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Corporate Information

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman / Chief Executive Officer

Syed Yawar Ali
Director

Syed Tariq Ali
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Khurshid Hadi
Director

Mr. Omer Ehtisham
Director

Mr. Kemal Shoaib
Director (Nominee NIT)

Mr. Amir Zia
Director (Nominee Treet Corporation Ltd.)

Board Audit Committee

Mr. Kemal Shoaib
Chairman

Syed Yawar Ali
Member

Mr. Shahid Nazir Ahmed
Member

Company Secretary & Chief Financial Officer

Mr. Naveed Ehtesham

Statutory Auditors

KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

Hussain & Haider, Advocates

Registered Office

3rd Floor, Kandawala Building,
M. A. Jinnah Road, Karachi - 74400
<http://www.zil.com.pk>

Factory

Link Hali Road, Hyderabad - 71000

Bankers

Citibank
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan Limited
NIB Bank Limited
Standard Chartered Bank

Shares Registrars

THK Associates (Pvt) Limited
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi.

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 2007.

Overview

Economic & business activity in the second quarter of the year (Oct-Dec '07) was severely shaken due to the law & order situation particularly in the southern region which resulted in disruption of trading activities for almost a month inclusive of all major holidays. The overall situation has affected business resulting in decline in sales volume & profitability for the Company & the business community as a whole.

While on the other hand, our margins are under great pressure with rising costs of raw materials & utilities. Another serious concern for all import based industries like us is the continuous decline of the exchange parity of the Pakistani Rupee against major international currencies.

The Company achieved net sales revenue of Rs. 506.7mn as against Rs. 448.9mn in the corresponding period last year despite the unfavorable conditions. Continuous rise in input costs resulted in a decline in gross profit by 5.7%. Cost of sale increased by 21% during the period under review as compared to the same period last year.

The Company earned after tax profit of Rs 16.5mn during the period under review as against after tax profit of Rs 28.5mn during the same period last year showing 42.3% decrease in after tax profit.

The Selling & Distribution cost has increased by 13% over last year due to increased spending in advertising & promotion. Secondly training of sales force was also done during this period to make them abreast with the latest sales & marketing techniques

The financial strength of the Company is strong as is evident from the current ratio 1.6:1.

Earnings per Share

As a result, the earnings per share for the period under review is Rs 3.74 as compared to Rs 6.48 for the same period last year.

Future Outlook

The Company is committed to improving its sales volume by introducing new product propositions in the market. The management is making all out efforts to improve the second half performance of the financial year to close with a positive note and improved profitability for its stakeholders.

Acknowledgements

The Directors would like to express their gratitude to the shareholders, distributors & bankers 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



Fariel Ali Mehdi
Chairman / Chief Executive

Karachi: 25 February 2008



KPMG Taseer Hadi & Co.
Chartered Accountants
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Sheikh Sultan Trust Building No.2
Beaumont Road
Karachi 75530 Pakistan

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Independent Auditors' Report on review of Condensed Interim Financial Statements to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Zulfeqar Industries Limited** ("the Company") as at 31 December 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards as applicable in Pakistan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended 31 December 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended 31 December 2006 and 31 December 2007 in the condensed interim profit and loss accounts have not been reviewed and we do not express a conclusion thereon.

Date: 25 February 2008

Karachi

**KPMG TaseerHadi & Co.
Chartered Accountants**

Condensed Interim Balance Sheet (Unaudited)

As at 31 December 2007

		31 December 2007 (Unaudited)	30 June 2007 (Audited)
	Note	(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	269,885	276,641
Intangible assets		1,318	1,548
Long term prepayment		19,939	20,149
Long term deposits		3,364	3,364
Long term loans to employees		442	309
CURRENT ASSETS			
Stores and spares		7,286	5,880
Stock-in-trade	6	210,722	134,432
Short term investments	7	3,100	27,930
Trade debts	8	22,922	4,726
Advances, deposits, prepayments and other receivables		19,966	24,960
Cash and bank balances	9	20,975	59,067
		284,971	256,995
CURRENT LIABILITIES			
Running finance under mark-up arrangements-secured	10	54,694	-
Trade and other payables		112,068	148,499
Taxation		11,842	12,538
		178,604	161,037
NET CURRENT ASSETS		106,367	95,958
NET ASSETS		401,315	397,969
FINANCED BY:			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,000,000 (30 June 2007: 5,000,000) ordinary shares of Rs. 10 each		50,000	50,000
Issued, subscribed and paid up capital		44,000	40,000
Reserves		182,863	180,124
Deficit on remeasurement of available-for-sale investments at fair value		(268)	(414)
		226,595	219,710
Surplus on revaluation of fixed assets - net of tax		85,252	87,529
NON-CURRENT LIABILITIES			
Long-term deposits		450	450
Deferred staff liabilities		53,988	51,574
Deferred taxation		35,030	38,706
TOTAL EQUITY AND LIABILITIES		401,315	397,969
COMMITMENTS	12		

