



## **Condensed Interim Financial Statements**

**For the six months period ended  
31 December 2006**

## **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 2006.

### **Overview**

Business and economic activity in the country remained stable though inflationary pressures and rising cost of raw material, utilities and other overheads are squeezing the business margins.

Competition is growing fast as well and the retail and wholesale businesses are seeing new entrants in the market which will be providing new opportunities for the fast moving consumer goods sector.

The company is cognizant of the changing market conditions and will be improving its products offerings and sales strategy in line with the new market dynamics.

### **Financial Review**

The company has been able to achieve net sales revenue of Rs. 448.92M as against Rs 484.08M in the corresponding period last year. While profit after tax is Rs 28.53M during the year under review as compared to Rs 40.68M last year during the same period.

Efforts are being made to control costs therefore cost of goods sold has slightly reduced to 69.54% during the period under review as compared to 69.74% thus improving the gross profit marginally from 30.26% to 30.46%.

The selling and distribution expenses increased by 13% during period under review due to expansion plans of the sales infrastructure in north & central Pakistan and increase in the size of the sales force to increase our coverage and depth.

The administrative expenses have increased by 27.82% mainly due to increase in staff remuneration in order to make them competitive with industry, increase in professional fee paid to consultants for updating of Company manuals & trainings to staff & depreciation on leasehold land & improvements as well as amortization of computer software licenses.

However, the financial cost has reduced due to minimal utilization of running finance and leasing facilities.

The financial strength of the company is strong as is evident from the current ratio of 1.45: 1.

### **Earning per Share**

Earning per share during the period under review is Rs 7.13 as compared to Rs 10.17 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.

### **Future Outlook**

The Company is striving to broaden its customer base by revamping its existing product line and planning to diversify its business into other business avenues.

The Enterprise Resource Planning (ERP) solution undertaken by the Company that would enable integration of different functions and processes establishing a reliable database with instant access has been implemented at an operational stage except for some advance stage modules, which are also in the final stages of implementation.

### **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: 22 February 2007

Syeda Ferial R. Ali  
Chief Executive Officer

## **Review Report to the Members**

We have reviewed the annexed condensed interim balance sheet of **Zulfeqar Industries Limited** as at 31 December 2006 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as “condensed interim financial statements”) for the six months period then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim 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 condensed interim 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 condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures of condensed interim profit and loss account for the three months period ended 31 December 2006 were not subject to review, as we are required to review only the cumulative figures for the six months period ended 31 December 2006.

**Date:** 22 February 2007  
**Karachi**

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

Zulfeqar Industries Limited  
Condensed Interim Balance Sheet (Unaudited)

As at 31 December 2006

	Notes	31 December 2006	30 June 2006 (Audited)
(Rupees in '000)			
<b>FIXED ASSETS</b>			
Property, plant and equipment	5	246,039	211,221
Intangible assets	3.2	1,892	-
LONG TERM ADVANCES AND DEPOSITS		3,663	3,655
LOANS AND ADVANCES TO EMPLOYEES		292	314
<b>CURRENT ASSETS</b>			
Stores and spares		10,234	10,006
Stock-in-trade	6	151,933	121,857
Short term investments	7	19,729	49,201
Trade debts		8,564	7,893
Mark-up / profit accrued on investments		1,169	1,610
Current maturity of loans and advances to employees		185	193
Advances, deposits, prepayments and other receivables		27,519	27,643
Cash and bank balances	8	17,599	47,737
		<b>236,932</b>	<b>266,140</b>
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		11,438	19,729
Short term running finance under mark-up arrangement		5,847	-
Accrued mark-up liability		193	268
Trade and other payables		137,246	126,797
Taxation		9,177	26,428
		<b>163,901</b>	<b>173,222</b>
<b>NET CURRENT ASSETS</b>		<b>73,031</b>	<b>92,918</b>
<b>NET ASSETS</b>		<b>324,917</b>	<b>308,108</b>
<b>FINANCED BY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		50,000	50,000
5,000,000 (30 June 2006: 5,000,000) ordinary shares of Rs. 10 each		<b>50,000</b>	<b>50,000</b>
Issued, subscribed and paid up capital		40,000	40,000
Reserves		166,705	156,854
		<b>206,705</b>	<b>196,854</b>
SURPLUS ON REVALUATION OF FIXED ASSETS		46,212	47,538
LONG TERM DEPOSITS		450	450
DEFERRED STAFF LIABILITIES		47,083	43,775
DEFERRED TAXATION - net		23,287	17,994
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		1,180	1,497
CONTINGENCIES AND COMMITMENT		9	
<b>Total Equity and Liabilities</b>		<b>324,917</b>	<b>308,108</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Zulfeqar Industries Limited  
 Condensed Interim Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2006

