

## Table of Contents

Corporate Information	1
Directors' Review	2
Balance Sheet	3
Profit and Loss Account	4
Cash Flow Statement	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7

**Board of Directors**

Mrs. Ferial 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  
Standard Chartered Bank

**Shares Registrars**

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

The Directors of the Company would like to present the un-audited financial statements of the Company for the quarter ended 30 September 2008.

**Overview**

The quarter July-September'08 witnessed the commencement of a global economic meltdown which is being likened to the Great Depression of the 1930's. This adding to Pakistan's economy woes, which was already suffering due to the diminishing foreign exchange reserves, has caused business sentiment to be in an extreme state of uncertainty.

During the first quarter of 2008-09, the Company achieved a 31% growth in net sales revenue as compared to the same period last year mainly due to the increase in prices of toilet soaps during the previous quarter, in line with the industry. The cost of sales also increased by 30% due to rise in prices of basic raw materials coupled with the decline in rupee-dollar parity.

The selling and distribution expenses have increased by 29% mainly due to advertising expenditure which was enhanced to support brand equity in face of the rise in prices. Administrative expenses have reduced by 3.7% due to various cost rationalizing measures undertaken by the Company on a continuous basis. The financial cost has increased substantially due to the utilization of running finance facility throughout the period.

The Company has registered a growth of 9% in the post tax profit of Rs. 16.2mn during the period under review as compared to Rs. 14.9mn during the same period last year.

**Earning Per Share**

Earning per share for the quarter under review is Rs. 3.68 as compared to Rs. 3.39 (re-stated) during the same period last year.

**Future Outlook**

The Company is consolidating its position in laundry care market with the launch of its detergent "Champion" in the month of October'08. Further, in view of adverse & uncertain market conditions, the Company is going to support its core brands with consumer & trade level activities.

**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

**Feriel Ali Mehdi**



Chief Executive Officer

Karachi: 29 October 2008

**Balance Sheet**  
**As at 30 September 2008**



	<b>30 September 2008 (Un-audited)</b>	<b>30 June 2008 (Audited)</b>
Note	<b>(Rs. in '000)</b>	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>267,774</b>	273,967
Intangible assets	<b>822</b>	994
Long term prepayment	<b>19,624</b>	19,729
Long term deposits	<b>3,323</b>	3,363
Long term loans to employees	<b>438</b>	277
<b>CURRENT ASSETS</b>		
Stores and spares	<b>7,180</b>	6,871
Stock-in-trade	<b>280,985</b>	258,767
Trade debts	<b>14,493</b>	10,633
Advances, deposits, prepayments and other receivables	<b>51,374</b>	35,591
Cash and bank balances	<b>36,686</b>	34,161
	<b>390,718</b>	346,023
<b>CURRENT LIABILITIES</b>		
Short term running finance under mark-up arrangement	<b>43,601</b>	-
Trade and other payables	<b>177,686</b>	209,622
Taxation	<b>39,556</b>	29,403
	<b>260,843</b>	239,025
<b>NET CURRENT ASSETS</b>	<b>129,875</b>	106,998
<b>NET ASSETS</b>	<b>421,856</b>	405,328
<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	<b>44,000</b>	44,000
Reserves	<b>209,947</b>	192,724
	<b>253,947</b>	236,724
Surplus on revaluation of fixed assets	<b>81,955</b>	82,979
<b>NON-CURRENT LIABILITIES</b>		
Long term deposits	<b>450</b>	450
Deferred staff liabilities	<b>52,617</b>	50,505
Deferred taxation	<b>32,887</b>	34,670
	<b>421,856</b>	405,328
<b>COMMITMENTS</b>	<b>7</b>	

