

Zulfeqar Industries Limited

Balance Sheet (unaudited)

As at 31 March 2004

Note **31 March** 30 June
2004 2003

(Rs. in '000)

OPERATING ASSETS - at cost / revaluation		
less accumulated depreciation	64,635	67,220
CAPITAL WORK IN PROGRESS - at cost	53,598	1,044
TRADE MARKS - at cost	471	471
LONG TERM DEPOSITS	2,356	2,174
DEFERRED TAXATION	5 3,497	3,037
LOANS AND ADVANCES TO EMPLOYEES	407	331

CURRENT ASSETS

Stores and spares	3,431	2,298
Stock-in-trade	74,547	91,106
Short term investments	6 17,523	-
Trade debtors - unsecured, considered good	19,364	14,316
Current maturity of loans and advances to employees	176	165
Advances, deposits, prepayments and other receivables	51,083	39,057
Cash and bank balances	29,228	55,085
	195,352	202,027

CURRENT LIABILITIES

Current maturity of liabilities against assets subject to finance lease	4,330	4,392
Creditors, accrued expenses and other liabilities	104,287	89,205
Provision for taxation	41,867	30,011
Dividend		4,000
	150,484	127,608

NET CURRENT ASSETS	44,867	74,419
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TOTAL ASSETS	169,831	148,696
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FINANCED BY :

SHARE CAPITAL AND RESERVES

AUTHORISED CAPITAL	50,000	50,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL	40,000	40,000
REVENUE RESERVES	6,000	6,000
UNAPPROPRIATED PROFIT	54,553	31,664
SHAREHOLDERS' EQUITY	100,553	77,664

SURPLUS ON REVALUATION OF FIXED ASSETS	7 23,651	24,953
LONG TERM DEPOSITS	475	475
DEFERRED LIABILITIES	43,141	41,719
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	2,011	3,885
CONTINGENCIES AND COMMITMENTS	8	
	169,831	148,696

The annexed notes 1 to 12 forms an integral part of these accounts

Chief Executive

Director

Zulfeqar Industries Limited
Profit and Loss Account (unaudited)

For the period ended 31 March 2004

	Quarter ended		Nine Months period ended	
	Jan 2004 to March 2004	Jan 2003 to March 2003	July 2003 to March 2004	July 2002 to March 2003
	(Rs. in '000)			
	<i>Note</i>			
Sales - net	9 161,720	146,878	509,845	467,238
Cost of goods sold	10 127,820	115,223	397,370	362,131
Gross profit	33,900	31,655	112,475	105,107
Administrative expenses	3,882	4,299	11,740	10,867
Selling & distribution expenses	20,302	21,974	68,348	64,362
Financial expenses	361	546	1,365	2,328
WPPF & WWF	738	423	2,467	2,251
	25,283	27,242	83,920	79,808
	8,617	4,413	28,555	25,299
Other income	1,114	430	4,471	1,548
Profit before taxation	9,731	4,843	33,026	26,847
Taxation:				
Current	3,679	2,743	11,898	13,649
Deferred	(503)	(930)	(459)	(3,393)
	3,176	1,813	11,439	10,256
Profit after taxation	6,555	3,030	21,587	16,591
Earning per share	Rupees 1.64	0.76	5.40	4.15

The annexed notes 1 to 12 forms an integral part of these accounts

Chief Executive

Director

Zulfeqar Industries Limited
Cash Flow Statement (unaudited)
For the period ended 31 March 2004

	Nine months period ended	
	31 March 2004	31 March 2003
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,026	26,847
Adjustments for:		
Financial charges	1,270	2,245
Depreciation	5,428	5,761
Provision for gratuity	1,776	2,639
Provision for retirement benefits	4,622	5,010
Gain on disposal of fixed assets	(140)	-
	12,956	15,655
Operating profit before working capital changes	45,982	42,502
Decrease / (Increase) in operating assets:		
Stores and spares	(1,133)	(200)
Stock in trade	16,560	(5,036)
Trade debtors	(5,048)	7,795
Advances, deposits, prepayments and other receivables	(4,618)	(3,906)
Long term deposits	(182)	44
	5,579	(1,303)
Increase / (Decrease) in operating liabilities		
Creditors, accrued expenses and other liabilities	15,072	4,866
Cash generated from operations	66,633	46,065
Income tax paid	(7,539)	(10,458)
Gratuity paid	(1,909)	(1,193)
Retirement benefits paid	(3,067)	(1,905)
Mark-up paid	(1,273)	(2,591)
	(13,788)	(16,147)
Net cash flow from operating activities	52,845	29,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(56,091)	(1,635)
Short term investments	(17,523)	-
Sale proceeds of fixed assets	833	154
Net cash flow from investing activities	(72,781)	(1,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,985)	(373)
Repayment/addition of lease liability-net	(1,936)	(2,894)
Long term demand finance	-	(5,200)
Net cash flow from financing activities	(5,921)	(8,467)
Net decrease in cash and cash equivalents	(25,857)	19,970
Cash and cash equivalents as at beginning of the period	55,085	16,323
Cash and cash equivalents as at end of the period	29,228	36,293
CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,228	36,293

