ANNUAL REPORT 2007

ZULFEQAR
INDUSTRIES LTD.

Table of Contents

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

Bankers

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

Registered Office

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

Factory

Link Hali Road, Hyderabad - 71000

Shares Registrars

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Seventh Annual General Meeting of Zulfeqar Industries Limited will be held on Tuesday, 23 October 2007 at 09.00 hours at Pakistan Society for Training and Development, Plot No. TC –3, 34th Street Phase V (Extension), Defence Housing Authority Karachi, Pakistan to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Extraordinary General Meeting held on Tuesday 26 June 2007.

2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended 30 June 2007 with Directors report thereon together with the report of Auditors.

3. To approve as recommended by directors a final cash dividend @ 30% i.e. Rs. 3/- per share and to issue Bonus Shares in the proportion of **1** share for every **10** shares held i.e.10%.

4. To approve that in the event of any member holding shares which were not an exact multiple of his / her entitlement, the directors be authorized to sell such entitlements in the Stock Market and to pay the proceeds of sale when realized to any recognized charitable institution.

5. To consider the appointment of External Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants to audit Annual Accounts for the year ending 30 June 2008 as well as to review the Half Yearly Accounts for the period ending 31 December 2007 and to review the compliance of Code of Corporate Governance and to fix their remuneration for the same.

By order of the Board

Naveed Ehtesham
Company Secretary

Karachi: September 11, 2007

NOTES:

1. The Share Transfer Books of the Company will remain closed from 17 October 2007 to 23 October 2007 (both days inclusive).

2. A member entitled to attend and vote at the general meeting is entitled to appoint another person as proxy to attend and vote in his place, in the case of company, by a representative duly authorized.

3. The instrument appointing a proxy must be received at the registered office of the Company not less than forty-eight hours before the time of the meeting.

4. Members are requested to notify the change in their addresses, if any, immediately to the Share Registrars of the company, M/s THK Associates (Pvt) Ltd. Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530.

5. CDC Account Holders will further have to follow the guidelines as laid down by the Securities & Exchange Commission of Pakistan

Directors' Report

The Directors of the Company are pleased to present the financial results of the Company for the year ended 30 June 2007.

Election of Directors

An Extra-Ordinary General Meeting of the Company was held on 26 June 2007 and the following persons were elected as Directors of the Company for a three-year term commencing from 01 July 2007:

I. Mrs. Feriel Ali Mehdi
II. Syed Yawar Ali Esq.
III. Syed Tariq Ali Esq.
IV. Mr. Kemal Shoaib - Nominee NIT
V. Mr. Shahid Nazir Ahmed
VI. Mr. Khurshid Hadi
VII. Mr. Omer Ehtisham
VIII. Mr. Amir Zia - Nominee Treet Corporation Limited

Syed Wajid Ali Esq., founder member, ex-Chairman of the Company, philanthropist and a person of international recognition, did not offer himself for re-election as Director on Board for the next term due to health reasons.

He played a key role in bringing the Company to the present stature due to his strong business acumen. We wish to place on record our gratitude & appreciation for the invaluable services rendered by Syed Wajid Ali Esq. to the Company. He directed the Company to the path of progress through his guidance spanning for 26 years.

Mr. Khurshid Hadi & Mr. Omer Ehtisham have been appointed in place of the outgoing Directors Syed Wajid Ali Esq. & Ms. Aaliya Dossa.

The Board welcomes the new members & appreciates the contribution of the outgoing members while on the Board of Directors of the Company.

Following the election of Directors, Mrs. Feriel Ali Mehdi was appointed Chairman and Chief Executive Officer of the Company for three years commencing from 01 July 2007.

Economic Environment

The country's economy continued to maintain its strong growth momentum with a growth of 7.0 per cent in the fiscal year 2006-07. All major sectors of the economy maintained growth particularly the manufacturing sector which showed a growth of 8.4 per cent.

However, the rising cost of materials and utilities due to the ongoing inflationary trend in world fuel prices coupled with the increase in workers' wages by the Government, had a negative impact on corporate profitability. Cost of finance is constantly increasing as part of the tight monetary policy of the State Bank of Pakistan to control inflation.

Company Overview

The profit after tax of the Company has declined to Rs 40.619M as compared to Rs 58.337M last year mainly due to tough competition in the market and severe weather conditions that had an adverse impact on the business performance of the Company. The soap industry in the country is presently seriously affected by the massive rise in prices of basic raw materials and rising rates of utilities which have further aggravated the situation for the industry.

The indigenous soap industries are under pressure due to the inflow of counterfeit toilet soaps in the country. The rates of customs duties on most of soap industries' raw material are irrational. The Government has ignored to take cognizance of the problems faced by the indigenous soap industries.

There is a great need to remove the anomalies afflicting the indigenous soap industries and to rationalize the duty structure of basic raw materials used by indigenous soap industries.

