



## **Financial Statements**

**For the Nine months ended  
31 March 2006**

## **DIRECTORS' REVIEW**

The Directors of the Company would like to present the financial statements of the Company for the period ended 31 March 2006.

### **Overview**

The net sales revenue has increased to Rs 675.653M during the period under review as against Rs 625.459M during the same period last year registering a growth of 8%. The gross profit ratio has also increased to 30.33% as compared to 20.2% during the same period last year.

There was an increase of 10.34% in the sale volume during the period under review as compared with the previous period.

The selling and distribution expenses increased by 62.16% during period under review due to continuous heavy advertising campaigns carried out on electronic as well as print media.

The administrative expenses have increased mainly due to increase in depreciation expense on capital expenditure.

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

The company has registered a post tax profit of Rs 51.132M during the period under review as against post tax profit of Rs 34.590M during the same period last year.

### **Earning per Share**

As a result of better overall performance over the same period last year, earning per share for the period under review is **Rs 12.78** as compared to Rs 8.65.

### **Future Outlook**

It is a pleasure to inform that the ERP solution would shortly go live on various modules and run parallel with the existing software as a trial run and would hopefully be fully implemented this year thereby achieving another milestone in latest technology.

The rising trend in the cost of fuel and utilities are an indication that the distribution cost and the cost of production respectively would significantly increase in the future that may adversely affect the profitability of the company.

### **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: 25 April 2006

Syeda Ferial R. Ali  
Chief Executive Officer

# Zulfeqar Industries Limited

## Balance Sheet (Un-audited)

As at 31 March 2006

		31 March 2006	30 June 2005 (Audited)
	Note	(Rupees in '000)	
<b>FIXED ASSETS</b>			
Property, plant and equipment	4	186,495	175,646
<b>LONG TERM INVESTMENTS</b>			
	5	4,005	15,788
<b>LONG TERM ADVANCE AND DEPOSITS</b>			
	6	28,389	8,913
<b>LOANS AND ADVANCES TO EMPLOYEES</b>			
		390	314
<b>CURRENT ASSETS</b>			
Stores and spares		8,801	6,149
Stock-in-trade	7	123,450	126,711
Short term investments	8	45,010	30,787
Trade debts		5,658	6,172
Mark-up / profit accrued		1,496	1,771
Current maturity of loans and advances to employees		207	477
Advances, deposits, prepayments and other receivables		37,812	21,239
Cash and bank balances		48,644	23,731
		<b>271,078</b>	<b>217,037</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		20,855	18,613
Accrued mark-up		354	628
Trade and other payables		121,080	101,683
Provision for taxation		41,847	17,684
		<b>184,136</b>	<b>138,608</b>
<b>NET CURRENT ASSETS</b>			
		<b>86,942</b>	<b>78,429</b>
<b>NET ASSETS</b>			
		<b>306,221</b>	<b>279,090</b>
<b>FINANCED BY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
5,000,000 (30 June 2005: 5,000,000) ordinary shares of Rs. 10 each		<b>50,000</b>	50,000
Issued, subscribed and paid-up capital			
4,000,000 (30 June 2005: 4,000,000) ordinary shares of Rs. 10 each		<b>40,000</b>	40,000
REVENUE RESERVES		<b>6,000</b>	6,000
UN-APPROPRIATED PROFIT		<b>142,913</b>	103,572
SHAREHOLDERS' EQUITY		<b>188,913</b>	149,572
SURPLUS ON REVALUATION OF FIXED ASSETS		<b>48,274</b>	50,483
LONG TERM DEPOSITS		<b>450</b>	475
DEFERRED LIABILITIES		<b>63,118</b>	58,608
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		<b>5,466</b>	19,952
CONTINGENCIES AND COMMITMENTS	9	-	-
		<b>306,221</b>	<b>279,090</b>

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

Syeda Feriel R. Ali  
Chief Executive Officer

Shahid Nazir Ahmed  
Director

Zulfeqar Industries Limited  
Profit and Loss Account (Un-audited)  
For the nine month period ended 31 March 2006

