



## **Financial Statements**

**For the First Quarter ended  
30 September 2006**

## **DIRECTORS' REVIEW**

The Directors of the Company would like to present the un-audited financial statements of the Company for the quarter ended 30 September 2006.

### **Overview**

The company sales revenue decreased by Rs.35.202M to Rs. 226.980M during the period under review as compared to Rs.262.182M last year due to rationalization of stocks on consecutive re-launches of our two brands Opal and Palmy. Business activity was also badly affected by the recent heavy rains, especially due to disruption in production and dispatches from Hyderabad factory.

The initial response of the launches has been positive and the company is confident that the objectives targeted for the improved brands Opal and Palmy will be achieved.

Profit after tax also decreased to Rs 14.193M. as compared to Rs 21.983M last year, although the gross profit ratio is almost the same at 29% as compared to the same period last year

The selling and distribution expenses have been under control. The brands have been supported with trade activation programs while there was some control applied to advertising expenses. Furthermore, the bottom line is under great pressure from the high cost of fuel and increase in the distribution cost.

During the period under review, the administrative expenses have increased mainly due to salaries of staff previously shared with associated concern; Wazir Ali Industries Limited.

The financial cost has decreased during the period under review as compared to the same period last year due to the minimal utilization of running finance facility and maturing of the lease facilities.

The liquidity position of the company is sound as is evident from the current ratio of 1.52:1.

Earning per share for the quarter under review is Rs. 3.55 as compared to Rs. 5.47 during the same period last year.

### **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.

Karachi: 20 October 2006

For and on behalf of the Board  
Syeda Ferial R. Ali  
Chief Executive Officer

# Zulfeqar Industries Limited

## Balance Sheet

As at 30 September 2006

		<b>30 September 2006 (Unaudited) (Rupees in '000)</b>	30 June 2006 (Audited)
<b>FIXED ASSETS</b>			
Property, plant and equipment	4	234,417	211,221
<b>LONG TERM ADVANCES AND DEPOSITS</b>		<b>3,661</b>	3,655
<b>LONG TERM LOANS TO EMPLOYEES</b>		<b>275</b>	314
<b>CURRENT ASSETS</b>			
Stores and spares		9,177	10,006
Stock-in-trade	5	96,444	121,857
Short term investments	6	44,507	49,201
Trade debts		9,757	7,893
Mark-up / profit accrued		1,210	1,610
Current maturity of loans to employees		403	193
Advances, deposits, prepayments and other receivables		45,937	27,643
Cash and bank balances		58,963	47,737
		<b>266,398</b>	266,140
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		15,655	19,729
Accrued mark-up liability		182	268
Trade and other payables		130,854	126,797
Taxation		29,115	26,428
		<b>175,806</b>	173,222
<b>NET CURRENT ASSETS</b>		<b>90,592</b>	92,918
<b>NET ASSETS</b>		<b>328,945</b>	308,108
<b>FINANCED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized Capital			
5,000,000 (30 June 2006: 5,000,000) ordinary shares of Rs. 10 each		<b>50,000</b>	50,000
Issued, subscribed and paid-up capital			
4,000,000 (30 June 2006: 4,000,000) ordinary shares of Rs. 10 each		<b>40,000</b>	40,000
<b>RESERVES</b>		<b>171,710</b>	156,854
		<b>211,710</b>	196,854
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>46,875</b>	47,538
<b>LONG TERM DEPOSITS</b>		<b>450</b>	450
<b>DEFERRED STAFF LIABILITIES</b>		<b>45,368</b>	43,775
<b>DEFERRED TAXATION</b>		<b>23,203</b>	17,994
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		<b>1,339</b>	1,497
<b>CONTINGENCIES AND COMMITMENTS</b>	7	-	-
		<b>328,945</b>	308,108

