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Corporate Information

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman / Chief Executive Officer

Syed Yawar Ali
Director

Syed Tariq Ali
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Khurshid Hadi
Director

Mr. Omer Ehtisham
Director

Mr. Kemal Shoaib
Director (Nominee NIT)

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

Board Audit Committee

Mr. Kemal Shoaib
Chairman

Syed Yawar Ali
Member

Mr. Shahid Nazir Ahmed
Member

Company Secretary & Chief Financial Officer

Mr. Naveed Ehtesham

Statutory Auditors

KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

Hussain & Haider, Advocates

Registered Office

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

Factory

Link Hali Road, Hyderabad - 71000

Bankers

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

Shares Registrars

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

Directors' Review

The Directors of the Company would like to present the financial statements of the Company for the third quarter & nine months ended 31 March 2008.

Overview

The quarter Jan-March '08 saw a slow-down in economic activity due to the general elections. Currently, after the formation of the new Government, the business is slowly gaining momentum, however, the continuous increase in the prices of raw materials & utilities are adversely affecting the margins.

Company Results

The company top line performance was satisfactory as sales volumes during the quarter surged by 19% as compared to the same quarter last year. Resultantly, the net sales revenue increased to Rs. 279mn as against Rs. 180mn in the corresponding quarter last year. The gross profit increased to Rs. 57mn as compared to Rs. 43mn in the corresponding quarter, however, the continuous rise in input costs as well as the downsizing cost incurred in the quarter resulted in an increase of 62% in the cost of sale as compared to the same quarter last year.

The Selling & Distribution cost has increased by 61% over last year due to increased advertisement expenditure in order to support the brand equity.

The Company incurred loss of Rs. 6.4mn during the period under review as against a profit of Rs. 1.1mn during the same quarter last year mainly due to the one time downsizing cost.

The financial strength of the company is strong as is evident from the current ratio 1.55:1.

Earning per Share

As a result, the earning per share for the quarter under review is Rs. (1.45) as compared to Rs. 0.26 for the same quarter last year, whereas, for the period earning per share is Rs. 2.30 as against Rs. 6.74 in the same period last year.

Future Outlook

With the launch of new product variants as well as continued strong support through advertisement, the Company is committed to achieve better sales volume in the last quarter

Acknowledgements

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

Karachi: 25 April 2008

For and on behalf of the Board



Ferial Ali Mehdi
Chairman / Chief Executive

Condensed Interim Balance Sheet (Unaudited)

As at 31 March 2008

	Note	31 March 2008	30 June 2007 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	5	266,527	276,641
Intangible assets		1,152	1,548
Long term prepayment		19,834	20,149
Long term deposits		3,364	3,364
Long term loans to employees		233	309
CURRENT ASSETS			
Stores and spares		7,068	5,880
Stock-in-trade	6	238,759	134,432
Short-term investments	7	-	27,930
Trade debts		5,833	4,726
Advances, deposits, prepayments and other receivables		24,473	24,960
Cash and bank balances	8	4,440	59,067
		280,573	256,995
CURRENT LIABILITIES			
Short term running finance under mark-up arrangement		24,423	-
Trade and other payables		148,743	148,499
Taxation		7,733	12,538
		180,899	161,037
NET CURRENT ASSETS		99,674	95,958
NET ASSETS		390,784	397,969
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		44,000	40,000
Reserves		177,636	180,124
Deficit on revaluation of available-for-sale investment		-	(414)
		221,636	219,710
Surplus on revaluation of fixed assets		84,115	87,529
NON-CURRENT LIABILITIES			
Long term deposits		450	450
Deferred staff liabilities		48,796	51,574
Deferred taxation		35,787	38,706
		390,784	397,969
COMMITMENTS	9		

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



Ferial Ali Mehdi
Chairman / Chief Executive



Shahid Nazir Ahmed
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period ended 31 March 2008

	Note	Nine months period ended		Three months period ended	
		31 March 2008	31 March 2007	31 March 2008	31 March 2007
(Rs. in '000)					
Net sales	10	785,332	628,460	278,616	179,537
Cost of goods sold	11	(599,689)	(449,022)	(221,945)	(136,838)
Gross profit		185,643	179,438	56,671	42,699
Selling and distribution expenses		(141,481)	(110,317)	(56,296)	(34,855)
Administrative expenses		(29,756)	(25,109)	(10,538)	(8,274)
		(171,237)	(135,426)	(66,834)	(43,129)
		14,406	44,012	(10,163)	(430)
Other operating income	12	3,855	5,569	1,039	1,605
Other operating expenses		(1,250)	(2,794)	759	181
		17,011	46,787	(8,365)	1,356
Financial charges		(2,098)	(1,674)	(1,354)	(644)
Profit before taxation		14,913	45,113	(9,719)	712
Taxation		(4,814)	(15,459)	3,354	417
Profit after taxation		10,099	29,654	(6,365)	1,129

(Rupees)

Earnings per share - basic and diluted	2.30	6.74	(1.45)	0.26
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The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Ferial Ali Mehdi
Chairman / Chief Executive