- **Financial Review**

The Company achieved gross sales of Rs 1.149B as against Rs 1.135B registering a 1.21% growth over last year. However, overall sales volume decreased by 1.6% due to the phasing out of products for re-launch.

The cost of sales increased by 2.56% during the period under review due to the unprecedented price hike in the costs of raw materials in the international market as a consequence of which gross profit has declined by 3.1% to Rs 265.554M during the period under review from Rs 274.047 during the same period last year.

The selling and distribution expenses increased by 11.95% during period under review due to reinforcement of the field force and alignment of their emoluments with the prevailing rates in the market. Further, the high cost of fuel also contributed to the increase of distribution cost. A substantial amount had also been spent on research and development for bringing improvement in the existing products and diversification of the business activities.

The administrative expenses have increased by 14.15% during the period under review mainly due to increase in salaries & wages, professional charges paid to consultants for preparation of manuals and increase in depreciation expense.

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 though the KIBOR rate has increased over the period of time.

The book value of the share has appreciated from Rs 49.21 to Rs 54.93 and the market value as on 30 June 2007 was Rs 150.00 as compared to Rs 140.00 on 30 June 2006.

The liquidity position of the Company is sound as is evident from the current ratio of 1.60 : 1.

- **Operating Results**

The Company has earned an operating profit of Rs 63.992M during the period under review. Profit and loss for the year ended 30 June 2007 is as follows:

	2007	2006
	(Rs '000)	
Profit before taxation	**62,122**	89,512
Provision for taxation	**21,503**	31,175
Profit after taxation	**40,619**	58,337
Proposed - Final Dividend @ 30% (2006-50%)	**12,000**	20,000
- Bonus shares @ 10% (2006-nil)	**4,000**	-
Unappropriated profit	**174,124**	150,854

- **Earning per Share**

Earning per share for the year under review is Rs 10.15 as compared to Rs 14.58 last year.

- **Dividend**

The Directors are pleased to propose a final cash dividend of Rs 3/- per share (30 %) on the face value of shares & 10% bonus shares i.e . **1** share for every **10** shares held.

❑ Capital Structure

Shareholders' funds at the year end aggregated to Rs. 219.7M (2006: Rs.196.8M). The increase is mainly due to retained profits & excludes the effect of recommended payment of dividend.

❑ Information Technology Review

The Company made significant investments during the year, to upgrade IT infrastructure through procurement of central processing servers, acquiring software licenses & also securing our IT databases through implementation of IT security policies & procedures.

The ERP system being implemented in the Company is running parallel with the conventional system for most of the essential functions & would be running independently by 1st January 2008.

❑ Marketing Review

The year 2006-07 had been very stimulating for business as much emphasis was given to energizing the brand. Re-launches, activations along with range extension in personal wash category helped in invigorating the business. Repositioning and new communication of Capri, especially, made heads turn. Addition of new exciting variants and 'Natural Skincare and Wellness' platform was very well received. Popular segment registered 12% growth. Inconsistency in raw material prices had been a concern in this period resulting in increased pressure on price points. This along with adverse law and order and weather conditions posed constraints whilst dry out periods because of re-launches also disrupted consistency. Increase in coverage achieved supported by weighted allocation of resources towards display and visibility.

❑ Supply Chain

Basic raw materials for Soap industry Tallow and coconut oil prices jumped by 35% on an average coupled with unavailability and uncertainty. Containerized cargo charges doubled .Inbound logistic charges increased by 12 % on an average due to hike in fuel prices .Frequent and long power shortages hampered production and plant efficiency along with power tariff increased by 10% in the year under review

We are making all out efforts to offset the rising trend of input cost by improving our efficiency. Our, BMR-Phase-1 is completed which has resulted in a 40% reduction in packaging cost. The Company's focus is to control major cost of carrying unnecessary inventory levels.

❑ Human Resource

Our strategy is to strengthen relationships with accredited professional institutes help us in attracting talent. Zulfeqar Industries Limited, have organized on-campus interview sessions at different business schools. At the same time, the Company representatives have been invited as guest speakers in reputable business school.

Our internship program provides huge learning opportunities. Students from various disciplines get exposure in their field of interest. Their contribution in important assignments makes them confident to take up next challenges.

The Company gives great importance of developing its people. For this purpose, the Company has invested on Management Development based on the precisely done Training Need Assessment which is derived through our performance management system in place. Throughout the year our people from different functional areas have attended training programs organized in house as well as at selected training institutions.

❑ Future Outlook

The performance of the Company would be influenced by the rising cost of basic raw materials coupled with the imposition of 1% Special Excise Duty on all the products of the Company which have put a tremendous pressure on the margins. Uncertain market conditions & severe weather are also affecting business performance. All the above factors are having an impact on economic activity in the Country which is already showing signs of slowdown.

The Company would continue to focus on the premium segment through expanding product choices for our consumer. The popular & discounted segment would also remain in spotlight through launching of various marketing activities. Further, in order to minimize the impact of rising costs, the Company is envisaging increase in prices of major products, in line with the industry.