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

**Syeda Ferial R. Ali**  
Chief Executive Officer

**Shahid Nazir Ahmed**  
Director

**Zulfeqar Industries Limited**  
**Profit and Loss Account (Unaudited)**  
*For the quarter ended 30 September 2006*

		<b>July to September 2006</b>	July to September 2005
	<i>Note</i>	<b>(Rupees in '000)</b>	
Net Sales	8	<b>226,980</b>	262,182
Cost of goods sold	9	<b>160,103</b>	185,933
<b>Gross profit</b>		<b>66,877</b>	76,249
Selling and distribution cost		<b>35,521</b>	36,145
Administrative expenses		<b>8,446</b>	6,265
		<b>43,967</b>	42,410
<b>Operating Profit</b>		<b>22,910</b>	33,839
Other income / (expenses) - net	10	<b>(355)</b>	(660)
		<b>22,555</b>	33,179
Financial charges		<b>467</b>	992
<b>Profit before taxation</b>		<b>22,088</b>	32,187
Taxation	11	<b>7,895</b>	10,294
<b>Profit after taxation</b>		<b>14,193</b>	21,893
Earnings per share - basic and diluted	<i>Rupees</i>	<b>3.55</b>	5.47

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

\_\_\_\_\_  
**Syeda Ferial R. Ali**  
 Chief Executive Officer

\_\_\_\_\_  
**Shahid Nazir Ahmed**  
 Director

**Zulfeqar Industries Limited**  
**Cash Flow Statement (Unaudited)**  
*For the quarter ended 30 September 2006*

	<b>July to September 2006</b>	<b>July to September 2005</b>
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	22,088	32,187
Adjustments for:		
Mark-up expense	467	992
Depreciation	5,177	4,289
Provision for gratuity	1,117	996
Provision for retirement benefit	598	764
(Gain) / loss on revaluation of investments	366	(419)
Amortization of premium on investment	13	-
Profit on investment	(846)	(657)
Mark-up on short-term deposit	(285)	(62)
Dividend income	(55)	(43)
Loss on disposal of fixed assets	-	12
	<u>6,552</u>	<u>5,872</u>
Operating profit before working capital changes	28,640	38,059
Decrease / (increase) in operating assets:		
Stores and spares	829	(671)
Stock in trade	25,414	24,849
Trade debts	(1,864)	(9,013)
Loans and advances	(171)	23
Long term advances and deposits	(5)	3,248
Advances, deposits, prepayments and other receivables	(12,470)	(15,425)
	<u>11,733</u>	<u>3,011</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	4,057	14,322
Cash generated from operations	<u>44,430</u>	<u>55,392</u>
Income tax paid	(5,825)	(4,396)
Gratuity paid	(122)	(286)
Mark-up received on investments	1,233	990
Mark-up on short term deposits received	285	62
Dividend received	55	43
Mark-up paid	(553)	(1,457)
	<u>(4,927)</u>	<u>(5,044)</u>
Net cash flows from operating activities	39,503	50,348
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(28,373)	(18,719)
Short term investments	4,328	(12,928)
Sales proceeds of fixed assets	-	50
Long term investments	-	2,127
Net cash flows from investing activities	(24,045)	(29,470)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability-net	(4,232)	(5,274)
Net increase / (decrease) in cash and cash equivalents	<u>11,226</u>	<u>15,604</u>
Cash and cash equivalents at the beginning of the quarter	<u>47,737</u>	<u>23,732</u>
Cash and cash equivalents at the end of the quarter	<u><u>58,963</u></u>	<u><u>39,336</u></u>

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

**Syeda Ferial R. Ali**  
Chief Executive Officer

**Shahid Nazir Ahmed**  
Director

Zulfeqar Industries Limited  
Statement of Changes in Equity  
For the quarter ended 30 September 2006

	Issued, subscribed and paid up capital	Revenue reserve		Total reserves	Total
		General reserve	Unappropriated profit		
(Rupees in '000)					
<b>Balance as at 1 July 2005</b>	40,000	6,000	103,572	109,572	149,572
Profit for the quarter ended 30 September 2005	-	-	21,893	21,893	21,893
Transferred from surplus on revaluation of fixed assets	-	-	737	737	737
<b>Balance as at 30 September 2005</b>	<u>40,000</u>	<u>6,000</u>	<u>126,202</u>	<u>132,202</u>	<u>172,202</u>
Final dividend paid for the year ended 30 June 2005	-	-	(14,000)	(14,000)	(14,000)
Profit for the period October 2005 to June 2006	-	-	36,444	36,444	36,444
Transferred from surplus on revaluation of fixed assets	-	-	2,208	2,208	2,208
<b>Balance as at 30 June 2006</b>	<u>40,000</u>	<u>6,000</u>	<u>150,854</u>	<u>156,854</u>	<u>196,854</u>
Profit for the quarter ended 30 September 2006	-	-	14,193	14,193	14,193
Transferred from surplus on revaluation of fixed assets	-	-	663	663	663
<b>Balance as at 30 September 2006</b>	<u><u>40,000</u></u>	<u><u>6,000</u></u>	<u><u>165,710</u></u>	<u><u>171,710</u></u>	<u><u>211,710</u></u>

