ANNUAL REPORT '05

Zulfeqar Industries Limited

DIRECTORS' REPORT

The Directors of the company are pleased to present the financial results of the company for the year ended 30 June 2005.

Overview

During the year 2004-05 our strategic decision to create an independent sales management and distribution setup improved focus on the product portfolio. The positive economic indicators of the country provided a further impetus in a strong 18.38% sales growth for the company.

During the period under review, yet another milestone was achieved when the company successfully commissioned its fully automated finishing and packaging lines to provide better quality and value to its esteemed consumers.

The company has taken an I.T initiative by obtaining ERP (Enterprise Resource Planning) solution towards achieving its strategic objectives that would be in place in the next financial year. This would integrate the operations and enable real time access to information at all levels of operations and facilitate the management to take quick decisions that would improve the efficiency and effectiveness of the organization as a whole.

In June 2005 the Federal Budget 05-06 was presented in which the excise duty on soaps was finally abolished. This commendable action by the Government would enable the local industry to compete better with the influx of imported soaps. This relief allowed us to lower the price of our premium brand Capri to give even more value to our consumers.

Financial Review

It is with great pleasure that we inform you that the company crossed the coveted benchmark figure of Rs. 1 billion in gross sales and earned profit after tax of Rs 42.132M during the year under review as compared to Rs 34.76M last year depicting a growth of 21.18%. The gross profit has also increased to Rs 170.988M during the period under review from Rs 160.402M during the same period last year.

The administrative expenses have increased due to hiring of dedicated staff as against the previously shared staff with its associated concern Wazir Ali Industries Limited. Financial cost has also increased as the Kibor rates took a sharp increase during the period under review.

The book value of the share has appreciated from Rs 28.54 to Rs 37.39 and the market value as on 30 June 2005 was Rs 147.90 as compared to Rs 59.50 on 30 June 2004.

The liquidity position of the company is sound as is evident from the current ratio of 1.57: 1.

Earning per Share

Earning per share for the year under review is **Rs 10.53** as compared to Rs 8.69 last year.

Dividend

It is a pleasure to propose a final cash dividend of Rs 3.50 per share (35%) on the face value of shares.

Operating Results

The company has earned an operating profit of Rs 69.067M for the year ended 30 June 2005 with an improvement of 23.62% over last year. Profit and loss for the year ended is as follows:

	2005	**2004**
	(Rs '000)	
Profit before taxation	63,897	53,571
Provision for taxation	21,765	18,804
Profit after taxation	42,132	34,767
Proposed Final Dividend @ 35%	14,000	10,000
Unappropriated profit	103,572	68,167

Marketing Review

The company closed the year 2004 –05 on a positive note by registering growth of 16% in the personal wash category, despite the volatile market condition and aggressive competition.

All the three brands in the personal wash category witnessed a splendid growth, with Capri; the flagship brand of the company launched in a new international seal pack was introduced for the brand to give improved quality to the consumers that rejuvenated the sales of the brand. While the popular segment by far was the main growth impetus for the company's overall sale volumes.

The company's achievement was the result of strategic decisions to combine Sales and Marketing functions for better coordination and focus and to make heavy investments in buying state of the art machinery to give better quality to the consumers.

Future Outlook

A Strategic Review exercise was conducted to review the overall position of the company in the soap industry segment. This vision of being a top player in the personal wash category shall be achieved by availing the opportunities present in the market both locally and internationally, with improved infrastructure and distribution network.

It was decided that aggressive and proactive strategies were needed to attain a strong position in the market.

Apart from growth initiatives, the company would also focus on improving bottom line efficiencies apart from improving efficiencies in the production processes and inventory management while developing new products that have better margins to improve bottom line profitability.

Supply Chain

The company has identified certain areas of improvement to enhance efficiency of operations. The main area of focus was inventory management; therefore steps were initiated during the year to plan better sales operations in order to reduce the carrying cost of inventory. The company has made efforts towards liquidating the funds blocked in inventories within the company and the distributors, which would improve the cash flows and curtail the need to borrow. This has been put into effect from July 2005 and the company is expecting some positive results due to these measures.

As mentioned earlier the company had been working on the efficiency of capital employed in all areas of operations. The plant facilities were upgraded during the period under review by installing the finishing and packaging lines as part of the ongoing BMR program started in the year 2000. The new upgraded version of machinery will not only provide higher productivity but also provide value addition to the products for our consumers.

Human Resources

Our company has successfully achieved the objectives set for the year 2004-2005, with the help of our talented team. We congratulate our team members for their commitment to our values as a guiding light to conduct the business.

Our Quality Standards have once again received extra ordinary recognition from external ISO Auditors who have recognized among others our Human Resources system as one of the proficient systems.

Our company believes in recruiting talented individuals who have a desire to grow and improve. We provide opportunities to start with hands-on experience and then help to develop them further by following the best methods of evaluation and determining training needs. For this purpose, we actively participate in various events like, Job Fairs, HR Forums, and Seminars. The company has also been recognized as an accredited employer by the ACCA.

The company provides practical and meaningful internship opportunities to the professional students who get a useful learning experience in their particular fields of interest. Our evaluation system not only covers the regular employees of the company but also evaluates the Performance and Potential of the internees.

It is the endeavor of the company to improve efficiencies at all levels. Due to this we work for the development and continuous improvement of the employees and also in the Technology they choose. The company arranged various training programs for its employees at management and non-management levels. Some of these are Leadership Grid Seminar and Basic Supervision by Mian Ghani (a renowned trainer). We also arranged Sales Trainings, and Behavioral Change trainings being the need of the day due to advancement in Operations Technology.

Gratuity and Provident Funds

The company is 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. The value of investments of Provident Fund as per the audited accounts for the year ended 30 June 2004 is Rs 44.645M.

- **Internal Audit**

The Board has outsourced the internal audit function to M. Yousuf Adil Saleem & Co. Chartered Accountants with effect from July 2005 to make it more effective.

- **Audit Committee**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members:

Mr. Kemal Shoaib	Chairman
Syed Yawar Ali	Member
Syed Tariq Ali	Member

Mr. Shahid Nazir Ahmed was requested to attend the Board Audit Committee meeting held on Tuesday, 26 April 2005 in the absence of Mr. Kemal Shoaib, Chairman and Syed Tariq Ali Esquire, Members of Board Audit Committee due to their inability to attend the Board Audit Committee meeting with prior approval of the Directors.

