



## **Financial Statements**

**For the First Quarter ended  
30 September 2005**

## **DIRECTORS' REVIEW FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

The Directors of the Company are pleased to present the Un-audited accounts of the Company for the 1<sup>st</sup> quarter of financial year -06 ended 30 September 2005.

### **Results**

During the 1<sup>st</sup> quarter of financial year -06, gross sales revenue increased to Rs.324.9 mn. up by 7.8% over prior year period. This is despite the fact that the Company had to reduce prices of its major product due to stiff competition in the market followed by competitors' activities after the withdrawal of excise duty on finished soap.

Sales volumes were also higher during the quarter registering a growth of 23.5% over prior year period. This was mainly due to the aggressive marketing campaign launched by the Company along with the re-organization of the sales force & hiring of sales staff. Further, the decreased influx of smuggled soaps in the market has also helped in gaining volume.

Gross profit during the period increased to Rs.76.2mn. registering a growth of 34.4% which was mainly due to the rationalization of stocks & control over costs. Similarly net profit after tax also increased by 38.7% to Rs.21.89 mn. during the quarter.

Earnings per share for the quarter was Rs.5.47 as compared to Rs.3.95 in the corresponding period last year.

### **Future Outlook**

The Company is in the process of planning to set-up a state-of-the art production facility at the newly acquired land measuring 10 acres at Port Qasim Authority. The facility would consist of newly imported machinery as well as the existing machinery operating at its Hyderabad factory.

This will enable the Company to bring about diversity in its product line & to attain cost efficiencies which would result in an increased market share as well as higher profit margins.

The Company has also envisaged undertaking implementation of Enterprise Resource Planning software which is in the process of live testing & would be operational in the upcoming quarter.

### **Social Responsibility**

As a part of its social responsibility, the Company & its employees have donated generously in the Earthquake relief fund established by several government & non-government organizations for the relief & rehabilitation of the October 8 earthquake affectees.

We thank all our customers, staff & shareholders for their continued confidence & support in making Zulfeqar Industries Ltd. one of the top performers in the soap industry.

For and on Behalf of the Board

Karachi: 24 October 2005

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Syeda Ferial R. Ali  
Chief Executive Officer

# Zulfeqar Industries Limited

## Balance Sheet - Un-audited

As at 30 September 2005

		30 September 2005	30 June 2005 (Audited)
	<i>Note</i>	<b>(Rupees in '000)</b>	
<b>FIXED ASSETS</b>			
Property plant and equipment	4	<b>190,014</b>	175,646
LONG TERM INVESTMENTS		<b>13,661</b>	15,788
LONG TERM ADVANCES AND DEPOSITS		<b>5,666</b>	8,913
LOANS AND ADVANCES TO EMPLOYEES		<b>291</b>	314
<b>CURRENT ASSETS</b>			
Stores and spares		<b>6,820</b>	6,149
Stock-in-trade		<b>101,863</b>	126,711
Short term investments	6	<b>44,133</b>	30,787
Trade debts		<b>15,185</b>	6,172
Mark-up / profit accrued		<b>1,438</b>	1,771
Current maturity of loans and advances to employees		<b>477</b>	477
Advances, deposits, prepayments and other receivables		<b>41,059</b>	21,239
Cash and bank balances		<b>39,336</b>	23,731
		<b>250,311</b>	217,037
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		<b>20,637</b>	18,613
Accrued mark-up		<b>164</b>	628
Trade and other payables		<b>116,003</b>	101,683
Provision for taxation		<b>28,529</b>	17,684
		<b>165,333</b>	138,608
<b>NET CURRENT ASSETS</b>		<b>84,978</b>	78,429
<b>NET ASSETS</b>		<b>294,610</b>	279,090
<b>FINANCED BY</b>			
SHARE CAPITAL		<b>40,000</b>	40,000
REVENUE RESERVES		<b>6,000</b>	6,000
UN-APPROPRIATED PROFIT		<b>126,202</b>	103,572
SHAREHOLDERS' EQUITY		<b>172,202</b>	149,572
SURPLUS ON REVALUATION OF FIXED ASSETS	7	<b>49,747</b>	50,483
LONG TERM DEPOSITS		<b>475</b>	475
DEFERRED LIABILITIES	8	<b>59,532</b>	58,608
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		<b>12,654</b>	19,952
CONTINGENCIES AND COMMITMENTS	9	<b>-</b>	-
		<b>294,610</b>	279,090

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

These accounts were approved in the Board of Directors' meeting held on October 24, 2005.