Shahid Nazir Ahmed
Director

Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2008

	Note	Nine months period ended	
		31 March 2008	31 March 2007
		(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	(64,524)	23,859
Income tax paid		(12,553)	(25,498)
Gratuity paid		(4,892)	(599)
Retirement benefits paid		(4,771)	(597)
Mark-up received on investments		490	2,806
Mark-up received on short term deposit		504	608
Dividend received		128	189
Mark-up paid		(895)	(1,466)
		<u>(21,989)</u>	<u>(24,557)</u>
Net cash flows from operating activities		(86,513)	(698)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(10,116)	(49,417)
Short-term investments		28,256	41,606
Proceeds from disposal of fixed assets		1,193	1,800
Net cash flows from investing activities		<u>19,334</u>	<u>(6,011)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(11,871)	(19,897)
Repayment of lease liability		-	(14,573)
Net cash flows from financing activities		<u>(11,871)</u>	<u>(34,470)</u>
Net (decrease) / increase in cash and cash equivalents		(79,050)	(41,179)
Cash and cash equivalents at beginning of the period		<u>59,067</u>	<u>47,737</u>
Cash and cash equivalents at end of the period		<u>(19,983)</u>	<u>6,558</u>
Cash and cash equivalents comprises			
Cash and bank balances		4,440	13,542
Short term running finance under mark-up arrangement		(24,423)	(6,984)
		<u>(19,983)</u>	<u>6,558</u>

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



Ferial Ali Mehdi
Chairman / Chief Executive



Shahid Nazir Ahmed
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2008

	Issued, subscribed and paid up capital	Revenue reserves General reserves	Un-appro- priated profit	Total reserves	(Deficit) on revaluation of available-for-sale investments	Total
	(Rs. in '000)					
Balance as at 1 July 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
Net profit for the three months period ended 30 June 2007	-	-	10,965	10,965	-	10,965
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	663	663	-	663
Loss on remeasurement of available-for-sale investment	-	-	-	-	(414)	(414)
Total recognised income for the three months period ended 30 June 2007	-	-	11,628	11,628	(414)	11,214
Balance as at 30 June 2007	40,000	6,000	174,124	180,124	(414)	219,710
Bonus shares issued for the year ended 30 June 2007	4,000	-	(4,000)	(4,000)	-	-
Net profit for the nine months period ended 31 March 2008	-	-	10,099	10,099	-	10,099
Transferred from surplus on revaluation of fixed assets - net of tax (net income recognised directly in equity)	-	-	3,413	3,413	-	3,413
Transfer to profit & loss account on disposal of available-for-sale investment	-	-	-	-	414	414
Total recognised income and expense for the nine months period ended 31 March 2008	4,000	-	9,512	9,512	414	13,926
Final dividend for the year ended 30 June 2007	-	-	(12,000)	(12,000)	-	(12,000)
Balance as at 31 March 2008	44,000	6,000	171,636	177,636	-	221,636

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


Fariel Ali Mehdi
Chairman / Chief Executive


Shahid Nazir Ahmed
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 31 March 2008

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 manufacture and sale of toilet and washing soaps.

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

2. BASIS FOR PRESENTATION

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

These condensed interim financial statements comprise of condensed interim balance sheet as at 31 March 2008, 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 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in preparation of the financial statements of the Company for the year ended 30 June 2007.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and 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 2007.

5. PROPERTY, PLANT AND EQUIPMENT

Fixed capital expenditure during the period amounted to Rs. 10.116 million (31 March 2007: Rs.49.417 million). Book value of fixed assets disposed off during the period amounted to Rs. 0.896 million (31 March 2007: Rs.1.915 million).

	31 March 2008	30 June 2007 (Audited)
	(Rs. in '000)	
6. STOCK-IN-TRADE		
Raw materials – in hand	65,740	50,719
– in transit	109,505	44,457
	<u>175,245</u>	<u>95,176</u>
Packing materials	10,839	9,565
Work-in-process	27,381	18,503
Finished goods	27,537	13,431
	<u>241,002</u>	<u>136,675</u>
Provision against slow moving stock-in-trade	(2,243)	(2,243)
	<u>238,759</u>	<u>134,432</u>
7. SHORT TERM INVESTMENTS		
Financial assets held at fair value through profit or loss (at initial recognition)		
Quoted:		
- Shares	-	2,930
	<u>-</u>	<u>2,930</u>
Held-to-maturity investments		
- Certificates of Musharika	-	25,000
	<u>-</u>	<u>27,930</u>
8. CASH AND BANK BALANCES		
Cash in hand	375	15
Cash at banks in – current accounts	3,845	7,911
– profit and loss sharing account	220	36,141
– term deposit	-	15,000
	<u>4,065</u>	<u>59,052</u>
	<u>4,440</u>	<u>59,067</u>

9. COMMITMENTS

- 9.1** Bank guarantees aggregating to Rs. 7.02 million (June 2007: 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas.
- 9.2** Commitments under letters of credit for the import of stock-in-trade items amounting to Rs. 87.912 million (30 June 2007: Rs.57.738 million).