- **Auditors**

The present auditors, Taseer Hadi Khalid & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2005-06.

- The following information is attached with this report:

I. Directors' statement
II. Statement in compliance of the Code of Corporate Governance
III. Outstanding Statutory Payments
IV. Meetings of the Board of Directors
V. Key operating and financial results for 7 years.
VI. Pattern of Shareholding

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

Syeda Feriel R. Ali
Chief Executive Officer

Karachi: 12 September 2005

I. Directors’ statement

The directors state that:

a. The financial statements prepared by the management present a true and fair state of affairs of the company.
b. Proper books of accounts have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment, except for the following:

- Dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognized in the financial statements as liability.

- Depreciation is charged from the date on which the assets are put to use and on disposal up to the date asset is in use; prior to this change the company had the policy to charge the 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 scraped.

d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
e. The system of internal control is sound in design and has been effectively implemented and monitored.
f. There is no significant doubt upon the company’s ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

II. Statement in compliance of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 2(10)SE/SMD/2002 of listing regulations of Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

a. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least six independent non-executive directors.

b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

c. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

d. No casual vacancy occurred in the Board during the year.

e. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and management employees of the company.

f. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the company are in the process of development and maintaining a complete record of particulars of significant policies along with the dates on which they were approved or amended.

g. All the powers of the Board have been duly exercised and have taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.

h. The meetings of the Board were presided over by the Chief Executive Officer as Chairperson duly elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

i. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.

j. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

k. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

l. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding. During the period under review, notification has been received from the Director/CEO for buying shares of the company and would be placed before the Board by the Company Secretary and the Secretary has ensured that the relevant conditions of the Code have been complied with.

m. The company has complied with all the corporate and financial reporting requirements of the Code.

n. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

o. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

p. The Board has outsourced the internal audit function to M. Yousuf Adil Saleem & Co. Chartered Accountants with effect from July 2005 to make it more effective.

q. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with

International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

r. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and approval from the Securities and Exchange Commission of Pakistan and the auditors have confirmed that they have observed IFAC guidelines in this regard.

s. We confirm that all other material principles contained in the Code have been complied with.

III. Outstanding Statutory Payments

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature

IV. Meetings of the Board of Directors

Four meetings of the Board of Directors of the company were held and following was the attendance of the directors:

Names of Directors	No. of Meetings attended
Syed Wajid Ali	-
S. Feriel R. Ali	4
Syed Yawar Ali	4
Syed Tariq Ali	3
Mr. Kemal Shoaib	2
Mr. Shahid Nazir Ahmed	4
Ms. Aaliya K. Dossa	2
Mr. Aamir Zia	2

V. Key Operating and Financial data last seven years.

Periods	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
(Rs. In '000)							
Net sales revenue	385,312	438,844	421,566	536,443	622,019	713,977	845,189
Cost of goods sold	336,129	365,593	335,660	438,080	480,627	553,575	674,201
Gross profit	49,183	73,251	85,906	98,363	141,392	160,402	170,988
Operating profit	4,161	22,026	20,367	31,736	36,459	55,869	69,067
Profit/(loss) before tax	(13,359)	8,044	11,527	25,239	33,530	53,571	63,897
Profit/(loss) after tax	(15,744)	8,286	7,009	16,106	21,548	34,767	42,132
Paid up capital	20,000	20,000	40,000	40,000	40,000	40,000	40,000
Current assets	122,678	134,461	136,306	143,084	202,027	203,750	217,037
Current liabilities	125,844	95,451	91,609	85,863	127,608	155,479	138,608

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.3 and 2.6 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Taseer Hadi Khalid & Co.

Date: 12 September 2005

Karachi

Taseer Hadi Khalid & Co.
Chartered Accountants

Review Report to The Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Zulfeqar Industries Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Taseer Hadi Khalid & Co

Karachi
Dated: 12 September 2005

Taseer Hadi Khalid & Co.
Chartered Accountants

Zulfeqar Industries Limited

Balance Sheet

As at 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
FIXED ASSETS			
Property, plant and equipment	*3*	**175,646**	161,047
Intangible asset - trade mark		**-**	471
LONG TERM INVESTMENTS	*4*	**15,788**	30,972
LONG TERM ADVANCE AND DEPOSITS	*5*	**8,913**	8,324
LOANS AND ADVANCES TO EMPLOYEES	*6*	**314**	294
CURRENT ASSETS			
Stores and spares	*7*	**6,149**	3,365
Stock-in-trade	*8*	**126,711**	95,888
Short term investments	*9*	**30,787**	31,566
Trade debts	*10*	**6,172**	6,663
Mark-up / profit accrued	*11*	**1,771**	667
Current maturity of loans and advances to employees	*6*	**477**	283
Advances, deposits, prepayments and other receivables	*12*	**21,239**	23,867
Cash and bank balances	*13*	**23,731**	41,451
		217,037	203,750
CURRENT LIABILITIES			
Current maturities of liabilities against assets subject to finance lease	*21*	**18,613**	17,967
Accrued mark-up	*15*	**628**	61
Trade and other payables	*16*	**101,683**	121,182
Provision for taxation	*17*	**17,684**	16,269
		138,608	155,479
NET CURRENT ASSETS		**78,429**	48,271
NET ASSETS		**279,090**	249,379
FINANCED BY			
SHARE CAPITAL	*18*	**40,000**	40,000
REVENUE RESERVES		**6,000**	6,000
UNAPPROPRIATED PROFIT		**103,572**	68,167
SHARE HOLDERS' EQUITY		**149,572**	114,167
SURPLUS ON REVALUATION OF FIXED ASSETS	*19*	**50,483**	53,755
LONG TERM DEPOSITS		**475**	475
DEFERRED LIABILITIES	*20*	**58,608**	47,168
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	*21*	**19,952**	33,814
CONTINGENCIES AND COMMITMENTS	*22*		
		279,090	249,379

The annexed notes 1 to 41 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
For the year ended 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
Sales - net	*23*	**845,189**	713,977
Cost of sales	*24*	**674,201**	553,575
Gross profit		**170,988**	160,402
Selling and distribution cost	*25*	**88,856**	90,987
Administrative expenses	*26*	**20,939**	15,246
Other operating expenses	*27*	**4,466**	3,812
		114,261	110,045
Other operating income - net	*28*	**12,340**	5,512
Operating profit before financing cost		**69,067**	55,869
Finance cost	*29*	**5,170**	2,298
Profit before taxation		**63,897**	53,571
Taxation	*30*	**21,765**	18,804
Profit after taxation		**42,132**	34,767
		(Rupees)	
Basic and diluted earnings per share	*31*	**10.53**	8.69