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

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**Shahid Nazir Ahmed**  
 Director

**Zulfeqar Industries Limited**  
**Profit and Loss Account - Un-audited**  
*For the quarter ended 30 September 2005*

		<b>July to September 2005</b>	July to September 2004
	<i>Note</i>	<b>(Rupees in '000)</b>	
Sales - net	<i>10</i>	<b>262,182</b>	247,529
Cost of sales	<i>11</i>	<b>185,933</b>	190,817
Gross profit		<b>76,249</b>	56,712
Selling & distribution cost		<b>36,145</b>	26,805
Administrative expenses		<b>6,265</b>	5,250
Other operating expenses		<b>2,360</b>	1,700
		<b>44,770</b>	33,755
Other operating income - net		<b>1,700</b>	2,679
Operating profit before financing cost		<b>33,179</b>	25,636
Finance cost		<b>992</b>	1,387
Profit before taxation		<b>32,187</b>	24,249
Taxation	<i>12</i>	<b>10,294</b>	8,465
Profit after taxation		<b>21,893</b>	15,784
Earning per share	<i>Rupees</i>	<b>5.47</b>	3.95

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

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

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**Shahid Nazir Ahmed**  
 Director

Zulfeqar Industries Limited  
Cash Flow Statement - Un-audited  
For the quarter ended 30 September 2005

July to  
September  
2005

July to  
September  
2004

(Rupees in '000)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	32,187	24,249
Adjustments for:		
Mark-up expense	992	1,385
Depreciation	4,289	3,281
Provision for gratuity	996	668
Provision for retirement benefit	764	591
(Gain) / loss on revaluation of investments	(419)	(138)
Profit on investment	(700)	-
(Gain) / loss on disposal of fixed assets	12	-
	5,934	5,787
Operating profit before working capital changes	38,121	30,036
Decrease / (increase) in operating assets		
Stores and spares	(671)	(724)
Stock in trade	24,849	2,063
Trade debts	(9,013)	(13,318)
Loans and advances	23	(299)
Long term advances and deposits	3,248	131
Advances, deposits, prepayments and other receivables	(15,425)	(4,939)
	3,011	(17,086)
Increase / (decrease) in operating liabilities		
Trade and other payables	14,322	(13,128)
Cash generated from operations	55,454	(178)
Income tax paid	(4,396)	(5,120)
Gratuity paid	(286)	-
Mark-up received on investments	1,033	-
Mark-up paid	(1,457)	(1,385)
	(5,106)	(6,505)
Net cash flows from operating activities	50,348	(6,683)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(18,719)	(2,150)
Short term investments	(12,928)	839
Sale proceeds of fixed assets	50	-
Long term investments	2,127	3,743
Net cash flows from investing activities	(29,470)	2,432
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment/addition of lease liability-net	(5,274)	(4,282)
Net increase / (decrease) in cash and cash equivalents	15,604	(8,533)
Cash and cash equivalents at the beginning of the quarter	23,732	41,451
Cash and cash equivalents at the end of the quarter	39,336	32,918

The annexed notes 1 to 15 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 2005