	Notes	Six months period ended		Three months period ended	
		31 December 2006	31 December 2005	31 December 2006	31 December 2005
		(Rupees in '000)		(Rupees in '000)	
Net sales	10	448,923	484,079	221,943	221,896
Cost of sales	11	(312,184)	(337,610)	(152,081)	(151,677)
Gross profit		<u>136,739</u>	<u>146,469</u>	<u>69,862</u>	<u>70,219</u>
Selling and distribution expenses		(75,462)	(66,782)	(39,941)	(30,637)
Administrative expenses		(16,835)	(13,170)	(8,389)	(6,905)
		<u>(92,297)</u>	<u>(79,952)</u>	<u>(48,330)</u>	<u>(37,542)</u>
<b>Operating profit</b>		<b>44,442</b>	<b>66,517</b>	<b>21,532</b>	<b>32,677</b>
Other income / (charges) - net		989	(1,938)	1,343	(1,277)
		<u>45,431</u>	<u>64,579</u>	<u>22,875</u>	<u>31,400</u>
Financial cost		(1,030)	(1,854)	(563)	(862)
<b>Profit before taxation</b>		<b>44,401</b>	<b>62,725</b>	<b>22,312</b>	<b>30,538</b>
Taxation		(15,876)	(22,049)	(7,981)	(11,755)
<b>Profit after taxation</b>		<b><u>28,525</u></b>	<b><u>40,676</u></b>	<b><u>14,331</u></b>	<b><u>18,783</u></b>
		(Rupees)		(Rupees)	
<b>Earnings per share - basic and diluted</b>		<b><u>7.13</u></b>	<b><u>10.17</u></b>	<b><u>3.58</u></b>	<b><u>4.69</u></b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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 Chief Executive Officer

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 Director

**Zulfeqar Industries Limited**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the six months period ended 31 December 2006*

		<b>Six months period ended</b>	
		<b>31 December 2006</b>	<b>31 December 2005</b>
		<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	<i>Note</i>		
Cash generated from operations	12	<b>31,058</b>	55,074
Income tax paid		<b>(21,223)</b>	(10,552)
Gratuity paid		<b>(122)</b>	(795)
Retirement benefits paid	b	<b>-</b>	(500)
Mark-up received on investments		<b>2,020</b>	1,840
Mark-up received on short term deposit		<b>558</b>	-
Dividend received		<b>147</b>	-
Mark-up paid		<b>(1,104)</b>	(2,073)
		<b>(19,724)</b>	(12,080)
Net cash flows from operating activities		<b>11,334</b>	42,994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		<b>(47,516)</b>	(11,390)
Short term investments		<b>28,687</b>	609
Proceeds from disposal of fixed assets		<b>-</b>	350
Long term investment		<b>-</b>	7,820
Net cash flows from investing activities		<b>(18,829)</b>	(2,611)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(19,881)</b>	(13,910)
Repayment of lease liability - net		<b>(8,609)</b>	(9,841)
Long term deposits		<b>-</b>	(25)
Net cash flows from financing activities		<b>(28,490)</b>	(23,776)
Net (decrease) / increase in cash and cash equivalents		<b>(35,985)</b>	16,607
Cash and cash equivalents at beginning of the period		<b>47,737</b>	23,732
Cash and cash equivalents at end of the period		<b>11,752</b>	40,339
<b>Cash and cash equivalents comprises</b>			
Cash and bank balances		<b>17,599</b>	30,339
Short term investment		<b>-</b>	10,000
Short term running finance under mark-up arrangement		<b>(5,847)</b>	-
		<b>11,752</b>	40,339