The annexed notes 1 to 41 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited

Cash Flow Statement

For the year ended 30 June 2005

	2005	2004
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**63,897**	53,571
Adjustments for:		
Mark-up expense	**5,170**	2,203
Depreciation	**15,487**	7,664
Provision for gratuity	**4,673**	3,969
Provision for retirement benefit	**2,904**	246
Gain on disposal of fixed assets acquired on winding up of subsidiary	**(90)**	-
(Gain) / loss on revaluation of investments	**(1,044)**	40
Amortization of premium on investment	**149**	-
Profit on investment	**(5,272)**	
(Gain) / loss on disposal of fixed assets	**(368)**	(322)
Trade mark written off	**471**	-
Impairment loss for doubtful debts	**-**	1,457
	22,080	15,257
Operating profit before working capital changes	**85,977**	68,828
Decrease / (increase) in operating assets		
Stores and spares	**(2,784)**	(1,067)
Stock in trade	**(30,824)**	(4,782)
Trade debts	**491**	6,429
Loans and advances	**(214)**	(81)
Long term advances and deposits	**(589)**	58
Advances, deposits, prepayments and other receivables	**(1,474)**	(3,745)
	(35,394)	(3,188)
Increase / (decrease) in operating liabilities		
Trade and other payables	**(18,648)**	32,027
Cash generated from operations	**31,935**	97,667
Income tax paid	**(15,100)**	(14,827)
Gratuity paid	**(634)**	(2,901)
Retirement benefit paid	**(684)**	(4,721)
Mark-up received on investments	**4,021**	-
Mark-up paid	**(4,602)**	(2,206)
	(16,999)	(24,655)
Net cash flow from operating activities	**14,936**	73,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(31,405)**	(61,500)
Short term investments	**1,822**	(31,606)
Sales proceeds of fixed assets	**1,685**	1,121
Sales proceeds of assets acquired on winding up of subsidiary	**3,228**	-
Long term investments	**15,184**	(30,971)
Net cash flows from investing activities	**(9,486)**	(122,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(9,954)**	(3,986)
Repayment/addition of lease liability-net	**(13,216)**	40,296
Net cash flows from financing activities	**(23,170)**	36,310
Net increase / (decrease) in cash and cash equivalents	**(17,720)**	(13,634)
Cash and cash equivalents at the beginning of the year	**41,451**	55,085
Cash and cash equivalents at the end of the year	**23,731**	41,451

The annexed notes 1 to 41 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
For the year ended 30 June 2005

	Issued, subscribed and paid up capital	Revenue reserve		Total
		General reserve	Unappropriated profit	
	(Rupees in '000)			
Balance as at 1 July 2003	40,000	6,000	31,664	77,664
Transferred from surplus on revaluation of fixed assets			1,736	1,736
Profit for the year	-	-	34,767	34,767
Proposed final dividend	-	-	(10,000)	(10,000)
Balance as at 1 July 2004 as previously stated	40,000	6,000	58,167	104,167
Change in accounting policy with respect to dividends declared after the balance sheet date	-	-	10,000	10,000
Balance as at 1 July 2004 as restated	40,000	6,000	68,167	114,167
Final dividend for the year ended 30 June 2004	-	-	(10,000)	(10,000)
Profit for the year	-	-	42,132	42,132
Transferred from surplus on revaluation of fixed assets	-	-	3,273	3,273
Balance as at 30 June 2005	**40,000**	**6,000**	**103,572**	**149,572**

The annexed notes 1 to 41 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Notes to the financial statements
For the year ended 30 June 2005

1. STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 The Company is domiciled in Karachi, Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

2.1.1 These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 ("the Ordinance"). Approved accounting standards comprise such International Accounting Standards as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirement of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets (refer note 3) are shown at revalued amounts, available for sale investments have been recognised at fair value and certain staff retirement benefits are recognised at present value.

2.3 Change in accounting policy

The Company has during the current year changed its accounting policy whereby dividend is now recognized as a liability in the period in which it is declared. The change was considered necessary due to revision of fourth schedule to the Companies Ordinance, 1984, whereby requirement of International Accounting Standard 10, "Events after the balance sheet date", are now applicable. The comparative statements for the year ended 30 June 2004 have been restated to conform to the changed policy. The effect of the change is the decrease in appropriation for the final dividend proposed for the year ended 30 June 2004 amounting to Rs. 10 million.

2.4 Staff retirement benefits

a) Gratuity scheme – defined benefit plan

The Company operates an un-funded gratuity scheme for all its permanent employees. Provision is made in these financial statement based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

b) Retirement benefit scheme – defined benefit plan

The Company also operates an un-funded retirement benefit scheme for its eligible employees. Provision is made in these financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

c) Provident Fund - defined contribution plan

The Company operates an approved provident fund scheme for all its eligible employees. The Company and the employees make equal monthly contributions at the rate of 10 percent of basic salary.

2.5 Taxation

a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any, or minimum tax liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

b) Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using current rates of taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred are reduced to the extend that it is no longer probable that the related tax benefit will be realized.

The Company provides deferred tax liability on revaluation surplus by debiting such surplus.

2.6 Tangible fixed assets

Owned

a) Fixed assets including all additions are carried at cost or revaluation less accumulated depreciation and impairment losses, if any.

b) Depreciation on fixed assets other than freehold land is charged on a reducing balance method at the rates specified in note 3.

c) Upto 30 June 2004, the Company had the policy to charge a full year deprecation on all fixed assets capitalized during the year, while no depreciation was charged in the year fixed assets were disposed off or scrapped. During the current year, the Company has changed its accounting policy whereby deprecation is charged from the date on which the assets are put to use and on disposal upto the date the asset is in use.

Had this change not been made, the profit for the year and operating fixed assets would have been lower by Rs. 3.144 million.

d) Assets, which have been fully depreciated, are retained in the books at a nominal value of Re.1.

e) Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

f) Normal repairs and maintenance is charged to expenses, as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Leased

a) Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of present value of minimum lease payments under the lease agreements and the fair value at the inception of the lease less accumulated deprecation and impairment losses, if any.

b) Depreciation is charged to income applying the reducing balance method at the rates specified in note 3.

