS**

	<b>31 March 2005</b>	30 June 2004
	(Rupees in '000)	
<i>Available for sale</i>		
<i>Quoted</i>		
Shares	2,871	1,556
Term Finance Certificates	3,900	4,708
	<u>6,771</u>	<u>6,264</u>
<i>Unquoted</i>		
Pakistan Investment Bonds	10,214	10,154
<i>Held to maturity</i>		
<i>Investments maturing within twelve months</i>		
Certificate of Musharika	7,040	7,040
Certificate of investments and certificate of deposits	18,016	8,108
	<u>25,056</u>	<u>15,148</u>
	<u>42,041</u>	<u>31,566</u>



- 5.1** 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 monthly.
- 5.2** 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.
- 5.3** These represent current portion of investments maturing from April 2005 to May 2007 carrying mark-up 5.5 percent to 7.5 percent per annum.

<b>6. SURPLUS ON REVALUATION OF FIXED ASSETS</b>	<b>31 March 2005</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	(2,454)	(1,736)
Related deferred tax liability	(1,322)	(936)
	<u>67,601</u>	<u>71,377</u>
Less: Related deferred tax liability on:		
- Revaluation	17,622	18,558
- Incremental depreciation charged during the year - transferred to profit and loss account	(1,322)	(936)
	<u>16,300</u>	<u>17,622</u>
Balance at the end of the period	<u>51,301</u>	<u>53,755</u>
 <b>7. DEFERRED LIABILITIES</b>		
Deferred tax liability	11,198	8,856
Staff gratuity	22,316	19,799
Staff retirement benefits	19,858	18,513
	<u>53,372</u>	<u>47,168</u>
 <b>8. CONTINGENCIES AND COMMITMENTS</b>		
Letters of credit	<u>78,108</u>	<u>72,599</u>
Bank guarantee	<u>4,012</u>	<u>2,849</u>
Commitment for lease of land	<u>9,000</u>	<u>9,000</u>

**9. SALES-NET**

	January to March		July to March	
	2005	2004	2005	2004
	<b>(Rupees in '000)</b>			
Gross sales	<b>213,269</b>	201,405	<b>766,244</b>	638,198
Sales tax	<b>(27,620)</b>	(29,494)	<b>(99,175)</b>	(93,834)
Trade promotion discount	<b>(10,013)</b>	(10,188)	<b>(41,574)</b>	(34,470)
Sale return / rebate	<b>(6)</b>	(3)	<b>(36)</b>	(49)
	<b>(37,639)</b>	(39,685)	<b>(140,785)</b>	(128,353)
	<b>175,630</b>	161,720	<b>625,459</b>	509,845

**10. COST OF GOODS SOLD**

Raw and packing material consumed	<b>100,687</b>	93,003	<b>333,730</b>	261,636
Stores and spares consumed	<b>1,854</b>	1,149	<b>4,097</b>	4,306
Salaries, wages and other benefits	<b>12,599</b>	13,926	<b>39,602</b>	41,090
Contribution to Provident Fund	<b>305</b>	261	<b>806</b>	792
Repairs and maintenance	<b>639</b>	356	<b>1,481</b>	1,217
Fuel and power	<b>8,058</b>	7,020	<b>24,696</b>	20,287
Rent, rates and taxes	<b>15</b>	27	<b>67</b>	55
Insurance	<b>469</b>	418	<b>1,308</b>	1,199
Product research and development	<b>11</b>	53	<b>34</b>	72
Excise duty	<b>18,760</b>	17,894	<b>66,122</b>	56,795
Traveling and conveyance	<b>430</b>	334	<b>1,416</b>	936
Printing and stationery	<b>98</b>	75	<b>251</b>	298
Postage, telegrams and telephones	<b>189</b>	131	<b>493</b>	568
Legal charges	<b>3</b>	10	<b>5</b>	11
Professional fee	<b>22</b>	12	<b>56</b>	40
Entertainment	<b>1</b>	1	<b>4</b>	1
Subscription	<b>2</b>	3	<b>23</b>	21
Depreciation	<b>3,538</b>	1,739	<b>10,019</b>	4,723
Other expenses	<b>928</b>	985	<b>2,796</b>	2,408
	<b>148,608</b>	<b>137,397</b>	<b>487,006</b>	<b>396,455</b>
Opening stock of work-in-process	<b>15,204</b>	11,690	<b>15,115</b>	11,209
Closing stock of work-in-process	<b>(19,159)</b>	(11,873)	<b>(19,159)</b>	(11,873)
	<b>144,653</b>	<b>137,214</b>	<b>482,962</b>	<b>395,791</b>
Opening stock of finished goods	<b>36,006</b>	26,637	<b>51,792</b>	37,610
Closing stock of finished goods	<b>(35,613)</b>	(36,031)	<b>(35,613)</b>	(36,031)
	<b>145,046</b>	<b>127,820</b>	<b>499,141</b>	<b>397,370</b>

## 11 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 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 March 2005</b>	July to March <b>2004</b>
	<b>(Rupees in '000)</b>	
Purchases and services received	<u>27,050</u>	<u>21,930</u>
Sales and services rendered	<u>4,873</u>	<u>2,777</u>
Common expenses charged by the associated company	<u>2,742</u>	<u>11,406</u>
Profit commission	<u>49</u>	<u>73</u>
Contribution to employees' provident fund	<u>1,359</u>	<u>1,044</u>
Chief executive and directors remuneration	<i>11.1</i> <u>3,542</u>	<u>2,462</u>

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

## 12 GENERAL

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

12.2 These accounts were approved in the Board of Directors' meeting held on April 26, 2005.

12.3 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.

---

Chief Executive Officer

---

Director