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

**Shahid Nazir Ahmed**  
Director

**Profit and Loss Account (Un-audited)  
For the quarter ended 30 September 2008**



	Note	July to September 2008	July to September 2007
		(Rs. in '000)	
Net sales	8	350,789	268,530
Cost of goods sold	9	250,559	192,888
Gross profit		<u>100,230</u>	<u>75,642</u>
Selling and distribution expenses		<u>54,417</u>	42,074
Administrative expenses		<u>10,238</u>	10,636
		<u>64,655</u>	52,710
		<u>35,575</u>	22,932
Other operating income		1,374	1,823
Other operating expenses	10	11,150	1,980
		<u>25,799</u>	22,775
Financial charges		1,229	158
<b>Profit before taxation</b>		<u>24,570</u>	22,617
Taxation	11	8,371	7,704
<b>Profit after taxation</b>		<u>16,199</u>	<u>14,913</u>
<b>Earnings per share</b>		<u>3.68</u>	<u>3.39</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Feriel Ali Mehdi**  
Chairman / Chief Executive

**Shahid Nazir Ahmed**  
Director

**Cash Flow Statement (Un-audited)  
For the quarter ended 30 September 2008**



	<b>July to September 2008</b>	<b>July to September 2007</b>
	<b>(Rs. in '000)</b>	
	Note	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	12 <b>(34,079)</b>	(4,431)
Income tax paid	<b>(4,960)</b>	(4,522)
Gratuity paid	<b>(217)</b>	(305)
Retirement benefits paid	<b>(147)</b>	(133)
Mark-up received on investments	<b>(42)</b>	505
Mark-up received on short term deposit	<b>224</b>	263
Mark-up paid	<b>(1,920)</b>	(204)
	<b>(7,062)</b>	(4,396)
Net cash flows from operating activities	<b>(41,141)</b>	(8,827)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	<b>(92)</b>	(3,235)
Short-term investments	-	25,094
Proceeds from disposal of fixed assets	<b>157</b>	605
Net cash flows from investing activities	<b>65</b>	22,464
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash flows from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	<b>(41,076)</b>	13,637
Cash and cash equivalents at beginning of the period	<b>34,161</b>	59,067
Cash and cash equivalents at end of the period	<b>(6,915)</b>	72,704
<b>Cash and cash equivalents comprises</b>		
Cash and bank balances	<b>36,686</b>	72,704
Short term running finance under mark-up arrangement	<b>(43,601)</b>	-
	<b>(6,915)</b>	72,704

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Shahid Nazir Ahmed**  
Director

**Statement of Changes in Equity  
For the quarter ended September 30, 2008**



	Issued, subscribed and paid up capital	Revenue reserves		Total reserves	(Deficit) on revaluation of available- for-sale investment	Total
		General reserves	Un-appro- priated profit			
(Rs. in '000)						
<b>Balance as at 1 July 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 re-measurement of available-for-sale investment	-	-	-	-	(118)	(118)
<b>Balance as at 30 September 2007</b>	<u>40,000</u>	<u>6,000</u>	<u>190,175</u>	<u>196,175</u>	<u>(532)</u>	<u>235,643</u>
Final dividend paid for the year ended 30 June 2007	-	-	(12,000)	(12,000)	-	(12,000)
Bonus Share Issue for the year ended 30 June 2007 (dividend)	4,000	-	(4,000)	(4,000)	-	-
Profit for the period from October 2007 to June 2008	-	-	9,137	9,137	-	9,137
Transferred from surplus on revaluation of fixed assets	-	-	3,412	3,412	-	3,412
Loss on re-measurement of available-for-sale investment (transferred to profit & loss account on sale)	-	-	-	-	532	532
<b>Balance as at 30 June 2008</b>	<u>44,000</u>	<u>6,000</u>	<u>186,724</u>	<u>192,724</u>	<u>-</u>	<u>236,724</u>
Profit for the quarter ended 30 September 2008	-	-	16,199	16,199	-	16,199
Transferred from surplus on revaluation of fixed assets	-	-	1,024	1,024	-	1,024
<b>Balance as at 30 September 2008</b>	<u>44,000</u>	<u>6,000</u>	<u>203,947</u>	<u>209,947</u>	<u>-</u>	<u>253,947</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Shahid Nazir Ahmed**  
Director

## 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 home and personal care products.

The registered office is situated at 3rd Floor, 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 do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the company's annual financial statements for the year ended 30 June 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 2008.