2.7 Capital work-in-progress

Capital work-in-progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

2.8 Investments

Available- for-sale

Investments, which may be sold in response to need for liquidity or changes in interest rates, are classified as available-for-sale investments. Available-for-sale investments are carried at fair value. Surplus / deficit arising from re-measurement is taken to profit and loss account.

All quoted investments are initially recognised at cost inclusive of transaction costs and are subsequently marked to market using the closing market quotation of Karachi Stock Exchange at the close of the financial year. Investment in PIBs are valued at PKRV rates.

Investments are treated as current assets where the intention is to hold these for less than twelve months from the balance sheet date. Otherwise investments are treated as long-term assets.

Held to maturity

Investments with a fixed maturity where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held to maturity investments are carried at amortised cost using the effective interest rate method.

2.9 Stores and spares

These are valued at cost determined under moving average basis less impairment losses, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.10 Stock-in-trade

Raw and packing material except for those in transit are valued at lower of moving average cost and net realisable value.

Work-in-progress is valued at materials cost only which is determined on the weighted average basis. Conversion costs are not included as these are not significant.

Finished goods except for those in transit are valued at lower of cost determined on weighted average cost basis and net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily incurred in order to make the sale.

Goods in transit are stated at cost, which includes invoice value and other charges incurred thereon, less impairment losses, if any.

2.11 Trade debts and other receivables

These are originated by the Company and are stated at cost less provisions for any un-collectible amount. An estimate is made for doubtful receivable when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

2.12 Basis of allocation of common expenses

Wazir Ali Industries Limited (an associated company) has, under an agreement, allocated on proportionate basis common selling and distribution expenses being the costs incurred and services rendered on behalf of Zulfeqar Industries Limited.

2.13 Foreign currency translation

Transactions in foreign currencies are accounted for in Pak Rupees at exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

2.14 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.15 Off-setting

Assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits. Short term running finance that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.17 Revenue recognition

Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers. Rebate on exports, if any, are recorded on receipt basis.

Profit / mark-up on investments and term deposits are recognised on time proportion basis.

Dividend income on equity investments is recognised when a right to receive the same is established.

2.18 Impairment

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the profit and loss account.

2.19 Financial instruments

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account currently.

2.20 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.21 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

3. PROPERTY, PLANT AND EQUIPMENT

	COST AND REVALUATION			Rate	DEPRECIATION				Written down
	As at 1 July 2004	Addition/ (disposal) *adjustment	As at 30 June 2005	%	As at 1 July 2004	For the year	(Disposal) *adjustment	As at 30 June 2005	value as on 30 June 2005
Owned		(Rupees in '000)					(Rupees in '000)		
Freehold land	21,000	-	21,000	-	-	-	-	-	21,000
Building on freehold land	15,921	* 425	16,346	10	-	1,616	-	1,616	14,730
Plant, machinery and equipment	51,505	* 25,402	76,907	10	-	6,012	-	6,012	70,895
Furniture and fixtures	3,109	* 17	3,126	10	1,745	138	-	1,883	1,243
Vehicles	4,026	* 5,428	8,990	20	2,567	* 670	(1,639)	3,020	5,970
		(2,562)					1,422		
		* 2,098							
Computers	1,856	* 745	2,601	30	1,256	312	-	1,568	1,033
	97,417	32,017	128,970		5,568	8,748	(1,639)	14,099	114,871
		(2,562)					1,422		
		* 2,098							
Leased									
Plant and machinery	9,500	* 47,987	57,487	10	-	5,348	-	5,348	52,139
Vehicles	9,253	* 4,670	11,221	20	4,189	* 1,391	(1,422)	3,949	7,272
		(604)					(209)		
		* (2,098)							
	18,753	52,657	68,708		4,189	6,739	(1,422)	9,297	59,411
		(604)					(209)		
		* (2,098)							
Capital work in progress									
Freehold land	-	-	-	-	-	-	-	-	-
Building on freehold land	-	425	-	-	-	-	-	-	-
		* (425)							
Plant, machinery and equipment	54,633	19,362	606	-	-	-	-	-	606
		* (73,389)							
Furniture and fixtures	-	17	-	-	-	-	-	-	-
		* (17)							
Vehicles	-	10,098	-	-	-	-	-	-	-
		* (10,098)							
Computers	-	1,503	758	-	-	-	-	-	758
		* (745)							
	54,633	31,405	1,364		-	-	-	-	1,364
		(84,674)							
2005	**170,803**	**118,177**	**199,042**		**9,757**	**15,487**	**1,422**	**23,396**	**175,646**
		(89,938)					**(3,270)**		
2004	148,127	7,912	170,804		26,274	7,664	(1,063)	9,757	161,047
		** 16,628					** (23,118)		
		(1,863)							

* Transfer from capital work in progress and lease assets to own assets.

** Surplus on revaluation of certain items of property, plant and equipment.

3.1.1 The above balance of owned property, plant and equipment other than furniture & fixture, vehicles and computers represents the value of assets subsequent to revaluation on 25 January 1981, 25 June 1982, 30 June 2000 and 30 June 2004 which has resulted in surplus of Rs.7.617 million, Rs. 8.914 million Rs. 42.242 million and Rs. 39.746 million respectively and addition thereafter at cost. The incremental value of revalued assets are being depreciated over the remaining useful life of the assets at the date of revaluation. The revaluation was carried out under the market value basis by an independent valuer M/s Iqbal A. Nanjee & Co.

3.1.2 As at 30 June 2005, undeprecaited balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 66.342 million (2004: Rs. 71.377 million).

