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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 un-audited financial statements of the Company for the quarter ended 30 September 2007.

## Overview

During the first quarter of 2007-08, the Company has achieved gross sales of Rs 338.906M compared to Rs 283.256M during the same period last year mainly due to the increase in prices of toilet soaps ranging from 13% to 25%. The cost of sales has also increased by 20.6% due to continuous rise in prices of basic raw materials.

However, it is expected that this growth rate would be maintained in spite of the impact of forthcoming winter season that will bring down the sales volumes to some extent.

The selling and distribution expenses have increased by 18.4% mainly due to aggressive promotional activities, which is evident from the increase in advertising expenditure.

There is an overall increase in salaries and wages in the cost of sales, selling and distribution expenses and administrative expenses due to normal increase in emoluments of employees and hiring of staff.

The Company has registered a post tax profit of Rs. 14.9M during the period under review as compared to Rs. 14.1M during the same period last year.

## Earnings Per Share

Earnings per share for the quarter under review is Rs. 3.73 as compared to Rs. 3.55 during the same period last year.

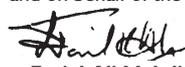
## Future Outlook

The Company is envisaging an aggressive marketing strategy for the upcoming months with print & electronic media campaigns as well as direct consumer contacts in order to boost market share. However, the recent law & order situation in the Country is having a negative impact on the businesses. We hope that with the improvement in the overall business environment, the Company would achieve improved results.

## 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 their appreciation of the valuable services rendered by the officers, staff and field force of the Company.

For and on behalf of the Board



**Fariel Ali Mehdi**

Chairman / Chief Executive

Karachi: 26 October 2007

# Balance Sheet

As at 30 September 2007

		30 September 2007 (Un-audited)	30 June 2007 (Audited)
	Note	(Rs. in '000)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	273,099	276,641
Intangible assets		1,469	1,548
Long term prepayments		20,044	20,149
Long term deposits		3,363	3,364
Long term loans to employees		289	309
<b>CURRENT ASSETS</b>			
Stores and spares		6,217	5,880
Stock-in-trade	5	139,979	134,432
Short term investments	6	2,836	27,930
Trade debts		3,941	4,726
Advances, deposits, prepayments and other receivables		45,918	24,960
Cash and bank balances		72,704	59,067
		<b>271,595</b>	<b>256,995</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		134,998	148,499
Taxation		22,446	12,538
		<b>157,444</b>	<b>161,037</b>
<b>NET CURRENT ASSETS</b>		<b>114,151</b>	<b>95,958</b>
<b>NET ASSETS</b>		<b>412,415</b>	<b>397,969</b>
<b>FINANCED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital 5,000,000 (30 June 2007: 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 2007: 4,000,000) ordinary shares of Rs. 10 each		40,000	40,000
Reserves		196,175	180,124
Deficit on revaluation of available-for-sale investment		(532)	(414)
		<b>235,643</b>	<b>219,710</b>
Surplus on revaluation of fixed assets		86,390	87,529
<b>NON-CURRENT LIABILITIES</b>			
Long term deposits		450	450
Deferred staff liabilities		53,431	51,574
Deferred taxation		36,501	38,706
		<b>412,415</b>	<b>397,969</b>
<b>COMMITMENTS</b>	7		

The annexed notes 1 to 16 form an integral part of these financial statements



**Ferial Ali Mehdi**  
Chairman / Chief Executive



**Shaid Nazir Ahmed**  
Director

## Profit and Loss Account (Un-audited)

For the quarter ended 30 September 2007

	Note	July to September 2007 (Rs. in '000)	July to September 2006
Net Sales	8	268,530	226,980
Cost of goods sold	9	193,082	160,103
<b>Gross profit</b>		<b>75,448</b>	<b>66,877</b>
Selling and distribution cost		42,074	35,521
Administrative expenses		10,636	8,446
<b>Operating Profit</b>		<b>22,738</b>	<b>22,910</b>
Other operating income	10	1,823	969
Other operating expenses	11	1,786	1,324
		<b>22,775</b>	<b>22,555</b>
Finance Cost		158	467
<b>Profit before taxation</b>		<b>22,617</b>	<b>22,088</b>
Taxation	12	7,704	7,895
<b>Profit for the Period</b>		<b>14,913</b>	<b>14,193</b>
Earnings per share - basic and diluted	Rupees	<b>3.73</b>	<b>3.55</b>

The annexed notes 1 to 16 form an integral part of these financial statements.

