

Zulfeqar Industries Limited

Balance Sheet - Un-audited

As at 30 September 2004

	30 September 2004	30 June 2004 (Audited)
	<i>Note</i>	
	(Rupees in '000)	
OPERATING ASSETS - at cost / revaluation		
less accumulated depreciation	3	106,414
CAPITAL WORK IN PROGRESS - at cost		54,633
TRADE MARKS - at cost		471
LONG TERM INVESTMENTS		30,972
LONG TERM DEPOSITS		2,116
LOANS AND ADVANCES TO EMPLOYEES		294
CURRENT ASSETS		
Stores and spares	4,089	3,365
Stock-in-trade	93,825	95,888
Short term investment	50,864	31,566
Trade debtors - unsecured, considered good	19,748	6,430
Current maturity of loans and advances to employees	440	283
Advances, deposits, prepayments and other receivables	37,826	27,767
Cash and bank balances	13,559	41,451
	220,351	206,750
CURRENT LIABILITIES		
Current maturity of liabilities against assets subject to finance lease	20,897	17,967
Finance under mark-up arrangement	641	
Creditors, accrued expenses and other liabilities	108,117	121,243
Provision for taxation	23,235	16,269
Dividend	10,000	10,000
	162,890	165,479
NET CURRENT ASSETS	57,461	41,271
TOTAL ASSETS	247,498	236,171
FINANCED BY :		
SHARE CAPITAL AND RESERVES		
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	74,767	58,167
SHAREHOLDERS' EQUITY	120,767	104,167
SURPLUS ON REVALUATION OF FIXED ASSETS	7	53,755
LONG TERM DEPOSITS		475
DEFERRED LIABILITIES	8	47,168
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		30,606
CONTINGENCIES AND COMMITMENTS	9	
	247,498	236,171

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

These accounts were approved in the Board of Directors' meeting held on 25 October 2004.

Syeda Ferial R. Ali
 Chief Executive Officer

Shahid Nazir Ahmed
 Director

Zulfeqar Industries Limited
Profit and Loss Account - Un-audited
For the quarter ended 30 September 2004

		July to Sept 2004	July to Sept 2003
	<i>Note</i>	(Rupees in '000)	
Sales - net	10	247,529	171,205
Cost of goods sold	11	190,817	131,337
Gross profit		56,712	39,868
Administrative expenses		5,250	3,733
Selling & distribution expenses		26,805	22,729
Financial expenses		1,387	489
WWF		403	255
WPPF		1,297	702
		35,142	27,908
		21,570	11,960
Other income		2,679	1,128
Profit before taxation		24,249	13,088
Taxation:			
Current		6,966	4,376
Deferred		1,499	284
		8,465	4,660
Profit after taxation		15,784	8,428
Earning per share	<i>Rupees</i>	3.95	2.11

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

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Cash Flow Statement - Un-audited
For the quarter ended 30 September 2004

	July to Sept 2004	July to Sept 2003
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	24,249	13,088
Adjustments for:		
Financial charges	1,385	421
Depreciation	3,281	1,684
Provision for gratuity	668	592
Provision for retirement benefits	591	1,541
(Gain) / loss on revaluation of investment	(138)	
	<u>5,787</u>	<u>4,238</u>
Operating profit before working capital changes	30,036	17,326
Decrease / (Increase) in operating assets:		
Stores and spares	(724)	(197)
Stock in trade	2,063	12,204
Trade debtors	(13,318)	2,897
Advances, deposits, prepayments and other receivables	(4,939)	(2,620)
Loans & advances	(299)	
Long term deposits	131	-
	<u>(17,086)</u>	12,284
Increase (Decrease) in operating liabilities		
Creditors, accrued expenses and other liabilities	(13,128)	1,530
Cash generated from operations	<u>(178)</u>	31,140
Income tax paid	(5,120)	(1,393)
Gratuity paid	-	(1,164)
Retirement benefits paid	-	(2,022)
Mark-up paid	(1,385)	(418)
	<u>(6,505)</u>	(4,997)
Net cash (used) / flows from operating activities	(6,683)	26,143
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,150)	(517)
Short term investments	839	(35,000)
Long term investment	3,743	123
Net cash (used) / flows from investing activities	2,432	(35,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / addition of lease liability-net	(4,282)	(1,048)
Net cash (used) / flows from financing activities	(4,282)	(1,048)
Net (decrease)/increase in cash and cash equivalents	(8,533)	(10,299)
Cash and cash equivalents as at beginning of the period	41,451	55,085
Cash and cash equivalents as at end of the period	<u>32,918</u>	<u>44,786</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,559	44,786
Finance under mark-up arrangements	(641)	-
Short term Investment - en-cashable within three months	20,000	-
	<u>32,918</u>	<u>44,786</u>

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

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Statement of Changes in Equity - Un-audited
For the quarter ended 30 September 2004

(Rupees in '000)

	Share Capital	Revenue Reserves	Un-appropriated Profit	Total
Balance as at 1st July 2003	40,000	6,000	31,664	77,664
Profit for the quarter ended 30 September 2003	-	-	8,428	8,428
Transferred from surplus on revaluation of fixed assets	-	-	434	434
Balance as at 30 September 2003	<u>40,000</u>	<u>6,000</u>	<u>40,526</u>	<u>86,526</u>

	Share Capital	Revenue Reserves	Un-appropriated Profit	Total
Balance as at 1st July 2004	40,000	6,000	58,165	104,165
Profit for the quarter ended 30 September 2004	-	-	15,784	15,784
Transferred from surplus on revaluation of fixed assets	-	-	818	818
Balance as at 30 September 2004	<u>40,000</u>	<u>6,000</u>	<u>74,767</u>	<u>120,767</u>

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

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited

Notes to the Financial Statements - Un-audited

For the quarter ended 30 September, 2004

1. These financial statements are un-audited, prepared in compliance with IAS-34 'Interim Financial Reporting', and are circulated to the shareholders as required by section 245 of the Companies Ordinance 1984.
2. The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the company for the year ended 30 June 2004, except as stated in note number 3.
3. Upto June 30, 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.