3.1.3 Freehold land, building and plant & machinery are carried at revalued amounts. Had there been no revaluation, related figures of revalued assets would have been as follows:

	Written down value (Rupees in '000)
Freehold land	29
Building	3,198
Plant and machinery	43,967
2005	**47,194**
2004	26,607

3.1.4 Depreciation for the year has been allocated as follows:

		2005	2004
		(Rupees in '000)	
Cost of sales	*24*	**13,161**	6,479
Selling and distribution cost	*25*	**746**	620
Administrative expenses	*26*	**1,580**	565
		15,487	7,664

3.1.5 **Disposal of fixed assets**

Vehicles	**Year of purchase**	**Cost**	**Accumulated depreciation**	**Written down value**	**Sale proceeds**	**Gain on disposal**	**Mode of disposal**	**Sold to**
			(Rupees in '000)					
Suzuki Vitara	2000	2,098	1,491	607	700	93	Negotiation	Mr. Javaid Imran
Suzuki Alto	2004	464	149	315	410	95	Negotiation	Wazir Ali Industries Ltd., an associated company
Suzuki Cultus	2004	604	209	395	575	180	Negotiation	Wazir Ali Industries Ltd., an associated company
2005		3,166	1,849	1,317	1,685	368		
2004		1,863	1,063	800	1,122	322		

3.1.6 Details of restrictions on certain items of fixed assets are given in note 14 to these financial statements.

4. LONG TERM INVESTMENTS, held to maturity

	Note	2005	2004
		(Rupees in '000)	
Certificates of Musharika	*4.1*	**14,080**	21,120
Certificates of Investment	*4.2*	**16,892**	25,000
		30,972	46,120
Maturity within twelve months	*9*	**(15,184)**	(15,148)
		15,788	30,972

4.1 These represent 8 certificates of musharika of Rs. 1,760,000 each of First Habib Modaraba. These certificates carry a return @ 7 percent per annum and will mature from 19 August 2005 to 19 February 2007.

4.2 These certificates were issued by Grays Leasing Limited and carry a return @ 7 percent per annum and will mature by 1 May 2007.

5. LONG TERM ADVANCES AND DEPOSITS - considered good

	Note	2005	2004
Advance for purchase of land	*5.1*	**3,000**	3,000
Deposits:			
- against letter of guarantee		**2,510**	1,821
- against utilities		**195**	10
- against finance lease		**3,089**	3,339
- to Central Depository Company Limited		**12**	50
- others		**107**	104
		5,913	5,324
		8,913	8,324

5.1 This represents advance paid to Port Qasim Authority for the purchase of land at Port Qasim, Karachi. Subsequent to the year end the company has paid further Rs. 13.5 million. Legal formalities for the transfer of title documents in the company's name is in process.

6. LOANS AND ADVANCES TO EMPLOYEES - considered good

	Note	2005	2004
Executives	*6.1*	**265**	-
Non-executives employees		**526**	577
Receivable within one year		**(477)**	(283)
	6.2	**314**	294
Age analysis of long term loans are as follows			
- Outstanding for period extending three years		**171**	55
- Others		**143**	239
		314	294

6.1 Maximum aggregate balance due from executives at the end of any month during the year was as follows:

	2005	2004
Executive employees	**265**	-

6.2 These loans have not been discounted to their present value as the financial impact is not material.

7. STORES AND SPARES

	Note	2005	2004
		(Rupees in '000)	
Stores		**4,950**	4,034
Spares		**2,699**	831
Provision for slow moving stores and spares		**(1,500)**	(1,500)
		6,149	3,365

8. STOCK-IN-TRADE

	Note	2005	2004
Raw material		**35,543**	23,403
Packing material		**4,702**	6,214
Work-in-process		**18,180**	15,115
Finished goods		**31,070**	51,792
Stock in transit		**39,459**	1,607
Provision for slow moving stock-in-trade	*8.1*	**(2,243)**	(2,243)
		126,711	95,888

8.1 Provision for slow moving stock in trade

	2005	2004
Opening balance	**2,243**	2,792
Disposal of stock	**-**	(549)
Closing balance	**2,243**	2,243

9. SHORT TERM INVESTMENTS

	Note	2005	2004
Available for sale			
Quoted			
Shares	*9.1*	**2,576**	1,556
Term Finance Certificates	*9.2*	**3,705**	4,708
		6,281	6,264
Unquoted			
Pakistan Investment Bond	*9.3*	**9,322**	10,154
		15,603	16,418
Investment maturing within twelve months	*4*	**15,184**	15,148
		30,787	31,566

9.1 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.

9.2 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 semi-annually. These certificates will mature on 4 December 2006.

9.3 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.

10. TRADE DEBTS, unsecured - considered good

	Note	2005	2004
		(Rupees in '000)	
Considered good	*10.1*	**6,172**	6,663
Considered doubtful		**4,952**	4,952
		11,124	11,615
Provision for doubtful debts		**(4,952)**	(4,952)
		6,172	6,663

10.1 This includes Rs. 0.121 million (2004: Rs. 0.233 million) from Treet Corporation Limited, an associated company.

11. MARK-UP / PROFIT ACCRUED

	2005	2004
Certificates of Musharika	**1,107**	172
Certificates of Investment	**198**	14
Term Finance Certificates	**25**	37
Pakistan Investment Bonds	**441**	444
	1,771	667

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2005	2004
Advances - considered good		
To suppliers and contractors - net	**2,539**	1,025
For taxation	**16,583**	17,606
	19,122	18,631
Tax refundable	**68**	10
Prepayments	**370**	380
	438	390
Other receivable	**1,679**	1,709
Assets acquired on winding up of subsidiary	**-**	3,137
	21,239	23,867

13. CASH AND BANK BALANCES

	2005	2004
In hand	**12**	20
With Bank on:		
- current accounts	**958**	3,945
- collection accounts	**15,399**	17,351
- deposit accounts	**7,362**	20,135
	23,719	41,431
	23,731	41,451

14. FINANCE UNDER MARK-UP ARRANGEMENTS - secured

14.1 The unutilized facilities for running finance available from various banks aggregate to Rs 35 million (2004: Rs 43 million).

14.2 The unutilized facilities for opening letters of credit from certain banks amounted to Rs. 108 million (2004: 77 million).

		2005	2004
15. ACCRUED MARK-UP		**(Rupees in '000)**	
- on short term financing		**180**	-
- on lease facilities		**448**	61
		628	61

16. TRADE AND OTHER PAYABLES

Trade creditors		**42,044**	45,127
Accrued expenses		**43,231**	54,068
Advances from customers		**4,633**	10,779
Due to associated companies	*16.1*	**3,266**	4,771
Sales tax payable		**1,690**	2,394
Unclaimed dividend		**23**	23
Workers' Welfare Fund		**1,154**	1,067
Workers' Profit Participation Fund	*16.2*	**442**	69
Dividend payable		**87**	41
Other liabilities		**5,113**	2,843
		101,683	121,182

16.1 Due to associated companies

I.G.I Insurance Company of Pakistan Limited	**-**	76
Packages Limited	**2,527**	3,655
Wazir Ali Industries Limited	**739**	1,040
	3,266	4,771

16.1.1 Maximum amount due at the end of any month was Rs. 6.578 million (2004: Rs.6.276 million).

16.1.2 No mark-up / interest have been charged by associated companies on outstanding balances.

16.2 Workers' Profit Participation Fund

	2005	2004
	(Rupees in'000)	
Opening balance	**69**	1,823
Interest on WPPF	**-**	95
Contribution during the year	**3,442**	2,869
Payments made during the year	**(3,069)**	(4,718)
	442	69

17. PROVISION FOR TAXATION

The Income Tax assessments of the Company have been finalized upto and including tax year 2004, under section 120 of the Income Tax Ordinance, 2001.

