



Accounts for the **3rd Quarter** ended
31 March 2007

DIRECTORS' REVIEW

The Directors of the Company would like to present the financial statements of the Company for the period ended 31 March 2007.

Overview

The sales during the quarter under review were depressed due to two main reasons; firstly, an extended period of winter season that lasted till beginning of March during which the demand for soaps reduces, secondly, the rationalization of stocks due to re-launch of our main premium brand.

Consequently, the net sales revenue remained at Rs 179.537 mn. during the quarter under review as against Rs 191.574 mn. during the same period last year. Cost of sales has increased to 76.22% from 69.50% resulting in diminution of the gross profit ratio to 23.78% from 30.50% during the same period last year.

Increase in the selling and distribution expenses was controlled during the quarter under review since the sales were lower than last year.

The administrative and financial costs remained consistent during the period under review with the corresponding period last year.

The company has registered a post tax profit of Rs 1.129 mn. during the period under review as against post tax profit of Rs 10.456 mn. during the same period last year.

Earning per Share

Earning per share for the quarter under review is Rs 0.28 as compared to Rs 2.61 during the same period last year.

Future Outlook

We are confident that with the launch of the new Capri Natural Skincare and Wellness Range, the company would succeed in achieving improved results. It is hoped that our endeavor to provide modern & relevant products for our consumers will be a success in the market.

Acknowledgements

The Directors would like to express their gratitude to the shareholders, distributors, bankers and other business associates for their continued support and encouragement and also place on record appreciation for the valuable services rendered by the officers, staff and field force of the Company.

For and on behalf of the Board

Karachi: 26 April 2007

Feriel Ali Mehdi
Chief Executive Officer

Zulfeqar Industries Limited
Condensed Interim Balance Sheet (Unaudited)
As at 31 March 2007

	Notes	31 March 2007	30 June 2006 (Audited)
(Rupees in '000)			
FIXED ASSETS			
Property, plant and equipment	5	240,375	211,221
Intangible assets	3.2	1,728	-
LONG TERM ADVANCES AND DEPOSITS		3,321	3,655
LOANS AND ADVANCES TO EMPLOYEES		360	314
CURRENT ASSETS			
Stores and spares		13,362	10,006
Stock-in-trade	6	132,215	121,857
Short-term investments	7	6,911	49,201
Trade debts		5,738	7,893
Mark-up / profit accrued on investments		387	1,610
Current maturity of loans and advances to employees		250	193
Advances, deposits, prepayments and other receivables		33,166	27,643
Cash and bank balances	8	13,542	47,737
		205,571	266,140
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		6,653	19,729
Short term running finance under mark-up arrangement		6,984	-
Accrued mark-up liability		476	268
Trade and other payables		102,974	126,797
Taxation		5,562	26,428
		122,649	173,222
NET CURRENT ASSETS		82,922	92,918
NET ASSETS		328,706	308,108
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,000,000 (30 June 2006: 5,000,000) ordinary shares of Rs. 10 each		50,000	50,000
Issued, subscribed and paid up capital		40,000	40,000
Reserves		168,496	156,854
		208,496	196,854
SURPLUS ON REVALUATION OF FIXED ASSETS		45,549	47,538
LONG TERM DEPOSITS		450	450
DEFERRED STAFF LIABILITIES		47,724	43,775
DEFERRED TAXATION - net		26,487	17,994
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		-	1,497
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LONG TERM LIABILITIES		328,706	308,108

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

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

For the nine months period ended 31 March 2007

	Notes	Nine months period ended		Three months period ended	
		31 March 2007	31 March 2006	31 March 2007	31 March 2006
(Rupees in '000)					
Net sales	10	628,460	675,653	179,537	191,574
Cost of goods sold	11	(449,022)	(470,762)	(136,838)	(133,152)
Gross profit		179,438	204,891	42,699	58,422
Selling and distribution expenses		(110,317)	(102,309)	(34,855)	(35,527)
Administrative expenses		(25,109)	(21,537)	(8,274)	(8,367)
		(135,426)	(123,846)	(43,129)	(43,894)
Operating profit		44,012	81,045	(430)	14,528
Other income / (charges) - net	12	2,775	(89)	1,786	1,848
		46,787	80,956	1,356	16,376
Financial charges		(1,674)	(2,532)	(644)	(677)
Profit before taxation		45,113	78,424	712	15,699
Taxation		(15,459)	(27,292)	417	(5,243)
Profit after taxation		29,654	51,132	1,129	10,456
(Rupees)					
Earnings per share - basic and diluted		7.41	12.78	0.28	2.61

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Zulfeqar Industries Limited
Condensed Interim Cash Flow Statement (Unaudited)
For the nine months period ended 31 March 2007