## 4. ESTIMATES

The preparation of financial statements requires management to make judgements, 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 judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 30 June 2008.

	<b>30 September 2008 (Un-audited)</b>	<b>30 June 2008 (Audited)</b>
	<b>(Rs. in '000)</b>	
<b>5. STOCK-IN-TRADE</b>		
Raw materials – in hand	47,176	80,259
– in transit	<u>124,770</u>	<u>127,513</u>
	<b>171,946</b>	207,772
Packing materials	21,633	13,329
Work-in-process	43,390	27,126
Finished goods	<u>46,259</u>	<u>12,783</u>
	<b>283,228</b>	261,010
Provision against slow moving stock-in-trade	<b>(2,243)</b>	(2,243)
	<u><b>280,985</b></u>	<u>258,767</u>



	<b>30 September 2008 (Un-audited)</b>	<b>30 June 2008 (Audited)</b>
	<b>(Rs. in '000)</b>	
<b>6. CASH AND BANK BALANCES</b>		
Cash in hand	463	102
Cash at banks in – current accounts	28,330	11,098
– profit and loss sharing account	7,893	22,961
	36,223	34,059
	36,686	34,161

**7. COMMITMENTS**

- 7.1 Bank guarantees aggregating to Rs.7.02 million (30 June 2008: 7.02 million) have been issued in favour of SuiSouthern Gas Company Limited for the supply of natural gas.
- 7.2 Post dated cheques of Rs.51.462 Million (30 June 2008: Rs.49.067 Million) have been issued to Collector of Customs.
- 7.3 Commitments under letters of credit for the import of stock-in-trade items amounting to Rs.33.981 million (30 June 2008: Rs.1.095 million).

	<b>Quarter ended</b>	
	<b>September 30, 2008</b>	<b>September 30, 2007</b>
	<b>(Rs. in '000)</b>	
<b>8. NET SALES</b>		
Gross sales	443,810	338,906
Sales tax	(67,186)	(48,480)
Special excise duty	(3,729)	(2,868)
Trade promotion discount	(22,106)	(19,014)
Rebate and sales return	(0)	(14)
	(93,021)	(70,376)
	350,789	268,530

	<b>Quarter ended</b>	
	<b>30 September 2008</b>	<b>30 September 2007</b>
	<b>(Rs. in '000)</b>	
<b>9. COST OF GOODS SOLD</b>		
Raw and packing materials consumed	<b>259,799</b>	175,952
Stores and spares consumed	<b>2,093</b>	1,250
Salaries, wages and other benefits	<b>17,115</b>	16,432
Contribution to the provident fund	<b>343</b>	345
Repair and maintenance	<b>354</b>	390
Fuel and power	<b>12,730</b>	11,190
Rent, rates and taxes	<b>33</b>	305
Insurance	<b>630</b>	535
Product research and development	<b>4</b>	122
Travelling and conveyance	<b>435</b>	379
Printing and stationery	<b>63</b>	108
Postage, telephone and telegrams	<b>96</b>	153
Legal charges	<b>2</b>	3
Professional fee	<b>19</b>	19
Entertainment	<b>55</b>	7
Subscription	<b>3</b>	13
Depreciation	<b>4,835</b>	5,019
Freight and material handling	<b>1,311</b>	783
Other expenses	<b>379</b>	321
	<b>300,299</b>	213,326
Opening stock of work-in-process	<b>27,126</b>	18,503
Closing stock of work-in-process	<b>(43,390)</b>	(24,107)
Cost of goods manufactured	<b>284,035</b>	207,722
Opening stock of finished goods	<b>12,783</b>	13,431
Closing stock of finished goods	<b>(46,259)</b>	(28,265)
	<b>250,559</b>	192,888
<b>10. OTHER OPERATING EXPENSES</b>		
Workers' Welfare Fund	<b>580</b>	566
Workers' Profit Participation Fund	<b>1,324</b>	1,220
Exchange loss	<b>9,246</b>	194
	<b>11,150</b>	1,980
<b>11. TAXATION</b>		
- Current	<b>10,153</b>	9,908
- Deferred	<b>(1,782)</b>	(2,204)
	<b>8,371</b>	7,704