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Ferial Ali Mehdi
Chairman / Chief Executive



Shaid Nazir Ahmed
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2007

	Note	Six months period ended		Three months period ended	
		31 December 2007	31 December 2006	31 December 2007	31 December 2006
----- (Rs. in '000) -----					
Sales-net	13	506,715	448,923	238,185	221,943
Cost of sales	14	(377,746)	(312,184)	(184,662)	(152,081)
Gross profit		128,969	136,739	53,523	69,862
Selling and distribution cost		(85,184)	(75,462)	(43,111)	(39,941)
Administrative expenses		(19,217)	(16,835)	(8,582)	(8,389)
		(104,401)	(92,297)	(51,693)	(48,330)
		24,568	44,442	1,830	21,532
Other operating income		2,816	3,964	993	2,994
Other operating expenses		(2,009)	(2,975)	(222)	(1,651)
		25,375	45,431	2,601	22,875
Finance cost		(743)	(1,030)	(586)	(563)
Profit before taxation		24,632	44,401	2,015	22,312
Taxation		(8,168)	(15,876)	(464)	(7,981)
Profit for the period		16,464	28,525	1,551	14,331

----- (Rupees) -----

Earnings per share - basic and diluted	3.74	6.48	0.35	3.26
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Earnings per share - basic and diluted for the comparative periods has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Ferial Ali Mehdi
Chairman / Chief Executive



Shaid Nazir Ahmed
Director

Condensed Interim Cash Flow Statement (Unaudited)

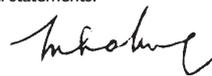
For the six months period ended 31 December 2007

	Six months period ended	
	31 December 2007	31 December 2006
Note	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	24,632	44,401
Adjustments for:		
Mark-up expense	743	1,030
Depreciation / amortisation	13,276	10,806
Provision for gratuity	2,706	2,234
Provision for retirement benefits	1,885	1,196
Profit on investment	(352)	(1,559)
Profit on short term deposit	(354)	(558)
Dividend income	(86)	(147)
Gain on disposal of fixed assets	(299)	-
Loss on remeasurement of investments	-	785
Amortisation of premium on investment	-	(20)
	<u>17,519</u>	<u>13,767</u>
Operating profit before working capital changes	42,151	58,168
Decrease / (increase) in operating assets:		
Stores and spares	(1,406)	(228)
Stock-in-trade	(76,290)	(30,075)
Trade debts	(18,196)	(671)
Loans and advances	(188)	31
Long term advances and deposits	-	(8)
Advances, deposits, prepayments and other receivables	(176)	(6,489)
	<u>(96,256)</u>	<u>(37,440)</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	(36,942)	10,330
Cash (used in) / generated from operations	<u>(91,047)</u>	<u>31,058</u>
Income tax paid	(8,334)	(21,223)
Gratuity paid	(1,063)	(122)
Retirement benefits paid	(1,113)	-
Profit received on investments	487	2,020
Profit received on short term deposits	354	558
Dividend received	86	147
Mark-up paid	(367)	(1,104)
	<u>(9,950)</u>	<u>(19,724)</u>
Net cash (used in) / from operating activities	<u>(100,997)</u>	<u>11,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(6,084)	(47,516)
Short term investments	24,977	28,687
Proceeds from disposal of fixed assets	1,189	-
Net cash from / (used in) investing activities	<u>20,082</u>	<u>(18,829)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(11,871)	(19,881)
Repayment of lease liability	-	(8,609)
Net cash (used in) financing activities	<u>(11,871)</u>	<u>(28,490)</u>
Net decrease in cash and cash equivalents	<u>(92,786)</u>	<u>(35,985)</u>
Cash and cash equivalents at beginning of the period	59,067	47,737
Cash and cash equivalents at end of the period	11 <u>(33,719)</u>	<u>11,752</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Feriel Ali Mehdi
Chairman / Chief Executive