18. SHARE CAPITAL

Authorised

2005	2004		2005	2004
(Numbers of shares)				
5,000,000	5,000,000	Ordinary shares of Rs 10 each	**50,000**	50,000

Issued, subscribed and paid-up ordinary shares of Rs 10 each

3,550,000	3,550,000	Fully paid in cash	**35,500**	35,500
50,000	50,000	Fully paid for consideration other than cash	**500**	500
400,000	400,000	Fully paid bonus shares	**4,000**	4,000
4,000,000	4,000,000		**40,000**	40,000

19. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as on 1 July	**71,377**	34,303
Revaluation during the year	**-**	39,746
Transferred to retained earnings due to incremental depreciation	**(3,272)**	(1,736)
Related deferred tax liability	**(1,762)**	(936)
	66,343	71,377
Less: Related deferred tax liability on:		
- Revaluation surplus	**17,622**	18,558
- Incremental depreciation charged during the year - transferred to profit and loss account	**(1,762)**	(936)
	15,860	17,622
Balance as on 30 June	**50,483**	53,755

20. DEFERRED LIABILITIES

	Note	**2005**	2004
		(Rupees in '000)	
Staff gratuity	*20.1*	**24,735**	19,799
Staff retirement benefits	*20.2*	**20,733**	18,513
Deferred tax liability	*20.3*	**13,140**	8,856
		58,608	47,168

20.1 Gratuity scheme

The company operates an unfunded scheme to provide gratuity to the permanent employees on retirement and has made provisions on the basis of actuarial advice.

Actuarial valuation was carried out as at 30 June 2005 under the Projected Unit Credit Method. Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level - 10% per annum
- Discount rate - 10% per annum

Reconciliation of payable to defined benefit plan

	2005	2004
Present value of defined benefit obligation	**24,735**	19,799
Fair value of any plan assets	**-**	-
Net actuarial gains / (losses) not recognized	**-**	-
Transitional assets / (liability)	**-**	-
	24,735	19,799

Movement in net liability recognized

	Note	**2005**	2004
Opening net liability		**19,799**	18,731
Expense recognized		**4,673**	3,969
Liability of transferred employees	*20.1.1*	**897**	-
Benefits paid during the year		**(634)**	(2,901)
Closing net liability		**24,735**	19,799

Charge for defined benefit plan

	2005	2004
Current service cost	**1,087**	1,057
Interest cost	**1,584**	1,311
Past service cost - vested benefit	**-**	364
Actuarial (gains) / losses recognized	**2,002**	1,237
	4,673	3,969

20.1.1 This represents liability in respect of employees transferred from Wazir Ali Industries Limited, an associated company.

20.2 Staff retirement benefit scheme

The company operates an unfunded retirement benefit scheme for eligible employees on cessation of employment on the following grounds and has made provisions on the basis of actuarial advice:

- Death
- Retirement
- Early retirement or resignation

Actuarial valuation of the retirement benefit scheme was carried out as at 30 June 2005 under the Project Unit Credit Method. Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level	- 10% per annum
- Discount rate	- 10% per annum

Reconciliation of payable to defined benefit plan	**2005**	2004
	(Rupees in '000)	
Present value of defined benefit obligation	**20,733**	18,513
Fair value of any plan assets	**-**	-
Net actuarial gains / (losses) not recognized	**-**	-
Transitional asset / (liability)	**-**	-
	20,733	18,513
Movement in net liability recognized		
Opening net liability	**18,513**	22,988
Expense recognized	**2,904**	246
Benefits paid during the year	**(684)**	(4,721)
Closing net liability	**20,733**	18,513
Charge for defined benefit plan		
Current service cost	**881**	878
Interest cost	**1,481**	1,609
Actuarial losses / (gains) recognized	**542**	(2,241)
	2,904	246

20.3 Deferred tax liability

This is composed of the following:	**2005**	2004
	(Rupees in '000)	
Debit balances arising in respect of:		
- Provision for gratuity and retirement benefits	**(15,914)**	(13,409)
- Provision for slow moving stock and doubtful debts	**(3,043)**	(3,043)
Credit balances arising in respect of:		
- Depreciation	**8,671**	3,649
- Lease rentals	**7,566**	4,037
- Revaluation surplus	**15,860**	17,622
	13,140	8,856

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2005			2004		
	Minimum lease payment	**Financial charges for future periods**	**Principal outstanding**	Minimum lease payment	Financial charges for future periods	Principal outstanding
			(Rupees in '000)			
Not later than one year	19,640	1,027	18,613	21,503	3,536	17,967
Later than one year and not later than five year	22,395	2,443	19,952	36,581	2,767	33,814
	42,035	3,470	38,565	58,084	6,303	51,781

21.1 Present value of minimum lease payments has been discounted by using financing rates ranging from 6.75% to 17.04% per annum (2004: 8% to 21% per annum). Title to the assets acquired under the leasing arrangements are transferable to the company on the adjustment of deposit (residual value) of Rs. 3.089 million (2004: Rs.3.339 million) paid against these liabilities. Repair and insurance costs are to be borne by the Company.