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

\_\_\_\_\_  
Director

Zulfeqar Industries Limited  
Condensed Interim Statement of Changes in Equity (Unaudited)  
For the six months period ended 31 December 2006

	Issued, subscribed and paid-up capital	Revenue reserve		Total reserves	Total
		General reserve	Unappropriated profit		
(Rupees in '000)					
<b>Balance as at 1 July 2005</b>	40,000	6,000	103,572	109,572	149,572
Net profit for the six months period ended 31 December 2005	-	-	40,676	40,676	40,676
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	1,473	1,473	1,473
Total recognised income and expense for the six months period ended 31 December 2005	-	-	42,149	42,149	42,149
Final dividend for the year ended 30 June 2005	-	-	(14,000)	(14,000)	(14,000)
<b>Balance as at 31 December 2005</b>	40,000	6,000	131,721	137,721	177,721
Net profit for the six months period ended 30 June 2006	-	-	17,661	17,661	17,661
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	1,472	1,472	1,472
Total recognised income and expense for the six months period ended 30 June 2006	-	-	19,133	19,133	19,133
<b>Balance as at 30 June 2006</b>	40,000	6,000	150,854	156,854	196,854
Net profit for the six months period ended 31 December 2006	-	-	28,525	28,525	28,525
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	1,326	1,326	1,326
Total recognised income and expense for six months period ended 31 December 2006	-	-	29,851	29,851	29,851
Final dividend for the year ended 30 June 2006	-	-	(20,000)	(20,000)	(20,000)
<b>Balance as at 31 December 2006</b>	40,000	6,000	160,705	166,705	206,705

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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

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Director



# Zulfeqar Industries Limited

## Notes to the Condensed Interim Financial Statements

*For the six months period ended 31 December 2006*

### **1. STATUS AND NATURE OF BUSINESS**

Zulfeqar Industries Limited (“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 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.

The Company is domiciled in Karachi, Pakistan and its registered office is situated at Kandawala Building, M.A. Jinnah Road, Karachi.

### **2. BASIS FOR PRESENTATION**

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges.

These condensed interim financial statements comprise of condensed interim balance sheet as at 31 December 2006, condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period ended 31 December 2006 which have been subjected to a review but not audit.

The comparative balance sheet presented in these condensed interim financial statements as at 30 June 2006 has been extracted from the audited financial statements of the Company for the year ended 30 June 2006, whereas the comparative condensed interim profit and loss account, condensed interim cash flow statements and the condensed interim statement of changes in equity for the six months period ended 31 December 2005 have been subjected to review but not audited.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in preparation of the financial statements of the Company for the year ended 30 June 2006.

#### **3.2 Intangible assets**

During the period the Company purchased certain computer softwares amounting to Rs. 2.17 million. Expenditure incurred to acquire computer software and related licenses are capitalised as intangible assets and are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised using the reducing balance method at the rate of 30% per annum. Full month's amortisation is charged in the month of acquisition, while no amortisation is charged for the month in which the assets are disposed off.

#### 4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2006.

#### 5. FIXED ASSETS

Fixed capital expenditure during the period amounted to Rs. 47.516 million (31 December 2005: Rs. 4.471 million). Book value of fixed assets disposed off during the period amounted to Rs. Nil (31 December 2005: Rs. 0.506 million).