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

**Syeda Ferial R. Ali**  
Chief Executive Officer

**Shahid Nazir Ahmed**  
Director

**Zulfeqar Industries Limited**  
**Notes to the financial statements (Unaudited)**  
*For the quarter ended 30 September 2006*

**1. STATUS AND NATURE OF BUSINESS**

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

The registered office of the Company is situated at 3rd floor, Kandwala Building, M.A. Jinnah Road, Karachi.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the requirement of "International Accounting Standard 34- Interim Financial Reporting" and are un-audited.

Further these financial statements are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2006.

**4. FIXED ASSETS - at cost / revaluation less accumulated depreciation**

Fixed capital expenditure during the period amounted to Rs.31.371 million (30 June 2006: Rs.36.238 million). Book value of fixed assets disposed off during the period amounted to Rs.NIL (30 June 2006: Rs.2.459 million)

	<b>30 September 2006</b>	30 June 2006 (Audited)
	<b>(Rupees in '000)</b>	
<b>5. STOCK-IN-TRADE</b>		
Raw material - in hand	<b>17,651</b>	31,821
- in transit	<b>26,534</b>	42,977
	<b>44,185</b>	74,798
Packing material	<b>8,594</b>	5,218
Work-in-process	<b>15,210</b>	15,407
Finished goods	<b>30,698</b>	28,677
	<b>98,687</b>	124,100
Provision against slow moving stock-in-trade	<b>(2,243)</b>	(2,243)
	<b>96,444</b>	121,857

30 September  
2006  
(Rupees in '000)

30 June  
2006  
(Audited)

## 6. SHORT TERM INVESTMENTS

### Financial assets at fair value through profit and loss

#### *Quoted*

Ordinary shares	6.1	3,127	3,345
Term Finance Certificates	6.2	427	855
		<u>3,554</u>	<u>4,200</u>

#### *Unquoted*

Pakistan Investment Bond	6.3	9,060	9,221
		<u>12,614</u>	<u>13,421</u>

Current maturity of long term held-to-maturity investments		11,893	15,780
--	--	--------	--------

### Held-to-maturity investments

Certificate of deposit	6.4	10,000	10,000
Musharika certificates	6.5	10,000	10,000
		<u>44,507</u>	<u>49,201</u>

- 6.1** These represents 24,459 (30 June 2006: 24,459) ordinary shares of face value of Rs. 10 each of Oil and Gas Development Company Limited. Cost of investment in these shares is Rs. 0.783 million (30 June 2006: Rs. 0.783 million).
- 6.2** These represents Term Finance Certificates of First Oil and Gas Securitization Company Limited carrying return at SBP discount rate plus 2.5 percent per annum, receivable monthly. These certificates will mature on 4 December 2006.
- 6.3** These represents 20 years 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.
- 6.4** This represents a Certificate of Deposit of Jahangir Siddiqui Investment Bank Limited of Rs. 10 million. The Certificate of Deposit will mature on 30 October 2006 and carries return at 10.50 percent per annum.
- 6.5** This Musharika Certificate will mature on 30 December 2006 and carry profit rate at 10 percent per annum.

## 7 CONTINGENCIES AND COMMITMENT

### 7.1 Contingencies

Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating Rs.7.280 million (30 June 2006: Rs. 7.280 million)

## 7.2 Commitments

7.2.1 Commitments under letters of credit for the import of stock in trade items at 30 September 2006 amounted to Rs.84.698 million (30 June 2006: Rs. 56.127 million)

7.2.2 Post dated cheques have been issued to Collector of Custom amounting Rs.11.745 million (30 June 2006: Rs.21.422 million)