22. CONTINGENCIES AND COMMITMENTS

	2005	2004
	(Rupees in '000)	
Contingencies		
Bank guarantees	**5,146**	2,849
Commitments		
Letter of credit	**61,819**	72,599
Commitment for lease of land (refer note 5.1)	**13,500**	9,000

23. **SALES** - net

	Note	**2005**	2004
		(Rupees in '000)	
Gross sales		**1,027,704**	896,357
Sales tax		**(133,223)**	(130,661)
Trade promotion and discount		**(49,250)**	(51,635)
Rebate and sales return		**(42)**	(84)
		(182,515)	(182,380)
		845,189	713,977

24. COST OF SALES

	Note	2005	2004
Raw and packing material consumed	*24.1*	**446,830**	387,938
Stores & spares consumed		**5,078**	4,989
Salaries, wages & other benefits		**54,712**	51,124
Contribution to provident fund		**1,090**	1,043
Repairs and maintenance		**3,645**	1,259
Excise duty		**89,459**	82,415
Fuel and power		**33,718**	28,573
Rent, rates and taxes		**91**	86
Insurance		**1,893**	1,645
Product research and development		**63**	105
Traveling and conveyance		**1,863**	1,349
Printing and stationery		**289**	329
Postage, telegrams and telephones		**666**	723
Legal charges		**5**	15
Professional fee		**72**	61
Entertainment		**5**	3
Subscription		**35**	24
Depreciation	*3.1.4*	**13,161**	6,479
Other expenses		**3,869**	3,503
		656,544	571,663
Opening stock of work-in-process		**15,115**	11,209
Closing stock of work-in-process		**(18,180)**	(15,115)
		653,479	567,757
Opening stock of finished goods		**51,792**	37,610
Closing stock of finished goods		**(31,070)**	(51,792)
		674,201	553,575

24.1 Raw and packing material consumed

	2005	2004
Opening stock	**27,374**	25,382
Purchases	**457,459**	389,930
	484,833	415,312
Closing stock	**(38,003)**	(27,374)
	446,830	387,938

25. SELLING AND DISTRIBUTION COST

	Note	2005	2004
		(Rupees in '000)	
Salaries, wages and other benefits		**14,363**	4,834
Fuel and power		**5**	-
Contribution to provident fund		**349**	111
Repairs and maintenance		**530**	135
Rent, rates and taxes		**196**	25
Depreciation	*3.1.4*	**746**	620
Professional fee		**455**	43
Postage and telegram		**734**	70
Printing and stationery		**472**	114
Traveling and conveyance		**5,339**	1,363
Other expenses		**3,099**	1,740
Advertising		**44,214**	54,199
Impairment loss for doubtful debts		**-**	1,457
Freight and handling		**13,613**	11,253
Product research and development		**1,460**	699
Trade mark written off		**471**	-
Common expenses charged by associated company		**2,810**	14,324
		88,856	90,987

26. ADMINISTRATIVE EXPENSES

	Note	2005	2004
Salaries, wages and other benefits		**11,279**	7,946
Contribution to provident fund		**418**	238
Fuel and power		**618**	1,160
Repairs and maintenance		**656**	310
Rent, rates and taxes		**1,042**	980
Depreciation	*3.1.4*	**1,580**	565
Legal charges		**218**	41
Professional fee		**1,570**	1,683
Charity and donation	*26.1*	**10**	14
Auditors' remuneration	*26.2*	**245**	220
Postage, telegrams and telephones		**402**	399
Printing and stationery		**455**	236
Traveling and conveyance		**760**	512
Computer expenses		**135**	78
Insurance		**138**	68
General advertisement		**114**	150
Other expenses		**1,299**	646
		20,939	15,246

26.1 The directors and their spouses did not have any interest in the donee fund.

		2005	2004
26.2	**Auditors' remuneration**	**2005**	2004
		(Rupees in '000)	
	Audit fee	**125**	125
	Certification fee	**30**	30
	Fee for half yearly review	**50**	30
	Out of pocket expense	**40**	35
		245	220
27.	**OTHER OPERATING EXPENSES**		
	Workers' Welfare Fund	**1,024**	943
	Workers' Profit Participation Fund	**3,442**	2,869
		4,466	3,812
28.	**OTHER OPERATING INCOME - net**		
	Insurance commission	**84**	82
	Mark-up on short term deposit	**168**	1,088
	Gain on disposal of fixed assets	**368**	322
	Gain on disposal of assets acquired on winding-up of subsidiary company	**90**	-
	Scrap sales	**5,314**	2,427
	Rebate on export	**-**	32
	Return on investments	**5,125**	1,577
	Dividend income	**147**	24
	Gain / (loss) on revaluation of investment	**1,044**	(40)
		12,340	5,512
29.	**FINANCE COST**		
	Running finance	**556**	16
	Mark-up on WPPF	**3**	95
		559	111
	Finance cost and front end fee on lease arrangements	**3,866**	1,617
	Bank charges and commission	**745**	570
		4,611	2,187
		5,170	2,298

30. TAXATION

	2005	2004
	(Rupees in '000)	
Current		
- for the year	**17,582**	16,166
- for prior years	**(101)**	(49)
	17,481	16,117
Deferred	**4,284**	2,687
	21,765	18,804

Relationship between tax expense and accounting profit

	2005	2004
Profit before tax	**63,897**	53,571
Tax at the applicable tax rate of 35% (2004: 35%)	**22,364**	18,750
Effect of lower tax rate on dividend income and insurance commission	**(65)**	(7)
Excess perquisites	**328**	224
(Gain) / loss on revaluation of investments	**(365)**	14
Others	**(396)**	(128)
Prior year	**(101)**	(49)
Tax expense	**21,765**	18,804

31. BASIC AND DILUTED EARNING PER SHARE

	2005	2004
Net profit for the year	**42,132**	34,767
	(Number of shares)	
Weighted average number of ordinary shares	**4,000,000**	4,000,000
	(Rupees)	
Basic and diluted earnings per share	**10.53**	8.69

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

	Chief Executive		Director		Executive	
	2005	2004	**2005**	2004	**2005**	2004
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Remuneration	**1,440**	900	**681**	620	**596**	4,123
Provident fund	**144**	90	**-**	-	**60**	412
Special pay	**680**	-	**-**	-	**401**	1,855
Housing & utilities	**814**	1,051	**443**	453	**389**	2,416
Medical	**152**	80	**88**	56	**7**	583
Incentive	**203**	-	**-**	-	**127**	-
Leave passage & other benefits	**2**	5	**-**	-	**-**	1,024
	3,435	2,126	**1,212**	1,129	**1,580**	10,413
No. of persons	**1**	1	**1**	1	**1**	24

32.1 Aggregate amount charged in these accounts for fee to one non-executive director was Rs. 0.015 million (2004: Rs 0.015 million).

32.2 In addition certain executives are also provided with free use of company maintained vehicles.

32.3 As per revised fourth schedule of the Companies Ordinance, 1984, the executives includes those persons whose annual basic salary is Rs 500,000 or more whereas previously annual basic salary for consideration of executives was Rs 100,000 or more. Accordingly, only those employees whose annual basic salary is Rs 500,000 or more are included in the number of executives for the year 2005.