  
**Ferial Ali Mehdi**  
 Chairman / Chief Executive

  
**Shaid Nazir Ahmed**  
 Director

# Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2007

	July to September 2007	July to September 2006
	(Rs. in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	22,617	22,088
Adjustments for:		
Mark-up expense	158	467
Depreciation & Amortisation	6,552	5,177
Provision for gratuity	1,353	1,117
Provision for retirement benefits	942	598
(Gain) / loss on revaluation of investments	-	366
Amortisation of premium on investment	-	13
Profit on investments	(352)	(846)
Mark-up on short term deposits	(263)	(285)
Dividend income	-	(55)
Loss / (gain) on disposal of fixed assets	(289)	-
	<u>8,101</u>	<u>6,552</u>
Operating profit before working capital changes	<b>30,718</b>	<b>28,640</b>
Decrease / (increase) in operating assets:		
Stores and spares	(337)	829
Stock-in-trade	(5,546)	25,414
Trade debts	785	(1,864)
Loans and advances	(6)	(171)
Long term advances and deposits	-	(5)
Advances, deposits, prepayments and other receivables	(16,591)	(12,470)
	<u>(21,695)</u>	<u>11,733</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	(13,454)	4,057
Cash generated from operations	<u>(4,431)</u>	<u>44,430</u>
Income tax paid	(4,522)	(5,825)
Gratuity paid	(305)	(122)
Retirement benefits paid	(133)	-
Mark-up received on investments	505	1,233
Mark-up received on short term deposits	263	285
Dividend received	-	55
Mark-up paid	(204)	(553)
	<u>(4,396)</u>	<u>(4,927)</u>
Net cash flows from operating activities	<b>(8,827)</b>	<b>39,503</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(3,235)	(28,373)
Short term investments	25,094	4,328
Sales proceeds of fixed assets	605	-
Net cash flows from investing activities	<b>22,464</b>	<b>(24,045)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability-net	-	(4,232)
Net increase / (decrease) in cash and cash equivalents	<b>13,637</b>	<b>11,226</b>
Cash and cash equivalents at the beginning of the quarter	<u>59,067</u>	<u>47,737</u>
Cash and cash equivalents at the end of the quarter	<u><b>72,704</b></u>	<u><b>58,963</b></u>

The annexed notes 1 to 16 form an integral part of these financial statements.

  
**Ferial Ali Mehdi**  
 Chairman / Chief Executive

  
**Shaid Nazir Ahmed**  
 Director

# Statement of Changes in Equity

For the quarter ended 30 September 2007

	Issued, subscribed and paid up capital	Revenue reserves General reserves	Un-appro- priated profit	Total reserves	(Deficit) on revaluation of available- for-sale investment	Total
	(Rs. in '000)					
<b>Balance as at 1 July 2006</b>	40,000	6,000	150,854	156,854	-	196,854
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>	40,000	6,000	165,710	171,710	-	211,710
Final dividend paid for the year ended 30 June 2007	-	-	(20,000)	(20,000)	-	(20,000)
Profit for the period October 2006 to June 2007	-	-	26,426	26,426	-	26,426
Transferred from surplus on revaluation of fixed assets	-	-	1,988	1,988	-	1,988
Loss on remeasurement of available-for-sale investment	-	-	-	-	(414)	(414)
<b>Balance as at 30 June 2007</b>	40,000	6,000	174,124	180,124	(414)	219,710
Profit for the quarter ended 30 September 2007	-	-	14,913	14,913	-	14,913
Transferred from surplus on revaluation of fixed assets	-	-	1,138	1,138	-	1,138
Loss on remeasurement of available-for-sale investment	-	-	-	-	(118)	(118)
<b>Balance as at 30 September 2007</b>	<b>40,000</b>	<b>6,000</b>	<b>190,175</b>	<b>196,175</b>	<b>(532)</b>	<b>235,643</b>

The annexed notes 1 to 16 form an integral part of these financial statements.

  
**Fariel Ali Mehdi**  
Chairman / Chief Executive

  
**Shaid Nazir Ahmed**  
Director

# Notes to the financial statements (Un-audited)

For the quarter ended 30 September 2007

## 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 2007.

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

Fixed capital expenditure during the period amounted to Rs.2.537 million (30 June 2007:Rs 64.699 million) Book value of fixed assets disposed off during the period amounted to Rs. 1.245 million (30 June 2007: Rs.3.536 million).

	30 September 2007 (Un-audited)	30 June 2007 (Audited)
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(Rs. in '000)

## 5. STOCK-IN-TRADE

Raw material - in hand	60,083	50,719
- in transit	19,278	44,457
	<u>79,361</u>	<u>95,176</u>
Packing material	10,489	9,565
Work-in-process	24,107	18,503
Finished goods	28,265	13,431
	<u>142,222</u>	<u>136,675</u>
Provision against slow moving stock-in-trade	(2,243)	(2,243)
	<u>139,979</u>	<u>134,432</u>

		<b>30 September 2007 (Un-audited (Rs. in '000)</b>	30 June 2007 (Audited)
<b>6. SHORT TERM INVESTMENTS</b>			
<b>Available-for-sale investment</b>			
<i>Quoted</i>			
Ordinary shares - OGDC	6.1	<b>2,813</b>	2,930
Habib Bank Limited	6.2	<b>23</b>	-
		<u><b>2,836</b></u>	<u>2,930</u>
<b>Held-to-maturity investments</b>			
Certificate of Musharika		<u>-</u>	<u>25,000</u>
		<u><b>2,836</b></u>	<u>27,930</u>

6.1 These represent 24,459 (30 June 2007: 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 2007: Rs. 0.783 million).