#### 6. STOCK-IN-TRADE

	31 December 2006	30 June 2006
	(Rupees in '000)	
Raw material – in hand	35,080	31,821
– in transit	46,182	42,977
	<u>81,262</u>	<u>74,798</u>
Packing material	11,285	5,218
Work-in-process	16,694	15,407
Finished goods	44,935	28,677
	<u>154,176</u>	<u>124,100</u>
Provision against slow moving stock-in-trade	(2,243)	(2,243)
	<u>151,933</u>	<u>121,857</u>

#### 7. SHORT TERM INVESTMENTS

##### Financial assets held at fair value thorough profit or loss (at initial recognition)

Quoted:		
- Shares	2,805	3,345
- Term Finance Certificates	-	855
	<u>2,805</u>	<u>4,200</u>
Unquoted:		
- Pakistan Investment Bonds	7.1	9,221
	<u>8,956</u>	<u>13,421</u>
	<u>11,761</u>	<u>13,421</u>
<b>Current maturity of long term held-to-maturity investments</b>		
- Certificates of Musharika	3,520	7,040
- Certificates of Investment	4,448	8,740
	<u>7,968</u>	<u>15,780</u>
<b>Held-to-maturity investments</b>		
- Certificates of deposit	-	10,000
- Certificates of Musharika	-	10,000
	<u>19,729</u>	<u>49,201</u>

7.1 Subsequent to the period end, these were disposed off by the Company.

## 8. CASH AND BANK BALANCES

	<b>31 December 2006</b>	<b>30 June 2006</b>
	<b>(Rupees in '000)</b>	
Cash in hand	<b>158</b>	29
Cash at banks in – current accounts	<b>6,739</b>	11,811
– deposit accounts	<b>10,702</b>	20,897
– short term deposit	-	15,000
	<b>17,441</b>	47,708
	<b>17,599</b>	47,737

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

**9.1.1** Bank guarantees aggregating to Rs. 8.344 million (June 2006: 7.28 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas.

### 9.2 Commitments

**9.2.1** Commitments under letters of credit for the import of stock in trade items amounting to Rs. 30.236 million (30 June 2006: Rs.56.127 million).

**9.2.2** Post dated cheques have been issued to Collector of Customs amounting to Rs. 19.999 million (30 June 2006: Rs.21.422 million).

## 10. NET SALES

	<b>Six months period ended</b>		<b>Three months period ended</b>	
	<b>31 December 2006</b>	31 December 2005	<b>31 December 2006</b>	31 December 2005
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Gross sales	<b>560,005</b>	603,641	<b>276,749</b>	278,738
Sales tax	<b>(80,066)</b>	(86,274)	<b>(39,678)</b>	(39,984)
Trade promotion discount	<b>(31,010)</b>	(33,257)	<b>(15,126)</b>	(16,856)
Rebate and sales return	<b>(6)</b>	(31)	<b>(2)</b>	(2)
	<b>(111,082)</b>	(119,562)	<b>(54,806)</b>	(56,842)
	<b>448,923</b>	484,079	<b>221,943</b>	221,896