	<i>Note</i>	<u>Period ended</u>		<u>Quarter ended</u>	
		<u>31 March</u> <u>2006</u>	31 March 2005	<u>31 March</u> <u>2006</u>	31 March 2005
		<b>(Rupees in '000)</b>			
Sales - net	10	<b>675,653</b>	625,459	<b>191,574</b>	175,630
Cost of sales	11	<b>470,762</b>	499,141	<b>133,152</b>	145,046
Gross profit		<b>204,891</b>	126,318	<b>58,422</b>	30,584
Selling and distribution cost		<b>102,309</b>	63,090	<b>35,527</b>	19,730
Administrative expenses		<b>21,537</b>	14,293	<b>8,367</b>	4,848
Other operating expenses		<b>5,581</b>	3,623	<b>1,016</b>	501
		<b>129,427</b>	81,006	<b>44,910</b>	25,079
Other operating income - net		<b>5,492</b>	10,204	<b>2,864</b>	4,462
Operating profit before financing cost		<b>80,956</b>	55,516	<b>16,376</b>	9,967
Finance cost		<b>2,532</b>	3,899	<b>677</b>	1,300
Profit before taxation		<b>78,424</b>	51,617	<b>15,699</b>	8,667
Taxation	12	<b>27,292</b>	17,027	<b>5,243</b>	2,238
Profit after taxation		<b>51,132</b>	34,590	<b>10,456</b>	6,429
Earnings per share - basic and diluted	<i>Rupees</i>	<b>12.78</b>	8.65	<b>2.61</b>	1.61

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 (Un-audited)

For the nine month period ended 31 March 2006

31 March 2006 31 March 2005  
(Rupees in '000)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	78,424	51,617
Adjustments for:		
Mark-up expense	2,532	3,896
Depreciation	13,464	11,160
Provision for gratuity	2,988	2,900
Provision for retirement benefit	2,292	1,772
Loss / (gain) on revaluation of investments	(132)	(1,968)
Profit on investment	(2,852)	-
Gain on disposal of fixed assets	(119)	(93)
	<u>18,173</u>	<u>17,667</u>
Operating profit before working capital changes	96,597	69,284

Decrease / (increase) in operating assets:

Stores and spares	(2,652)	(1,211)
Stock in trade	3,262	(13,344)
Trade debts	514	(5,220)
Loans and advances	193	(168)
Long term advance and deposits	(19,474)	(285)
Advances, deposits, prepayments and other receivables	(1,235)	(1,934)
	<u>(19,392)</u>	<u>(22,162)</u>

Increase / (decrease) in operating liabilities:

Trade and other payables	19,332	(18,651)
Cash generated from operations	<u>96,537</u>	<u>28,471</u>

Income tax paid

Income tax paid	(15,340)	(12,478)
Gratuity paid	(1,774)	(383)
Retirement benefits paid	(2,125)	(428)
Mark-up received on investments	3,127	-
Mark-up paid	(2,805)	(3,801)
	<u>(18,917)</u>	<u>(17,090)</u>

Net cash flows from operating activities

77,620 11,381

**CASH FLOWS FROM INVESTING ACTIVITIES**

Fixed capital expenditure	(24,580)	(25,584)
Short term investments	908	2,829
Sale proceeds from fixed assets	385	700
Long term investments	11,783	-
Net cash flows from investing activities	<u>(11,504)</u>	<u>(22,055)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Dividend paid	(13,933)	(9,566)
Repayment / addition of lease liability - net	(12,245)	(10,249)
Long term deposits	(25)	-
Net cash flows from financing activities	<u>(26,203)</u>	<u>(19,815)</u>
Net increase / (decrease) in cash and cash equivalents	39,913	(30,489)

Cash and cash equivalents at the beginning of the period

23,731 41,451

Cash and cash equivalents at the end of the period

63,644 10,962

**CASH AND CASH EQUIVALENTS**

Cash and bank balances	48,644	20,230
Finance under mark-up arrangements	-	(9,268)
Short term deposit (note 8.4)	15,000	-
	<u>63,644</u>	<u>10,962</u>

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

Syeda Feriel R. Ali  
Chief Executive Officer

Shahid Nazir Ahmed  
Director

**Zulfeqar Industries Limited**  
**Statement of Changes in Equity (Un-audited)**  
*For the nine month period ended 31 March 2006*