Shaid Nazir Ahmed
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2007

	Issued, subscribed and paid up capital	Revenue reserves General reserves	Un-appro- priated profit	Total reserves	Surplus / (deficit) on remeasurement of available-for-sale investments at fair value	Total
	(Rs. in '000)					
Balance as at 1 July 2006	40,000	6,000	150,854	156,854	-	196,854
Changes in equity for the six months period ended 31 December 2006						
Final cash dividend for the year ended 30 June 2006	-	-	(20,000)	(20,000)	-	(20,000)
Profit for the six months period ended 31 December 2006	-	-	28,525	28,525	-	28,525
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	-	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
Balance as at 31 December 2006	40,000	6,000	160,705	166,705	-	206,705
Changes in equity for the six months period ended 30 June 2007						
Profit for the six months period ended 30 June 2007	-	-	12,094	12,094	-	12,094
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	-	1,325	1,325	-	1,325
Deficit on remeasurement of available-for-sale investments (recognised directly in equity)	-	-	-	-	(414)	(414)
Total recognised income and expense for six months period ended 30 June 2007	-	-	13,419	13,419	(414)	13,005
Balance as at 30 June 2007	40,000	6,000	174,124	180,124	(414)	219,710
Changes in equity for the six months period ended 31 December 2007						
Final cash dividend for the year ended 30 June 2007	-	-	(12,000)	(12,000)	-	(12,000)
Bonus shares issued for the year ended 30 June 2007	4,000	-	(4,000)	(4,000)	-	-
Profit for the six months period ended 31 December 2007	-	-	16,464	16,464	-	16,464
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	-	2,275	2,275	-	2,275
Surplus on remeasurement of available-for-sale investments (recognised directly in equity)	-	-	-	-	146	146
Total recognised income and expense for six months period ended 31 December 2007	-	-	18,739	18,739	146	18,885
Balance as at 31 December 2007	44,000	6,000	176,863	182,863	(268)	226,595

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Ferial Ali Mehdi
Chairman / Chief Executive



Shaid Nazir Ahmed
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 31 December 2007

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 FOR PRESENTATION

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS)-IAS 34 Interim Financial Reporting as applicable in Pakistan. These condensed interim financial statements do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2007.

These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

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 2007.

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 expenses. Actual results may differ from these estimates. The significant judgments made by the 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 2007.

5. PROPERTY, PLANT AND EQUIPMENT

Fixed capital expenditure during the period amounted to Rs. 5.980 million (31 December 2006: Rs. 47.516 million). Book value of fixed assets disposed off during the period amounted to Rs. 0.890 million (31 December 2006: Rs. Nil).

	31 December 2007	30 June 2007
	Note (Unaudited)	(Audited)
	(Rs. in '000)	
6. STOCK-IN-TRADE		
Raw material - in hand	55,717	50,719
- in transit	<u>86,332</u>	<u>44,457</u>
	142,049	95,176
Packing material	10,046	9,565
Work-in-process	25,242	18,503
Finished goods	<u>35,628</u>	<u>13,431</u>
	212,965	136,675
Provision against slow moving items of stock-in-trade	<u>(2,243)</u>	<u>(2,243)</u>
	<u>210,722</u>	<u>134,432</u>
7. SHORT TERM INVESTMENTS		
Available-for-sale investments		
- Quoted equity securities	7.1 3,100	2,930
Held-to-maturity investments		
- Musharika Certificates	<u>-</u>	<u>25,000</u>
	<u>3,100</u>	<u>27,930</u>
7.1 Ordinary shares of Rs 10 each		
	Number of shares	Market value
	31 December 2007	30 June 2007
	(Number of shares)	
	24,459	24,459
	100	-
		Oil & Gas Development Corporation Limited
		Habib Bank Limited
	3,075	2,930
	25	-
	<u>3,100</u>	<u>2,930</u>
	31 December 2007	30 June 2007
	(Unaudited) (Audited)	
	(Rs. in '000)	
8. TRADE DEBTS		
Considered good	22,922	4,726
Considered doubtful	<u>4,952</u>	<u>4,952</u>
	27,874	9,678
Provision against impaired debts	<u>(4,952)</u>	<u>(4,952)</u>
	<u>22,922</u>	<u>4,726</u>
9. CASH AND BANK BALANCES		
Cash in hand	333	15
Cash at banks in - current accounts	<u>3,454</u>	<u>7,911</u>
- profit and loss sharing accounts	<u>17,188</u>	<u>36,141</u>
- term deposit	<u>-</u>	<u>15,000</u>
	20,642	59,052
	<u>20,975</u>	<u>59,067</u>

10. RUNNING FINANCE UNDER MARK-UP ARRANGMENTS - Secured

31 December 2007 **30 June 2007**
(Unaudited) **(Audited)**
(Rs. in '000)

Balance as at 54,694 -

- 10.1 This represents running finance facility availed by the Company as at 31 December 2007 from a commercial bank. This carries a mark-up rate of 10.12 percent per annum. The unutilised facilities of running finance from certain banks amounted to Rs. 164.306 million as at 31 December 2007 (30 June 2007: Rs. 219 million). The facilities are valid up to periods from 31 March 2008 to 31 March 2009.