	Issued subscribed and paid up Capital	Revenue reserves		Total
		General reserves	Un-appropriated profit	
(Rupees in '000)				
Balance as at 1st July 2004 (as reported previously)	40,000	6,000	58,165	104,165
Change in accounting policy with respect to dividends declared after the balance sheet date	-	-	10,000	10,000
Balance as at 1st July 2004 (as restated)	40,000	6,000	68,165	114,165
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 (as restated)	<u>40,000</u>	<u>6,000</u>	<u>84,767</u>	<u>130,767</u>
Balance as at 1st July 2005	40,000	6,000	103,572	149,572
Profit for the quarter ended 30 September 2005	-	-	21,893	21,893
Transferred from surplus on revaluation of fixed assets	-	-	737	737
Balance as at 30 September 2005	<u>40,000</u>	<u>6,000</u>	<u>126,202</u>	<u>172,202</u>

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

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

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**Shahid Nazir Ahmed**  
Director

**Zulfeqar Industries Limited**  
**Notes to the Accounts - Un-audited**  
For the quarter ended 30 September 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 Company is domiciled in Karachi, Pakistan.

**2 BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the requirement of "International Accounting Standard 34 - Interim Financial Reporting" as applicable in Pakistan and are un-audited. Further, these accounts are being placed on our website: [www.zulfeqarindustriesltd.com](http://www.zulfeqarindustriesltd.com) for members.

**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 2005.

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

Following is the cost of operating assets that have been added / disposed off during the quarter ended September 30, 2005.

	<b>July to September 2005</b>	<b>July to September 2004</b>
<b>(Rupees in '000)</b>		
<b>Additions</b>		
<b>Owned:</b>		
Building	115	-
Plant, machinery and equipments	1,295	7,020
Furniture and fixture	88	17
Computer	868	66
	<b>2,366</b>	<b>7,103</b>
<b>Leased:</b>		
Plant, machinery and equipments	-	47,952
Vehicles	-	700
	<b>2,366</b>	<b>55,755</b>
<b>Disposals</b>		
<b>Owned:</b>		
Plant, machinery and equipments	163	-
	<b>163</b>	-

**5** Following is the cost of capital work in progress that have been added during the quarter ended 30 September 2005.

Land	16,610	-
Plant, machinery and equipments	1,302	1,027
Furniture	88	-
Computer	719	-
	<b>18,719</b>	<b>1,027</b>



**30 September**      30 June  
**2005**                      2005  
(Audited)

**(Rupees in '000)**

## 6 SHORT TERM INVESTMENTS

### Available for sale

Quoted			
Shares	6.1	2,785	2,576
Term Finance Certificates	6.2	<u>3,705</u>	<u>3,705</u>
		<b>6,490</b>	6,281
Unquoted			
Pakistan Investment Bonds	6.3	<u>9,076</u>	<u>9,322</u>
		<b>15,566</b>	15,603
Investments maturing within twelve months		<u>28,567</u>	15,184
		<u><b>44,133</b></u>	<u>30,787</u>

- 6.1** 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.
- 6.2** 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, receivable monthly. These certificates will mature on 4 December 2006.
- 6.3** 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, receivable bi-annually

## 7 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening Balance	<b>66,343</b>	71,377
Transferred to retained earnings due to incremental depreciation - net off deferred tax	<b>(736)</b>	(3,272)
Related deferred tax liability	<u><b>(396)</b></u>	<u>(1,762)</u>
	<b>65,211</b>	66,343
Less: Related deferred tax liability on:		
- Revaluation surplus	<b>15,860</b>	17,622
- Incremental depreciation charged during the year - transferred to profit and loss account	<u><b>(396)</b></u>	<u>(1,762)</u>
	<b>15,464</b>	15,860
Balance at the end of the period	<u><b>49,747</b></u>	<u>50,483</u>

<b>30 September 2005</b>	30 June 2005 (Audited)
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(Rupees in '000)

**8 DEFERRED LIABILITY**

Deferred tax liability	<b>12,590</b>	13,140
Staff gratuity	<b>25,446</b>	24,735
Staff retirement benefits	<b>21,496</b>	20,733
	<u><b>59,532</b></u>	<u>58,608</u>

**9 CONTINGENCIES AND COMMITMENTS**

Letters of credit	<u><b>67,158</b></u>	<u>61,819</u>
Bank guarantees	<u><b>4,787</b></u>	<u>5,146</u>
Commitment	<u><b>12,330</b></u>	<u>13,500</u>