	<b>Issued subscribed and paid up Capital</b>	<b>Revenue reserves</b>		<b>Total</b>
		<b>General reserves</b>	<b>Un-appropriated profit</b>	
	<b>(Rupees in '000)</b>			
Balance as at 1 July 2004	40,000	6,000	68,167	114,167
Profit for the nine month 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.2.50 per share	-	-	(10,000)	(10,000)
Balance as at 31 March 2005	40,000	6,000	95,210	141,210
Profit for the quarter ended 30 June 2005	-	-	7,542	7,542
Transferred from surplus on revaluation of fixed assets	-	-	820	820
Balance as at 30 June 2005	40,000	6,000	103,572	149,572
Profit for the nine month period ended 31 March 2006	-	-	51,132	51,132
Transferred from surplus on revaluation of fixed assets	-	-	2,209	2,209
Final dividend paid @ Rs.3.50 per share	-	-	(14,000)	(14,000)
Balance as at 31 March 2006	<b>40,000</b>	<b>6,000</b>	<b>142,913</b>	<b>188,913</b>

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 (Un-audited)

For the nine month period ended 31 March 2006

### 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 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. 19.969 million (30 June 2005: Rs. 84.674 million). Book value of fixed assets disposed off during the period amounted to Rs.0.266 million (30 June 2005: Rs. 1.318 million).

### 5. LONG TERM INVESTMENTS, held to maturity

		<b>31 March 2006</b>	30 June 2005 (Audited)
		<b>(Rupees in '000)</b>	
Certificates of Musharika	5.1	<b>8,800</b>	14,080
Certificates of Investment	5.2	<b>10,836</b>	16,892
		<b>19,636</b>	30,972
Maturity within twelve months	8	<b>(15,631)</b>	(15,184)
		<b>4,005</b>	15,788

- 5.1 These represent 5 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 01 May 2007.
6. **LONG TERM ADVANCE AND DEPOSITS**, considered good

		<b>31 March 2006</b>	30 June 2005 (Audited)
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(Rupees in '000)

Advance for purchase of land	6.1	22,310	3,000
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**Deposits:**

- against letter of guarantee		2,510	2,510
- against utilities		299	195
- against finance lease		3,147	3,089
- to Central Depository Company Limited		13	12
- others		110	107
		<b>6,079</b>	5,913
		<b>28,389</b>	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		30,926	35,543
Packing material		8,478	4,702
Work-in-process		13,927	18,180
Finished goods		54,797	31,070
Stock in transit		17,565	39,459
Provision for slow moving stock-in-trade		(2,243)	(2,243)
		<b>123,450</b>	126,711
		<b>123,450</b>	126,711

**8. SHORT TERM INVESTMENTS**

*Financial assets held at fair value through profit and loss*

Quoted

Shares	8.1	3,949	2,576
Term Finance Certificates	8.2	1,287	3,705
		<b>5,236</b>	6,281

Unquoted

Pakistan Investment Bonds	8.3	9,143	9,322
		<b>14,379</b>	15,603

*Held to maturity:*

Short term deposit	8.4	15,000	-
Investments maturing within twelve months	5	15,631	15,184
		<b>45,010</b>	30,787
		<b>45,010</b>	30,787



- 8.1** These represent 24,459 shares having 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 04 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 fixed deposit in Standard Chartered Bank for a period of 7 days, carrying return / mark-up at 7.05% per annum.

## **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. 6.616 million (30 June 2005: Rs. 13.500 million).

### **9.2 Commitments**

Commitments under letters of credit as at 31 March 2006 amounted to Rs. 127.258 million (30 June 2005: Rs. 61.819 million).