The annexed notes 1 to 12 forms an integral part of these accounts

Chief Executive

Director

Zulfeqar Industries Limited
Statement of Changes in Equity (unaudited)

For the period ended 31 March 2004

(Rs. in '000)

	Share Capital	Revenue Reserves	Unappropriated Profit / (Accumulated loss)	Total
Balance as at 1 July 2002	40,000	6,000	(4,630)	41,370
Profit for the nine months ended 31 March 2003	-	-	16,591	16,591
Tranferred from surplus on revaluation of fixed assets -				
- prior years	-	-	20,817	20,817
- current period	-	-	1,446	1,446
Interim dividend (10%)	-	-	(4,000)	(4,000)
Balance as at 31 March 2003	<u>40,000</u>	<u>6,000</u>	<u>30,224</u>	<u>76,224</u>

	Share Capital	Revenue Reserves	Unappropriated Profit	Total
Balance as at 1 July 2003	40,000	6,000	31,664	77,664
Profit for the nine months period ended 31 March 2004	-	-	21,587	21,587
Tranferred from surplus on revaluation of fixed assets -				
- current period	-	-	1,302	1,302
Balance as at 31 March 2004	<u>40,000</u>	<u>6,000</u>	<u>54,553</u>	<u>100,553</u>

The annexed notes 1 to 12 forms an integral part of these accounts

Chief Executive

Director

Zulfeqar Industries Limited
Notes to the Financial Statements (unaudited)

For the six months ended 31 March 2004

- These financial statements are unaudited, prepared in compliance with IAS-34 'Interim Financial Reporting', and are circulated to the shareholders as required by section 245 of the Companies Ordinance 1984.
- The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the company for the year ended 30 June 2003. During the period the company made investments in listed securities and certificates of investments, the accounting policy of investments is given as follows:

Investments

Quoted and unquoted investments are classified as available-for-sale and are stated at fair value, with any resultant gains or losses being recognized directly in profit and loss account.

- Following is the cost of operating assets that have been added / disposed off during the nine months period ended 31 March 2004:

	31 March 2004	31 March 2003
	(Rupees in '000)	
Additions		
Owned:		
Plant, Machinery and Equipments	724	705
Furniture and Fixture	18	103
Vehicles	927	-
Computer	45	223
	<u>1,714</u>	<u>1,031</u>
Leased:		
Vehicles	1,822	2,559
	<u>3,536</u>	<u>3,590</u>
Disposals		
Vehicles		
Owned	582	375
Leased	824	-
	<u>824</u>	<u>-</u>

- Following is the cost of capital work in progress that have been added during the nine months period ended 31 March 2004:

Plant, Machinery and Equipments	<u>56,091</u>	<u>1,635</u>
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- Deferred Tax is composed of the following:**

	31 March 2004	30 June 2003
	(Rupees in '000)	
Debit Balances arising in respect of		
-Provision for gratuity and retirement benefits	15,099	14,601
-Provision for slow moving stock & doubtful debts	2,533	2,725
Credit Balances arising in respect of		
-Revaluation Surplus	(8,649)	(9,350)
-Depreciation	(3,088)	(3,182)
-Excess of lease liability over written down value of leased assets	(2,398)	(1,757)
	<u>3,497</u>	<u>3,037</u>

6. Short term investments		31 March 2004
		(Rupees in '000)
<i>Available for sale</i>		
Quoted		
Shares	6.1	1,485
Term Finance Certificates	6.2	<u>4,822</u>
		6,307
Unquoted		
Pakistan Investment Bonds	6.3	<u>11,216</u>
		<u>17,523</u>

6.1 These are fully paid up shares of Rs. 10/- each

	<u>Number of shares</u>	<u>As on 31 March Market value per share Rupees</u>	<u>Fair value (Rupees in '000)</u>
Oil and Gas Development Corporation	24,459	60.70	<u>1,485</u>

	<u>No. of Certificates</u>	<u>Profits Repayment frequency</u>	<u>Rates %</u>	<u>Principal repayment</u>	<u>Maturity date</u>	<u>Fair value (Rupees in '000)</u>
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6.2 Quoted - Term Finance Certificates