6.2 These represent 100 (30 June 2007: Nil) ordinary shares of face value of Rs. 10 each of Habib Bank Limited. Cost of investment in these shares is Rs. 0.023 million (30 June 2007: Rs. Nil)

## 7. COMMITMENTS

7.1 Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating Rs. 7.02 million (30 June 2007: Rs. 7.02 million)

7.2 Commitments under letters of credit for the import of stock-in-trade items at 30 September 2007 amounting to Rs. 92.633 million (30 June 2007: Rs. 57.738 million)

7.3 Post dated cheques have been issued to Collector of Custom amounting to Rs. 47.467 million (30 June 2007: Rs. 20.14 million)

		<b>July to September 2007 (Rs. in '000)</b>	July to September 2006
<b>8. SALES - net</b>			
Gross Sales		<b>338,906</b>	283,255
Sales Tax		<b>(48,480)</b>	(40,387)
Special Excise Duty		<b>(2,868)</b>	-
Trade promotion discount		<b>(19,014)</b>	(15,884)
Sales return / rebate		<b>(14)</b>	(4)
		<u><b>(70,376)</b></u>	<u>(56,275)</u>
		<u><b>268,530</b></u>	<u>226,980</u>

	July to September 2007	July to September 2006
	(Rs. in '000)	
<b>9. COST OF GOODS SOLD</b>		
Raw and packing materials consumed	176,146	127,880
Stores and spares consumed	1,250	1,832
Salaries, wages and other benefits	16,432	14,598
Contribution to Provident Fund	345	303
Repairs and maintenance	390	604
Fuel and power	11,190	10,479
Rent, rates and taxes	305	318
Insurance	535	451
Product research and development	122	94
Travelling and conveyance	379	418
Printing and stationery	108	77
Postage, telegrams and telephones	153	132
Legal charges	3	8
Professional fee	19	19
Entertainment	7	18
Subscription	13	20
Depreciation & Amortisation	5,019	4,001
Freight and handling material	783	471
Other expenses	321	203
	<b>213,520</b>	<b>161,926</b>
Opening stock of work-in-process	<b>18,503</b>	15,407
Closing stock of work-in-process	<b>(24,107)</b>	(15,210)
	<b>207,916</b>	<b>162,123</b>
Opening stock of finished goods	<b>13,431</b>	28,677
Closing stock of finished goods	<b>(28,265)</b>	(30,697)
	<b>193,082</b>	<b>160,103</b>
<b>10. OTHER INCOME</b>		
Scrap sales	919	163
Return on investments	352	833
Mark-up on short term deposit	263	284
Gain/(loss) on disposal of fixed assets	289	-
Dividend income	-	55
(Loss) / gain on revaluation of investments	-	(366)
	<b>1,823</b>	<b>969</b>
<b>11. OTHER OPERATING EXPENSES</b>		
Workers' Welfare Fund	566	153
Workers' Profit Participation Fund	1,220	1,171
	<b>1,786</b>	<b>1,324</b>

	<b>July to September 2007</b>	July to September 2006
	(Rs. in '000)	
<b>12. TAXATION</b>		
Current	<b>9,908</b>	2,686
Deferred	<b>(2,204)</b>	5,209
	<u><b>7,704</b></u>	<u>7,895</u>

### 13. TRANSACTIONS WITH RELATED PARTIES

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

	<b>July to September 2007</b>	July to September 2006
	(Rs. in '000)	
<b>Associated Companies</b>		
Sale of Goods	<b>112</b>	108
Services rendered	<b>151</b>	280
Purchase of goods	<b>414</b>	326
Services received	<b>359</b>	288
Insurance premium paid	<b>412</b>	1,805
<b>Staff Retirement Benefit Plan</b>		
Contribution to employees' provident fund	<b>704</b>	540
<b>Key Management Personnel</b>		
Managerial remuneration, etc.	<b>1,913</b>	1,280
<b>Directors and Chief Executive Officer</b>		
Remuneration, fee etc.	<b>1,340</b>	1,205

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

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

#### 14. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 11 September 2007 has proposed a cash dividend of Rs. 3.0 per share (2006: Rs. 5.0 per share) amounting to Rs. 12 million (2006: Rs. 20 million) and bonus share issue in the proportion of 10 shares for every 100 shares held amounting to Rs. 4 million (2006: Nil). The proposed dividend and bonus share issue has been approved in the Annual General Meeting held on 23 October 2007. The financial statements for the year ended 30 June 2007 do not include the effect of such cash dividend and bonus issue which will be accounted for in the financial statements for the period ending 31 December 2007.

#### 15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors' meeting held on 26 October 2007.

#### 16. GENERAL

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

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Shaid Nazir Ahmed**  
Director