## 8. SALES - net

	<b>July to September 2006</b>	<b>July to September 2005</b>
	<b>(Rupees in '000)</b>	
Gross Sales	283,255	324,902
Sales Tax	<b>(40,387)</b>	(46,290)
Trade promotion discount	<b>(15,884)</b>	(16,401)
Sales return / rebate	<b>(4)</b>	(29)
	<b>(56,275)</b>	(62,720)
	<b>226,980</b>	262,182

**July to**                      **July to**  
**September**                      **September**  
**2006**                              **2005**  
**(Rupees in '000)**

**9. COST OF GOODS SOLD**

Raw and packing material consumed	<b>127,880</b>	136,314
Stores and spares consumed	<b>1,832</b>	1,393
Salaries, wages and other benefits	<b>14,598</b>	14,038
Contribution to Provident Fund	<b>303</b>	288
Repairs and maintenance	<b>604</b>	556
Fuel and power	<b>10,479</b>	10,282
Rent, rates and taxes	<b>318</b>	51
Insurance	<b>451</b>	410
Product research and development	<b>94</b>	64
Traveling and conveyance	<b>418</b>	430
Printing and stationery	<b>77</b>	75
Postage, telegrams and telephones	<b>132</b>	154
Legal charges	<b>8</b>	1
Professional fee	<b>19</b>	16
Entertainment	<b>18</b>	1
Subscription	<b>20</b>	14
Depreciation	<b>4,001</b>	3,616
Freight and handling material	<b>471</b>	553
Other expenses	<b>203</b>	236
	<b>161,926</b>	168,492
Opening stock of work-in-process	<b>15,407</b>	18,180
Closing stock of work-in-process	<b>(15,210)</b>	(16,338)
	<b>162,123</b>	170,334
Opening stock of finished goods	<b>28,677</b>	31,070
Closing stock of finished goods	<b>(30,697)</b>	(15,471)
	<b>160,103</b>	185,933

**10. OTHER INCOME / (EXPENSES) - NET**

Scrap sales	<b>163</b>	531
Return on investments	<b>833</b>	657
Mark-up on short term deposit	<b>284</b>	62
Gain/(loss) on disposal of fixed assets	<b>-</b>	(12)
Dividend income	<b>55</b>	43
(Loss) / gain on revaluation of investments	<b>(366)</b>	419
	<b>969</b>	1,700
Workers' Welfare Fund	<b>(153)</b>	(632)
Workers' Profit Participation Fund	<b>(1,171)</b>	(1,728)
	<b>(1,324)</b>	(2,360)
	<b>(355)</b>	(660)

	<b>July to September 2006</b>	July to September 2005
	<b>(Rupees in '000)</b>	
<b>11. TAXATION</b>		
Current	2,686	10,845
Deferred	5,209	(551)
	<u>7,895</u>	<u>10,294</u>

**12. TRANSACTIONS WITH RELATED PARTIES**

The related parties and associated undertakings comprise associated companies, staff retirement plans, directors and key management personnel. Transactions with related parties and associated undertakings are as follows:

	<b>July to September 2006</b>	July to September 2005
	<b>(Rupees in '000)</b>	
<b>Associated Companies</b>		
Sale of Goods	108	111
Services rendered	280	923
Purchase of goods	326	511
Services received	288	511
Insurance premium paid	1,805	1,875
Selling and distribution expenses shared	-	229
<b>Staff Retirement Benefit Plan</b>		
Contribution to employees' provident fund	540	449
<b>Key Management Personnel</b>		
Managerial remuneration, etc.	1,280	835
<b>Directors and Chief Executive Officer</b>		
Remuneration, fee etc.	1,205	1,168

**12.1** Chief Executive Officer, certain directors and executives are also provided with free use of company maintained vehicle in accordance with their terms of employment.

**12.2** Contribution to provident fund is made in accordance with the requirements of staff service rules.

**13. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on 14 September 2006 had proposed a cash dividend of Rs. 5.00 per share (2005:Rs.3.50 per share). The proposed dividend has been approved in the Annual General Meeting held on 14 October 2006. The financial statements for the quarter ended 30 September 2006 do not include the effect of the approved dividend which will be accounted for in the financial statements for the period ending 31 December 2006.

**14. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue in the Board of Directors' meeting held on 20 October 2006.

**15. GENERAL**

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

---

**Syeda Ferial R. Ali**  
Chief Executive Officer

---

**Shahid Nazir Ahmed**  
Director