Oil and Gas Securitisation Company Limited	1,000 of Rs 5,000 each	Monthly	SBP Discount Rate + 2.5%	142,570	4 December 2006	<u>4,822</u>
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6.3 Pakistan Investment Bonds

11,216

**31 March
2004** **30 June
2003**

(Rupees in '000)

7. Surplus on Revaluation of Fixed Assets

Opening Balance	34,303	58,088
Transferred to retained earnings due to incremental depreciation		
- Prior years	<u>-</u>	<u>(20,817)</u>
- Current year - net-off deferred tax	<u>(1,302)</u>	<u>(1,929)</u>
	<u>33,001</u>	<u>35,342</u>
Related deferred tax liability	<u>(701)</u>	<u>(1,039)</u>
	<u>32,300</u>	<u>34,303</u>
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	<u>9,350</u>	<u>10,389</u>
- Incremental depreciation charged during the period transferred to profit and loss account	<u>(701)</u>	<u>(1,039)</u>
	<u>8,649</u>	<u>9,350</u>
Balance at the end of the period	<u><u>23,651</u></u>	<u><u>24,953</u></u>

8. Contingencies and Commitments

Letters of credit	<u>41,026</u>	<u>14,230</u>
Bank guarantee	<u>2,490</u>	<u>2,490</u>

Quarter ended		Nine Months period ended	
Jan 2004	Jan 2003	July 2003	July 2002
to	to	to	to
March 2004	March 2003	March 2004	March 2003

(Rupees in '000)

9. Sales-net

Gross sales	201,405	183,803	638,198	582,655
Sales tax	(29,494)	(26,946)	(93,834)	(83,682)
Trade promotion discount	(10,188)	(10,140)	(34,470)	(31,423)
Sale return / rebate	(3)	161	(49)	(312)
	(39,685)	(36,925)	(128,353)	(115,417)
	161,720	146,878	509,845	467,238

10. Cost of Goods Sold

Raw & packing material consumed	93,003	72,280	261,636	248,346
Stores & spares consumed	1,149	1,564	4,306	4,178
Salaries, wages & other benefits	14,187	12,163	41,882	42,325
Repairs & maintenance	356	393	1,217	1,308
Fuel & power	7,020	6,000	20,287	19,773
Rent, rates & taxes	27	10	55	77
Insurance	418	325	1,199	960
Product research & development	53	3	72	49
Excise duty	17,894	15,254	56,795	51,559
Traveling & conveyance	334	308	936	900
Printing & stationery	75	66	298	237
Postage, telegrams & telephones	131	147	568	458
Legal & professional	22	93	51	124
Subscription	4	8	22	48
Depreciation	1,739	1,703	4,723	5,012
Other expenses	985	951	2,409	2,417
	137,397	111,268	396,456	377,771
Opening stock of work-in-process	11,690	10,211	11,209	8,030
Closing stock of work-in-process	(11,873)	(9,237)	(11,873)	(9,237)
	137,214	112,242	395,792	376,564
Opening stock of finished goods	26,637	34,819	37,610	17,405
Closing stock of finished goods	(36,031)	(31,838)	(36,031)	(31,838)
	127,820	115,223	397,371	362,131

11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of group companies, entities with common directors and their close family members, major shareholder management employees and staff provident fund. The Company has a policy whereby all transactions with related parties, are entered at arm's length prices using the comparable uncontrolled price method except for common expenses which are shared equitably under agreed terms of arrangement. The transactions with related parties are as follows:

	<u>July to March 2004</u>	<u>July to March 2003</u>
	(Rupees in '000)	
Purchases and services received	<u>21,930</u>	<u>21,583</u>
Sales and services rendered	<u>2,777</u>	<u>3,418</u>
Common expenses charged by the associated company	<u>11,406</u>	<u>14,699</u>
Profit commission	<u>73</u>	<u>119</u>
Contribution to employees' provident fund	<u>1,044</u>	<u>1,001</u>
Chief executive and directors remuneration	<i>11.1</i> <u>2,462</u>	<u>2,179</u>

- 11.1 The transactions with the Chief Executive, whole time working director and other senior executives were undertaken in accordance with their terms of employments.

12. General

- 12.1 Figures have been rounded off to the nearest thousand of rupees.
- 12.2 The comparative figures have been re-arranged and re-grouped wherever necessary to facilitate comparison.
- 12.3 These accounts were approved in the Board of Directors' meeting held on April 16 2004.

Chief Executive

Director