	Nine months period ended		Three months period ended	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	(Rs. in '000)			
10. NET SALES				
Gross sales	989,940	783,669	347,230	223,664
Sales tax	(142,127)	(112,019)	(49,528)	(31,953)
Special excise duty	(8,406)	-	(2,948)	-
Trade promotion discount	(54,035)	(43,169)	(16,138)	(12,159)
Rebate and sales return	(40)	(21)	-	(15)
	<u>(204,608)</u>	<u>(155,209)</u>	<u>(68,614)</u>	<u>(44,127)</u>
	<u>785,332</u>	<u>628,460</u>	<u>278,616</u>	<u>179,537</u>

	Nine months period ended		Three months period ended	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
(Rs. in '000)				
11. COST OF GOODS SOLD				
Raw and packing materials consumed	512,132	358,148	176,248	95,024
Stores and spares consumed	3,732	3,290	1,353	1,161
Salaries, wages and other benefits	53,632	43,104	20,688	14,443
Contribution to the provident fund	1,034	943	323	336
Repair and maintenance	1,279	1,302	483	330
Fuel and power	28,167	29,109	9,161	8,388
Rent, rates and taxes	377	384	24	13
Insurance	1,624	1,648	549	573
Product research and development	340	212	167	17
Traveling and conveyance	1,270	1,272	470	463
Printing and stationery	315	202	92	64
Postage, telephone and telegrams	387	371	128	126
Legal charges	21	289	14	-
Professional fee	59	57	20	18
Entertainment	64	53	40	28
Subscription	20	20	4	3
Depreciation	15,314	12,660	5,168	4,289
Freight and material handling	2,038	1,862	756	348
Other expenses	868	794	305	367
	<u>622,673</u>	<u>455,720</u>	<u>215,993</u>	<u>125,991</u>
Opening stock of work-in-process	18,503	15,407	25,242	16,694
Closing stock of work-in-process	(27,381)	(17,148)	(27,381)	(17,148)
Cost of goods manufactured	<u>613,795</u>	<u>453,979</u>	<u>213,854</u>	<u>125,537</u>
Opening stock of finished goods	13,431	28,677	35,628	44,935
Closing stock of finished goods	(27,537)	(33,634)	(27,537)	(33,634)
	<u>599,689</u>	<u>449,022</u>	<u>221,945</u>	<u>136,838</u>
12. OTHER INCOME				
Mark-up on short-term deposit	504	608	149	50
Gain / (loss) on revaluation of investment	-	(684)	-	100
Loss on disposal of available - for-sale investment	(89)	-	(89)	-
Mark-up on investments	352	1,583	-	4
Gain / (loss) on disposal of fixed assets	297	(115)	(2)	(115)
Scrap sales	2,663	3,988	938	1,523
Dividend income	128	189	43	43
	<u>3,855</u>	<u>5,569</u>	<u>1,039</u>	<u>1,605</u>

13 CASH GENERATED FROM OPERATIONS

	Nine months period ended	
	31 March 2008	31 March 2007
	(Rs. in '000)	
Profit before taxation	14,913	45,113
Adjustments for:		
Mark-up expense	2,098	1,674
Depreciation and amortisation	20,044	16,622
Provision for gratuity	4,059	3,351
Provision for retirement benefits	2,827	1,794
Loss / (gain) on revaluation of investments	89	684
Amortisation of premium on investment	-	(20)
Mark-up on investment	(352)	(1,563)
Mark-up on short term deposit	(504)	(608)
Dividend income	(128)	(189)
Loss / (gain) on disposal of fixed assets	(297)	115
	27,836	21,860
Operating profit before working capital changes	42,749	66,973
<i>Decrease / (Increase) in operating assets:</i>		
Stores and spares	(1,188)	(3,356)
Stock-in-trade	(104,327)	(10,357)
Trade debts	(1,107)	2,155
Loans and Advances	(75)	(103)
Long term advances and deposits	-	334
Advances, deposits, prepayments and other receivables	514	(7,861)
	(106,183)	(19,188)
<i>Increase / (decrease) in operating liabilities:</i>		
Trade and other payables	(1,090)	(23,926)
Cash generated from operations	(64,524)	23,859

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:

	Nine months period ended	
	31 March 2008	31 March 2007
	(Rs. in '000)	
14.1 Transactions with related parties :		
Associated Companies		
Sales of goods	400	294
Services rendered	589	763
Purchases of goods	1,209	923
Insurance premium paid	782	2,388
Common expenses charged	-	1,371
Dividend paid	3,394	4,242
Staff Retirement Benefit Plans		
Contribution to employees' provident fund	2,022	1,916
Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	5,213	4,337
Director and Chief Executive Officer		
Remuneration	3,598	3,802
Dividend paid	6,640	8,400
	31 March 2008	30 June 2007
		(Audited)
	(Rs. in '000)	
14.2 Balances with related parties:		
Trade and other payables	1,731	1,359
Trade and other receivables	269	235

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 25 April 2008.



Ferial Ali Mehdi
Chairman / Chief Executive



Shahid Nazir Ahmed
Director