## 11. COST OF SALES

	Six months period ended		Three months period ended	
	31 December 2006 (Rupees in '000)	31 December 2005	31 December 2006 (Rupees in '000)	31 December 2005
Raw and packing material consumed	263,124	276,505	135,244	140,191
Stores and spares consumed	2,129	2,693	297	1,300
Salaries, wages and other benefits	28,661	28,131	14,063	14,093
Contribution to the provident fund	606	569	303	281
Repair and maintenance	972	1,056	367	500
Fuel and power	20,721	19,691	10,242	9,409
Rent, rates and taxes	371	65	53	14
Insurance	1,074	800	624	390
Product research and development	195	81	101	17
Traveling and conveyance	809	1,018	391	587
Printing and stationery	139	156	62	81
Postage, telephone and telegrams	245	288	112	137
Legal charges	289	3	281	2
Professional fee	39	33	21	17
Entertainment	25	2	7	1
Subscription	17	19	3	4
Depreciation	8,370	7,230	4,369	3,614
Freight and material handling	1,515	1,172	1,041	618
Other expenses	428	473	221	237
	<b>329,729</b>	<b>339,985</b>	<b>167,802</b>	<b>171,493</b>
Opening stock of work-in-process	15,407	18,180	15,210	16,338
Closing stock of work-in-process	(16,694)	(14,575)	(16,694)	(14,575)
Cost of goods manufactured	<b>328,442</b>	<b>343,590</b>	<b>166,318</b>	<b>173,256</b>
Opening stock of finished goods	28,677	31,070	30,698	15,471
Closing stock of finished goods	(44,935)	(37,050)	(44,935)	(37,050)
	<b>(16,258)</b>	<b>(5,980)</b>	<b>(14,237)</b>	<b>(21,579)</b>
	<b>312,184</b>	<b>337,610</b>	<b>152,081</b>	<b>151,677</b>

## 12. CASH GENERATED FROM OPERATIONS

	<b>Six months period ended</b>	
	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>(Rupees in '000)</b>	
Profit before taxation	<b>44,401</b>	62,725
Adjustments for:		
Mark-up expense	<b>1,030</b>	1,854
Depreciation and amortisation	<b>10,806</b>	8,684
Provision for gratuity	<b>2,234</b>	1,992
Provision for retirement benefits	<b>1,196</b>	1,528
Loss on revaluation of investments	<b>785</b>	807
Amortisation of premium on investment	<b>(20)</b>	-
Profit on investment	<b>(1,559)</b>	(1,941)
Mark-up on short term deposit	<b>(558)</b>	-
Dividend income	<b>(147)</b>	-
Gain on disposal of fixed assets	<b>-</b>	(133)
	<b>13,767</b>	12,791
Operating profit before working capital changes	<b>58,168</b>	75,516
<i>Decrease / (Increase) in operating assets:</i>		
Stores and spares	<b>(228)</b>	(1,335)
Stock-in-trade	<b>(30,075)</b>	(15,085)
Trade debts	<b>(671)</b>	(4,505)
Loans and Advances	<b>31</b>	301
Long term advances and deposits	<b>(8)</b>	(19,059)
Advances, deposits, prepayments and other receivables	<b>(6,489)</b>	(9,498)
	<b>(37,440)</b>	(49,181)
<i>Increase in operating liabilities:</i>		
Trade and other payables	<b>10,330</b>	28,739
Cash generated from operations	<b>31,058</b>	55,074

## 13. TRANSACTIONS AND BALANCE WITH ASSOCIATED PARTIES

The related parties comprise of associated companies due to common directors (Wazir Ali Industries Limited, Treet Corporation Limited and International General Insurance Company of Pakistan Limited), Employees' Provident Fund, directors and key management personnel of the Company. The details of transactions with related parties, are as follows:

### 13.1 Transactions with related parties

	Six months period ended	
	31 December 2006	31 December 2005
<b>(Rupees in '000)</b>		
<b>Associated Companies</b>		
Sales of goods	176	215
Services rendered	606	1,417
Purchases of goods	618	511
Insurance premium paid	2,259	2,381
Common expenses charged	890	1,491
Dividend paid	4,242	2,970
<b>Staff Retirement Benefit Plans</b>		
Contribution to employees' provident fund	1,209	893
<b>Key Management Personnel</b>		
Managerial remuneration (excluding directors and Chief Executive Officer)	2,646	2,826
<b>Director and Chief Executive Officer</b>		
Remuneration	2,500	2,633
Dividend paid	8,400	5,880

### 13.2 Balances with related parties:

	31 December 2006	30 June 2006
<b>(Rupees in '000)</b>		
Trade and other payables	366	2,100
Trade debts	244	227

### 14. DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 22 February 2007.

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Chief Executive Officer

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Director