	<u>Quarter ended</u>	
	30 September 2008	30 September 2007
	(Rs. in '000)	
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	24,570	22,617
Adjustments for:		
Mark-up expense	1,230	158
Depreciation and amortization	6,377	6,552
Provision for gratuity	1,480	1,353
Provision for retirement benefits	995	942
Mark-up on investment	-	(352)
Mark-up on short term deposit	(224)	(263)
Loss / (gain) on disposal of fixed assets	27	(289)
	<u>9,885</u>	<u>8,101</u>
Operating profit before working capital changes	<u>34,455</u>	<u>30,718</u>
Decrease / (Increase) in operating assets:		
Stores and spares	(309)	(337)
Stock-in-trade	(22,218)	(5,546)
Trade debts	(3,861)	785
Loans and Advances	39	(6)
Long term advances and deposits	40	-
Advances, deposits, prepayments and other receivables	(10,980)	(16,591)
	<u>(37,289)</u>	<u>(21,695)</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	(31,245)	(13,454)
Cash generated from operations	<u>(34,079)</u>	<u>(4,431)</u>

**13. TRANSACTIONS AND BALANCE WITH RELATED 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:

	<b>Quarter ended</b>	
	<b>30 September 2008</b>	<b>30 September 2007</b>
	<b>(Rs. in '000)</b>	
<b>13.1 Transactions with related parties:</b>		
<b>Associated Companies:</b>		
Sales of goods	<b>157</b>	112
Services rendered	<b>260</b>	151
Purchases of goods	<b>688</b>	414
Services received	<b>358</b>	-
Insurance premium paid	<b>176</b>	412
<b>Other Related Parties:</b>		
Contribution to employees' provident fund	13.1.1 <b>744</b>	704
<b>Key Management Personnel :</b>	13.1.2	
<b>Chief Executive Officer &amp; Directors</b>		
Remuneration of Chief Executive Officer	13.1.3 <b>1,072</b>	1,063
Directors' Fee	<b>23</b>	33
<b>Other Key Management Personnel</b>		
Managerial remuneration (excluding directors and Chief Executive Officer)	13.1.3 <b>3,789</b>	1,913
13.1.1 Contribution to the provident fund is made in accordance with the requirements of employees service rules		
13.1.2 Remuneration to key management personnel is in accordance with the terms of employment		
13.1.3 In addition to the above, the chief executive and certain executives are provided with free use of company maintained vehicles in accordance with the company's policy		
	<b>30 September 2008 (Un Audited)</b>	<b>30 June 2008 (Audited)</b>
	<b>(Rs. in '000)</b>	
<b>13.2 Balances with related parties:</b>		
Trade and other payables	<b>1,019</b>	1,477
Trade and other receivables (unsecured, considered good)	<b>285</b>	140

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

The Board of Directors in its meeting held on September 16, 2008, has proposed a Cash Dividend of Re. 1/- per share (2007: Rs.3.0 per share) amounting to Rs.4.4 million (2007: 12 million) and bonus share issue in the proportion of 1 share for every 10 shares held amounting to Rs.4.4 million (2007: Rs.4 million). The proposed dividend and bonus share issue has been approved in the Annual General Meeting held on 27th October 2008.

The financial statements for the period ended 30 September 2008 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 2008.

**15. FINANCIAL RISK MANAGEMENT**

The company's financial risk management objectives and policies are consistent with that disclosed in the financial statements for the year ended 30 June 2008.

**16. DATE OF AUTHORIZATION OF ISSUE**

These condensed financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 29 October 2008.

**17. GENERAL**

- 17.1 Comparative figure of Rs. 0.194 million has been reclassified from purchases to other operating expenses.
- 17.2 Figures have been rounded off to the nearest thousand of rupees.



**Ferial Ali Mehdi**  
Chairman / Chief Executive



**Shahid Nazir Ahmed**  
Director