## **10. SALES - net**

	<b>Period ended</b>		<b>Quarter ended</b>	
	<b>31 March 2006</b>	31 March 2005	<b>31 March 2006</b>	31 March 2005
	<b>(Rupees in '000)</b>			
Gross sales	<b>842,411</b>	766,244	<b>238,771</b>	213,269
Sales tax	<b>120,785</b>	99,175	<b>34,512</b>	27,620
Trade promotion discount	<b>45,942</b>	41,574	<b>12,685</b>	10,013
Rebate / sales return	<b>31</b>	36	<b>-</b>	6
	<b>(166,758)</b>	(140,785)	<b>(47,197)</b>	(37,639)
	<b>675,653</b>	625,459	<b>191,574</b>	175,630

## 11. COST OF SALES

	Period ended		Quarter ended	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
	<b>(Rupees in '000)</b>			
Raw and packing material consumed	<b>394,209</b>	333,730	<b>117,704</b>	100,687
Stores and spares consumed	<b>4,125</b>	4,097	<b>1,432</b>	1,854
Salaries, wages and other benefits	<b>42,658</b>	39,602	<b>14,527</b>	12,599
Contribution to Provident Fund	<b>871</b>	806	<b>302</b>	305
Repairs and maintenance	<b>2,077</b>	1,481	<b>1,020</b>	639
Fuel and power	<b>28,675</b>	24,696	<b>8,984</b>	8,058
Rent, rates and taxes	<b>342</b>	67	<b>276</b>	15
Insurance	<b>1,217</b>	1,308	<b>417</b>	469
Product research and development	<b>149</b>	34	<b>67</b>	11
Excise duty	-	66,122	-	18,760
Traveling and conveyance	<b>1,603</b>	1,416	<b>586</b>	430
Printing and stationery	<b>228</b>	251	<b>72</b>	98
Postage, telegram and telephone	<b>423</b>	493	<b>135</b>	189
Legal charges	<b>18</b>	5	<b>16</b>	3
Professional fee	<b>50</b>	56	<b>17</b>	22
Entertainment expenses	<b>20</b>	4	<b>17</b>	1
Subscription	<b>27</b>	23	<b>9</b>	2
Depreciation	<b>11,042</b>	10,019	<b>3,812</b>	3,538
Freight and material handling	<b>1,631</b>	2,195	<b>459</b>	731
Other expenses	<b>871</b>	601	<b>398</b>	197
	<b>490,236</b>	487,006	<b>150,250</b>	148,608
Opening stock of work-in-process	<b>18,179</b>	15,115	<b>14,575</b>	15,204
Closing stock of work-in-process	<b>(13,927)</b>	(19,159)	<b>(13,927)</b>	(19,159)
	<b>494,488</b>	482,962	<b>150,898</b>	144,653
Opening stock of finished goods	<b>31,070</b>	51,792	<b>37,050</b>	36,006
Closing stock of finished goods	<b>(54,796)</b>	(35,613)	<b>(54,796)</b>	(35,613)
	<b>470,762</b>	499,141	<b>133,152</b>	145,046

## 12. TAXATION

Current	<b>24,163</b>	14,679	<b>2,765</b>	736
Prior Year	-	6	-	6
Deferred	<b>3,129</b>	2,342	<b>2,478</b>	1,496
	<b>27,292</b>	17,027	<b>5,243</b>	2,238

### 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:

	Period ended	
	31 March 2006	31 March 2005
	(Rupees in '000)	
<b>Associated Companies</b>		
Purchases and services received	<u>2,999</u>	<u>27,050</u>
Sales and services rendered	<u>1,985</u>	<u>4,873</u>
Common expenses charged by the associated company	<u>1,737</u>	<u>2,742</u>
Profit / commission	<u>-</u>	<u>49</u>
Dividend paid	<u>2,970</u>	<u>2,121</u>
<b>Staff Retirement Benefit Plan</b>		
Contribution to employees' provident fund	<u>1,397</u>	<u>1,359</u>
<b>Key Management Personnel</b>		
Managerial remuneration, etc.	<u>4,590</u>	<u>3,668</u>
<b>Directors and Chief Executive Officer</b>		
Remuneration, fee, etc.	<u>3,857</u>	<u>3,557</u>
Dividend paid	<u>5,880</u>	<u>4,198</u>

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

### 14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors' meeting held on 25 April 2006.

### 15. GENERAL

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

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**Syeda Ferial R. Ali**  
Chief Executive Officer

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**Shahid Nazir Ahmed**  
Director