		Nine months period ended	
		31 March 2007	31 March 2006
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
	<i>Note</i>		
Cash generated from operations	13	23,859	96,537
Income tax paid		(25,498)	(15,340)
Gratuity paid		(599)	(1,774)
Retirement benefits paid		(597)	(2,125)
Mark-up received on investments		2,806	2,541
Mark-up received on short term deposit		608	445
Dividend received		189	141
Mark-up paid		(1,466)	(2,805)
		(24,557)	(18,917)
Net cash flows from operating activities		(698)	77,620
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(49,417)	(24,580)
Short-term investments		41,606	908
Proceeds from disposal of fixed assets		1,800	385
Long-term investments		-	11,783
Net cash flows from investing activities		(6,011)	(11,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(19,897)	(13,933)
Repayment of lease liability		(14,573)	(12,245)
Long-term deposits		-	(25)
Net cash flows from financing activities		(34,470)	(26,203)
Net (decrease) / increase in cash and cash equivalents		(41,179)	39,913
Cash and cash equivalents at beginning of the period		47,737	23,731
Cash and cash equivalents at end of the period		6,558	63,644
Cash and cash equivalents comprises			
Cash and bank balances		13,542	63,644
Short term running finance under mark-up arrangement		(6,984)	-
		6,558	63,644

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Zulfeqar Industries Limited
Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months period ended 31 March 2007

	Issued, subscribed and paid-up capital	Revenue reserve		Total reserves	Total
		General reserve	Unappropriated profit		
(Rupees in '000)					
Balance as at 1 July 2005	40,000	6,000	103,572	109,572	149,572
Net profit for the nine months period ended 31 March 2006	-	-	51,132	51,132	51,132
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	2,209	2,209	2,209
Total recognised income and expense for the nine months period ended 31 March 2006	-	-	53,341	53,341	53,341
Final dividend for the year ended 30 June 2005	-	-	(14,000)	(14,000)	(14,000)
Balance as at 31 March 2006	40,000	6,000	142,913	148,913	188,913
Net profit for the three months period ended 30 June 2006	-	-	7,205	7,205	7,205
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	736	736	736
Total recognised income and expense for the three months period ended 30 June 2006	-	-	7,941	7,941	7,941
Balance as at 30 June 2006	40,000	6,000	150,854	156,854	196,854
Net profit for the nine months period ended 31 March 2007	-	-	29,654	29,654	29,654
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	1,988	1,988	1,988
Total recognised income and expense for the nine months period ended 31 March 2007	-	-	31,642	31,642	31,642
Final dividend for the year ended 30 June 2006	-	-	(20,000)	(20,000)	(20,000)
Balance as at 31 March 2007	40,000	6,000	162,496	168,496	208,496

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Zulfeqar Industries Limited

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 31 March 2007

1. STATUS AND NATURE OF BUSINESS

Zulfeqar Industries Limited (“the Company”) was incorporated in Pakistan in February 1960 as a private limited company under the Companies Act, 1913(now the Companies Ordinance, 1984) with registered office in Sindh and subsequently converted into a public limited company in November 1986. Its shares are listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is the manufacturing and sale of toilet and washing soaps.

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

2. BASIS FOR PRESENTATION

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

These condensed interim financial statements comprise of condensed interim balance sheet as at 31 March 2007, condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the nine months period ended 31 March 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Intangible assets

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

4. ESTIMATES

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

5. FIXED ASSETS

Fixed capital expenditure during the period amounted to Rs. 49.417 million (31 March 2006: Rs.24.580 million). Book value of fixed assets disposed off during the period amounted to Rs. 1.915 million (31 March 2006: Rs.0.266 million).

31 March 30 June
2007 2006
(Audited)
(Rupees in '000)

6. STOCK-IN-TRADE

Raw materials – in hand	39,155	31,821
– in transit	34,939	42,977
	74,094	74,798
Packing materials	9,582	5,218
Work-in-process	17,148	15,407
Finished goods	33,634	28,677
	134,458	124,100
Provision against slow moving stock-in-trade	(2,243)	(2,243)
	132,215	121,857

7. SHORT TERM INVESTMENTS

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

Quoted:		
- Shares	2,906	3,345
- Term Finance Certificates	-	855
	2,906	4,200
Unquoted:		
- Pakistan Investment Bonds	-	9,221
	2,906	13,421
Current maturity of long term held-to-maturity investments		
- Certificates of Musharika	1,760	7,040
- Certificates of Investment	2,245	8,740
	4,005	15,780
Held-to-maturity investments		
- Certificates of deposit	-	10,000
- Certificates of Musharika	-	10,000
	6,911	49,201

	31 March 2007	30 June 2006 (Audited)
(Rupees in '000)		
8. CASH AND BANK BALANCES		
Cash in hand	127	29
Cash at banks in – current accounts	6,768	11,811
– deposit accounts	6,647	20,897
– short term deposit	-	15,000
	13,415	47,708
	13,542	47,737

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

9.2 Commitments

9.2.1 Commitments under letters of credit for the import of stock-in-trade items amounting to Rs. 75.765 million (30 June 2006: Rs.56.127 million).

9.2.2 Post dated cheques have been issued to Collector of Customs amounting to Rs.21.188 million (30 June 2006: Rs.21.422 million).