11. CASH AND CASH EQUIVALENTS

Six months period ended
31 December 2007 **31 December 2007**
(Rs. in '000)

Cash and bank balances	20,975	17,599
Running finance under mark-up arrangements	<u>(54,694)</u>	<u>(5,847)</u>
	<u>(33,719)</u>	<u>11,752</u>

12. COMMITMENTS

- 12.1 Bank guarantees aggregating to Rs. 7.02 million (30 June 2007: Rs 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas.
- 12.2 Commitments under letters of credit for the import of stock-in-trade items amounted to Rs. 94.935 million (30 June 2007: Rs. 57.738 million).

13. SALES-net

	Six months period ended		Three months period ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006

----- (Rs. in '000) -----

Gross sales	642,710	560,005	303,804	276,749
Sales tax	(92,599)	(80,066)	(44,119)	(39,678)
Special Excise Duty	(5,458)	-	(2,590)	-
Trade promotion discount	(37,898)	(31,010)	(18,884)	(15,126)
Rebate and sales return	(40)	(6)	(26)	(2)
	<u>(135,995)</u>	<u>(111,082)</u>	<u>(65,619)</u>	<u>(54,806)</u>
	<u>506,715</u>	<u>448,923</u>	<u>238,185</u>	<u>221,943</u>

14. COST OF SALES

	Six months period ended		Three months period ended	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
----- (Rs. in '000) -----				
Raw and packing material consumed	335,884	263,124	159,738	135,244
Stores and spares consumed	2,379	2,129	1,130	297
Salaries, wages and other benefits	32,943	28,661	16,511	14,063
Contribution to the provident fund	711	606	366	303
Repair and maintenance	796	972	406	367
Fuel and power	19,005	20,721	7,815	10,242
Rent, rates and taxes	353	371	48	53
Insurance	1,075	1,074	539	624
Product research and development	174	195	52	101
Traveling and conveyance	801	809	421	391
Printing and stationery	223	139	115	62
Postage, telephone and telegrams	259	245	106	112
Legal charges	7	289	4	281
Professional fee	39	39	20	21
Entertainment	25	25	18	7
Subscription	16	17	3	3
Depreciation/Amortisation	10,146	8,370	5,127	4,369
Freight and material handling	1,283	1,515	500	1,041
Other expenses	563	428	241	221
	406,682	329,729	193,160	167,802
Opening stock of work-in-process	18,503	15,407	24,107	15,210
Closing stock of work-in-process	(25,242)	(16,694)	(25,242)	(16,694)
Cost of goods manufactured	399,943	328,442	192,025	166,318
Opening stock of finished goods	13,431	28,677	28,265	30,698
Closing stock of finished goods	(35,628)	(44,935)	(35,628)	(44,935)
	(22,197)	(16,258)	(7,363)	(14,237)
	377,746	312,184	184,662	152,081

15. TRANSACTIONS AND BALANCE WITH RELATED PARTIES

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

		<u>Six months period ended</u>	
	Note	31 December 2007	31 December 2007
		(Rs. in '000)	
15.1 Transactions with related parties			
Associated Companies			
Sales of goods		281	176
Services rendered		383	606
Purchases of goods		779	618
Insurance premium paid		578	2,259
Selling and distribution expenses shared		-	890
Dividend paid		3,394	4,242
Services received		778	-
Other related parties			
Contribution to employees' provident fund	15.3	1,482	1,209
Director and Chief Executive Officer (Key management personnel)			
Remuneration	15.4	2,480	2,500
Dividend paid		6,640	8,400
Other Key Management Personnel			
Managerial remuneration (excluding directors and Chief Executive Officer)	15.4	3,541	2,646
15.2 Balances with related parties:		31 December 2007	30 June 2007
		(Unaudited)	(Audited)
		(Rs. in '000)	
Associated undertakings			
Trade debts (unsecured, considered good)		184	235
Trade and other payables		1,048	1,359

15.3 Contribution to the provident fund is made in accordance with the requirements of employee service rules.

15.4 Remuneration to key management personnel is in accordance with the terms of their employment.

15.5 Other transaction with related parties are at agreed terms.

16. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2007.

17. DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on 25 February 2008.



Ferial Ali Mehdi
Chairman / Chief Executive



Shaid Nazir Ahmed
Director