With effect from July 1, 2004 the company has decided to change its depreciation policy to charge the depreciation on monthly pro-rata basis on all assets capitalized and disposed off or scrapped during the year.

4. Following is the cost of operating assets that have been added / disposed off during the three months period ended 30 September 2004:

	July to Sept 2004	July to Sept 2003
	(Rupees in '000)	
Additions		
Owned:		
Plant, Machinery and Equipments	7,020	439
Furniture and Fixture	17	13
Vehicles	-	117
Computer	66	5
	<u>7,103</u>	<u>574</u>
Leased:		
Plant, Machinery and Equipments	47,952	-
Vehicles	700	-
	<u>55,755</u>	<u>574</u>
Disposals		
Owned:		
Vehicles	<u>-</u>	<u>375</u>

5. Following is the cost of capital work in progress that have been added during the three months period ended 30 September 2004:

Plant, Machinery and Equipments	<u>1,027</u>	<u>52</u>
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6. As stated in note number 3, the depreciation policy has been changed, had there been no such change in depreciation policy, the profit before tax for the period and the written down value of the operating assets would have been lower by Rs. 0.462 M.

	30 September 2004	30 June 2004
(Rupees in '000)		
7. Surplus on Revaluation of Fixed Assets		
Opening Balance	71,377	34,303
Revaluation during the period		39,746
Transferred to retained earnings due to incremental depreciation - net off deferred tax	(818)	(1,736)
Related deferred tax liability	(441)	(936)
	70,118	71,377
Less: Related deferred tax liability on:		
- Revaluation	17,622	18,558
- Incremental depreciation charged during the year - transferred to profit and loss account	(441)	(936)
	17,181	17,622
Balance at the end of the period	52,937	53,755

8. Deferred Liabilities

Deferred tax liability	8.1	10,355	8,856
Staff gratuity		20,467	19,799
Staff retirement benefits		19,103	18,513
		49,925	47,168

8.1 Deferred Tax Liability is composed of the following:

Debit balances arising in respect of			
-Provision for gratuity and retirement benefits		(13,850)	(13,409)
-Provision for slow moving stock & doubtful debts		(3,043)	(3,043)
Credit Balances arising in respect of			
-Depreciation		4,785	3,649
-Lease rental		5,282	4,037
-Revaluation Surplus		17,181	17,622
		10,355	8,856

9. Contingencies and Commitments

Letters of credit	78,028	72,599
Bank guarantee	2,849	2,849
Commitment for lease of land	9,000	9,000

July to Sept July to Sept
2004 2003

(Rupees in '000)

10 Sales-net

Gross sales	301,327	215,789
Sales tax	39,037	31,708
Trade promotion discount	14,734	12,848
Sale return / rebate	27	28
	53,798	44,584
	247,529	171,205

11 Cost of Goods Sold

Raw & packing material consumed	122,418	74,603
Stores & spares consumed	1,000	1,358
Salaries, wages & other benefits	13,941	14,196
Contribution to Provident Fund	255	270
Repairs & maintenance	433	365
Fuel & power	9,080	6,337
Rent, rates & taxes	17	22
Insurance	415	383
Product research & development	15	11
Excise duty	25,108	18,342
Traveling & conveyance	504	283
Printing & stationery	86	112
Postage, telegrams & telephones	120	190
Legal & professional	16	13
Entertainment	2	1
Subscription	17	14
Depreciation	2,822	1,465
Other expenses	1,046	546
	177,295	118,511
Opening stock of work-in-process	15,115	11,209
Closing stock of work-in-process	(15,112)	(11,077)
	177,298	118,643
Opening stock of finished goods	51,792	37,610
Closing stock of finished goods	(38,273)	(24,916)
	190,817	131,337

12 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of group companies, entities with common directors and their close family members, major shareholders, key management employees and staff provident fund. 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 except for common expenses which are shared equitably under the agreed terms of arrangement. The transactions with related parties are as follow:

	July to Sept 2004	July to Sept 2003
	(Rupees in '000)	
Purchases and services received	<u>11,149</u>	<u>6,679</u>
Sales and services rendered	<u>1,724</u>	<u>817</u>
Common expenses charged by the associated company	<u>1,397</u>	<u>4,634</u>
Contribution to employees' provident fund	<u>413</u>	<u>350</u>
Chief executive and directors remuneration	<u>1,064</u>	<u>823</u>

12.1 The transactions with the Chief Executive, 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 The comparative figures have been re-arranged and re-grouped where ever necessary to facilitate comparison.

13.3 These accounts were approved in the Board of Directors' meeting held on October 25, 2004.

Syeda Ferial R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director