	Nine months period ended		Three months period ended	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
(Rupees in '000)				
10. NET SALES				
Gross sales	783,669	842,411	223,664	238,771
Sales tax	(112,019)	(120,785)	(31,953)	(34,512)
Trade promotion discount	(43,169)	(45,942)	(12,159)	(12,685)
Rebate and sales return	(21)	(31)	(15)	-
	(155,209)	(166,758)	(44,127)	(47,197)
	628,460	675,653	179,537	191,574

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>

(Rupees in '000)

11. COST OF GOODS SOLD

Raw and packing materials consumed	358,148	394,209	95,024	117,704
Stores and spares consumed	3,290	4,125	1,161	1,432
Salaries, wages and other benefits	43,104	42,658	14,443	14,527
Contribution to the provident fund	943	871	336	302
Repair and maintenance	1,302	2,077	330	1,020
Fuel and power	29,109	28,675	8,388	8,984
Rent, rates and taxes	384	342	13	276
Insurance	1,648	1,217	573	417
Product research and development	212	149	17	67
Traveling and conveyance	1,272	1,603	463	586
Printing and stationery	202	228	64	72
Postage, telephone and telegrams	371	423	126	135
Legal charges	289	18	-	16
Professional fee	57	50	18	17
Entertainment	53	20	28	17
Subscription	20	27	3	9
Depreciation	12,660	11,042	4,289	3,812
Freight and material handling	1,862	1,631	348	459
Other expenses	794	871	367	398
	455,720	490,236	125,991	150,250
Opening stock of work-in-process	15,407	18,179	16,694	14,575
Closing stock of work-in-process	(17,148)	(13,927)	(17,148)	(13,927)
Cost of goods manufactured	453,979	494,488	125,537	150,898
Opening stock of finished goods	28,677	31,070	44,935	37,050
Closing stock of finished goods	(33,634)	(54,796)	(33,634)	(54,796)
	449,022	470,762	136,838	133,152

12. OTHER INCOME / (CHARGES) - NET

Mark-up on short-term deposit	608	445	50	186
Gain / (loss) on revaluation of investment	(684)	132	100	939
Mark-up on investments	1,583	2,266	4	693
Gain / (loss) on disposal of fixed assets	(115)	119	(115)	(15)
Scrap sales	3,988	2,389	1,523	1,030
Dividend income	189	141	43	31
	5,569	5,492	1,605	2,864
Workers' welfare fund	(399)	(1,381)	207	(158)
Workers' profit participation fund	(2,395)	(4,200)	(26)	(858)
	(2,794)	(5,581)	181	(1,016)
	2,775	(89)	1,786	1,848

13 CASH GENERATED FROM OPERATIONS

	Nine months period ended	
	31 March 2007	31 March 2006
	(Rupees in '000)	
Profit before taxation	45,113	78,424
Adjustments for:		
Mark-up expense	1,674	2,532
Depreciation and amortisation	16,622	13,464
Provision for gratuity	3,351	2,988
Provision for retirement benefits	1,794	2,292
Loss / (gain) on revaluation of investments	684	(132)
Amortisation of premium on investment	(20)	(73)
Mark-up on investment	(1,563)	(2,193)
Mark-up on short term deposit	(608)	(445)
Dividend income	(189)	(141)
Loss / (gain) on disposal of fixed assets	115	(119)
	21,860	18,173
Operating profit before working capital changes	66,973	96,597
<i>Decrease / (Increase) in operating assets:</i>		
Stores and spares	(3,356)	(2,652)
Stock-in-trade	(10,357)	3,262
Trade debts	2,155	514
Loans and Advances	(103)	193
Long term advances and deposits	334	(19,474)
Advances, deposits, prepayments and other receivables	(7,861)	(1,235)
	(19,188)	(19,392)
<i>Increase / (decrease) in operating liabilities:</i>		
Trade and other payables	(23,926)	19,332
Cash generated from operations	23,859	96,537

14. TRANSACTIONS AND BALANCE WITH ASSOCIATED PARTIES

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

14.1 Transactions with related parties

	Nine months period ended	
	31 March	31 March
	2007	2006
	(Rupees in '000)	
Associated Companies		
Sales of goods	294	300
Services rendered	763	1,685
Purchases of goods	923	511
Insurance premium paid	2,388	2,488
Common expenses charged	1,371	1,737
Dividend paid	4,242	2,970
Staff Retirement Benefit Plans		
Contribution to employees' provident fund	1,916	1,397
Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	4,337	4,590
Director and Chief Executive Officer		
Remuneration	3,802	3,857
Dividend paid	8,400	5,880

14.2 Balances with related parties:

	31 March	30 June
	2007	2006
		(Audited)
	(Rupees in '000)	
Trade and other payables	675	2,100
Trade and other receivables	111	227

15 DATE OF AUTHORISATION OF ISSUE

These condensed financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 26 April 2007.

Chief Executive Officer

Director