<b>July to September 2005</b>	July to September 2004
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(Rupees in '000)

**10 SALES - net**

Gross sales	<b>324,902</b>	301,327
Sales tax	<b>46,290</b>	39,037
Trade promotion discount	<b>16,401</b>	14,734
Sales return / rebate	<b>29</b>	27
	<u><b>(62,720)</b></u>	<u>(53,798)</u>
	<u><b>262,182</b></u>	<u>247,529</u>

**July to**                      **July to**  
**September**                      **September**  
**2005**                                      **2004**

**(Rupees in '000)**

**11 COST OF SALES**

Raw & packing material consumed	<b>136,314</b>	122,418
Stores & spares consumed	<b>1,393</b>	1,000
Salaries, wages & other benefits	<b>14,038</b>	13,941
Contribution to Provident Fund	<b>288</b>	255
Repairs & maintenance	<b>556</b>	433
Fuel & power	<b>10,282</b>	9,080
Rent, rates & taxes	<b>51</b>	17
Insurance	<b>410</b>	415
Product research & development	<b>64</b>	15
Excise duty	<b>-</b>	25,108
Traveling & conveyance	<b>430</b>	504
Printing & stationery	<b>75</b>	86
Postage, telegrams & telephones	<b>154</b>	120
Legal	<b>1</b>	2
Professional fee	<b>16</b>	14
Entertainment	<b>1</b>	2
Subscription	<b>14</b>	17
Depreciation	<b>3,616</b>	2,822
Freight and handling	<b>553</b>	827
Other expenses	<b>236</b>	219
	<b>168,492</b>	177,295
Opening stock of work-in-process	<b>18,180</b>	15,115
Closing stock of work-in-process	<b>(16,338)</b>	(15,112)
	<b>170,334</b>	177,298
Opening stock of finished goods	<b>31,070</b>	51,792
Closing stock of finished goods	<b>(15,471)</b>	(38,273)
	<b>185,933</b>	190,817

**12 TAXATION**

Current	<b>10,845</b>	6,966
Deferred	<b>(551)</b>	1,499
	<b>10,294</b>	8,465

### 13 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of group companies, directors and their close family members, staff provident fund, executive and major shareholders of the Company. Associated companies with whom such transactions have taken place includes Wazir Ali Industries Limited, IGI Insurance Company Limited, Treet Corporation Limited and Packages Limited.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	<b>July to September 2005</b>	<b>July to September 2004</b>
	<b>(Rupees in '000)</b>	
Purchases and services received	<u>2,387</u>	<u>11,149</u>
Sales and services rendered	<u>1,034</u>	<u>1,724</u>
Common expenses charged by the associated company	<u>1,148</u>	<u>1,397</u>
Contribution to employees' provident fund	<u>449</u>	<u>413</u>
Chief executive officer and directors remuneration	<u>1,061</u>	<u>1,064</u>

- 13.1 The transactions with the chief executive officer and whole time working director were undertaken in accordance with their terms of employment.

### 14 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

- 14.1 As per the requirements of International Accounting Standard - 10 "Events after the Balance Sheet Date", dividend is recognized as a liability in the period in which it is declared, the comparative statement for the period September 30, 2004 have been restated accordingly
- 14.2 The Board of Directors in its meeting held on 12 September, 2005 had proposed a cash dividend of Rs.3.50 per share (2004: Rs. 2.50 per share). The proposed dividend has been approved in the Annual General Meeting held on October 20, 2005. The financial statements for the quarter ended 30 September, 2005 do not include the effect of the approved dividend which will be accounted for in the financial statements for the period ending December 31, 2005.

### 15 GENERAL

- 15.1 Figures have been rounded off to the nearest thousand of rupees.
- 15.2 The comparative figures have been re-arranged and re-grouped wherever necessary to facilitate comparison.
- 15.3 These accounts were approved in the Board of Directors' meeting held on October 24, 2005.

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

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**Shahid Nazir Ahmed**  
Director