33. PLANT CAPACITY AND PRODUCTION

	2005	2004
Soap	**(Tons)**	
Assessed / rated	**9,500**	9,500
Actual production	**8,319**	7,447

Due to growing competition and easy availability of foreign brands of soap, the plant capacity could not be fully utilized.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all the financial assets and financial liabilities are estimated to approximate their respective carrying values, except for held to maturity investments , which is stated at amortized cost.

35. INTEREST RATE RISK EXPOSURE

The information about the company's exposure to interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, is as follows:

	Interest / mark-up bearing				**Non-Interest / mark-up bearing**				**Total**
	Less than one month	**One month to one year**	**Over one year**	**Sub total**	**Less than one month**	**One month to one year**	**Over one year**	**Sub-total**	
					(Rupees in '000)				
Financial Assets									
Investments	-	28,211	15,788	43,999	2,576	-	-	2,576	**46,575**
Trade debts	-	-	-	-	6,172	-	-	6,172	**6,172**
Loans and advances to					-	-	-		
employees	-	-	-	-	-	477	314	791	**791**
Long term deposits	-	-	-	-	-	-	5,913	5,913	**5,913**
Advances, deposits, prepayments and other receivables	-	-	-	-	1,679	-	-	1,679	**1,679**
Mark-up / profit accrued	-	-	-	-	1,771	-	-	1,771	**1,771**
Cash and bank balances	7,362	-	-	7,362	16,369	-	-	16,369	**23,731**
	7,362	28,211	15,788	51,361	28,567	477	6,227	35,271	**86,632**
Financial Liabilities									
Liabilities against assets subject to finance lease	332	18,281	19,952	38,565	-	-	-	-	**38,565**
Trade and other payables	-	-	-	-	95,360	-	-	95,360	**95,360**
Accrued mark-up					628	-	-	628	**628**
Long term deposits	-	-	-	-	-	-	475	475	**475**
	332	18,281	19,952	38,565	95,988	-	475	96,463	**135,028**
2005	**7,030**	**9,930**	**(4,164)**	**12,796**	**(67,421)**	**477**	**5,752**	**(61,192)**	**(48,396)**
2004	(1,707)	33,742	366	32,401	(37,564)	(46,178)	4,544	(79,198)	(46,797)

35.1 The effective interest / mark-up rates for financial assets and liabilities are as follows:

	Effective interest/ mark-up rate %	
	2005	2004
Assets		
Investments	**6- 8**	7-9
Term deposits	**2**	3
Liabilities		
Liabilities against assets subjects to finance lease	**6.75 - 17.04**	8-21

36. CONCENTRATION OF CREDIT RISK

The Company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of the customers. Financial assets of the company includes trade debts amounting to Rs. 6.172 million (2004: Rs. 6.663 million) due from distributors, wholesalers and retailers . The Company believes that it is not exposed to any major concentration of credit risk as it has varied number of customers with small amount outstanding against each.

37. TRANSACTION 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:

	2005	2004
	(Rupees in '000)	
Purchases and services received	**34,493**	32,180
Sales and services rendered	**7,391**	3,745
Common expenses charged by associated company	**2,810**	14,324
Profit commission	**84**	82
Contribution to employees' provident fund	**1,858**	1,393

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 12 September 2005 has proposed a cash dividend of Rs.3.50 per share (2004: Rs. 2.50 per share). The proposed dividend will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2005 do not include the effect of the proposed dividend which will be accounted for in the financial statements for the year ending 30 June 2006.

39. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 12 September 2005.

40. COMPARATIVE

Following previous year figures have been rearranged and reclassified which are necessary for the purposes of comparison.

During the year Securities and Exchange Commission of Pakistan has substituted the Fourth Schedule to the Companies Ordinance, 1984. Accordingly, certain figures have been rearranged and reclassified:

Advance for the purchase of land at Port Qasim, Karachi has been transferred to long term advances and deposits, which was previously included under advances, deposits, prepayments and other receivables.

Security deposits paid to certain leasing companies have been shown as long term security deposits which were previously adjusted against liabilities under finance lease arrangements.

41. GENERAL

The number of employees as at 30 June 2005 was 240 (2004: 216).

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

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

PATTERN OF SHARE HOLDING AS AT 30 JUNE 2005

Number of shareholders	Share Holding From	Share Holding To	Total shares held	Percentage
975	1	100	15,704	0.393
167	101	500	37,498	0.937
24	501	1,000	17,736	0.443
25	1,001	5,000	61,807	1.545
4	5,001	10,000	31,944	0.799
2	10,001	15,000	22,384	0.560
4	15,001	20,000	67,252	1.681
2	20,001	25,000	45,722	1.143
1	55,001	60,000	60,000	1.500
1	85,001	90,000	89,888	2.247
1	95,001	100,000	100,000	2.500
1	130,001	135,000	130,122	3.253
1	175,001	180,000	176,500	4.413
1	195,001	200,000	196,600	4.915
1	200,001	205,000	200,636	5.016
1	395,001	400,000	398,820	9.971
1	505,001	510,000	509,156	12.729
1	515,001	520,000	519,891	12.997
1	595,001	600,000	600,000	15.000
1	715,001	720,000	718,340	17.959
1215			**4,000,000**	**100.000**

CATEGORIES OF SHAREHOLDERS - 30 JUNE 2005

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Syeda Feriel R. Ali - Chief Executive Officer	2	509,356	12.734
Syed Wajid Ali - Chairman	1	10,648	0.266
Mrs. Khadija Wajid Ali W/o Syed Wajid Ali	1	15,708	0.393
Syed Yawar Ali - Director	4	616,012	15.400
Mrs. Nighat Ali W/o Syed Yawar Ali	2	5,890	0.147
Syed Tariq Ali - Director	8	542,448	13.561
Mr. Shahid Nazir Ahmed - Director	1	500	0.013
Ms. Aaliya K. Dossa - Director	1	500	0.013
ASSOCIATED COMPANIES			
International General Insurance Co. of Pak. Ltd	1	130,122	3.253
Treet Corporation Ltd	1	718,340	17.959
Loads Limited	1	100	0.003
N.B.P - TRUSTEE DEPTT. (NIT)	1	519,891	12.997
INVESTMENT CORPORATION OF PAKISTAN	1	1,683	0.042
INSURANCE COMPANIES	1	22,778	0.569
JOINT STOCK COMPANIES	11	224,163	5.604
INDIVIDUALS	1176	681,670	17.042
OTHERS	2	191	0.005
	1215	**4,000,000**	**100.000**