The Company is confident that the business activity will improve and the production and sales of the Company will rise thereby improving the overall situation of trade and industry.

- **Gratuity and Provident Funds**

The Company is operating a funded Provident Fund and now an approved Gratuity Scheme. The provident fund has been appropriately invested in the Government securities and is audited annually by independent auditors. The value of investments of Provident Fund as per the audited accounts for the year ended 30 June 2007 is Rs. 62 mn.

- **Audit Committee**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members:

Mr. Kemal Shoaib	Chairman
Syed Yawar Ali Esquire	Member
Mr. Shahid Nazir Ahmed	Member

- **Auditors**

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2007-08.

- **The following information is attached with this report:**

I) Directors' statement
II) Statement in compliance of the Code of Corporate Governance
III) Meetings of the Board of Directors
IV) Outstanding Statutory Payments
V) Pattern of Shareholding
VI) Key operating and financial results for 7 years.

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.

For and on behalf of the Board

Feriel Ali Mehdi
Chairman / Chief Executive

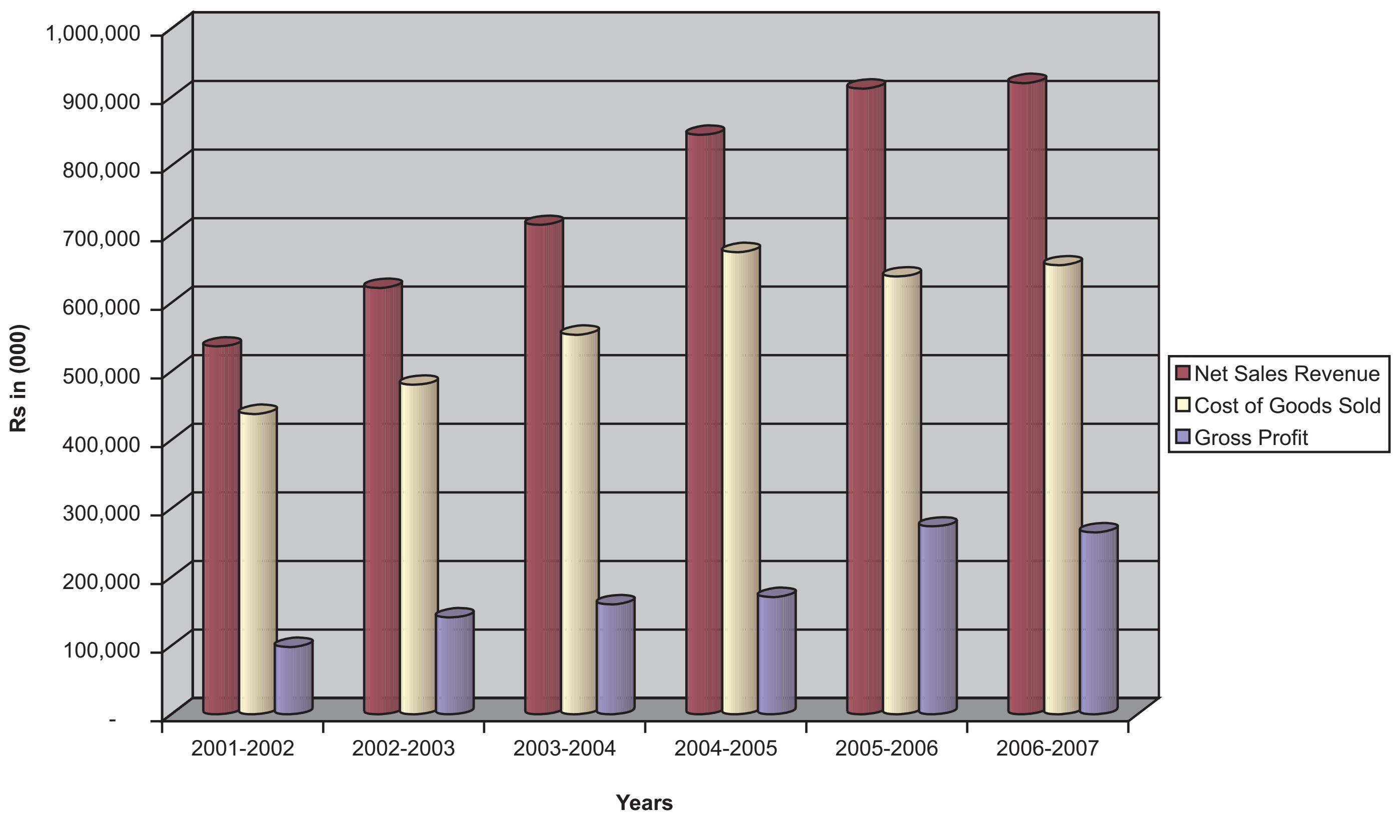
Karachi: 11 September 2007

Key Operating & Financial Data

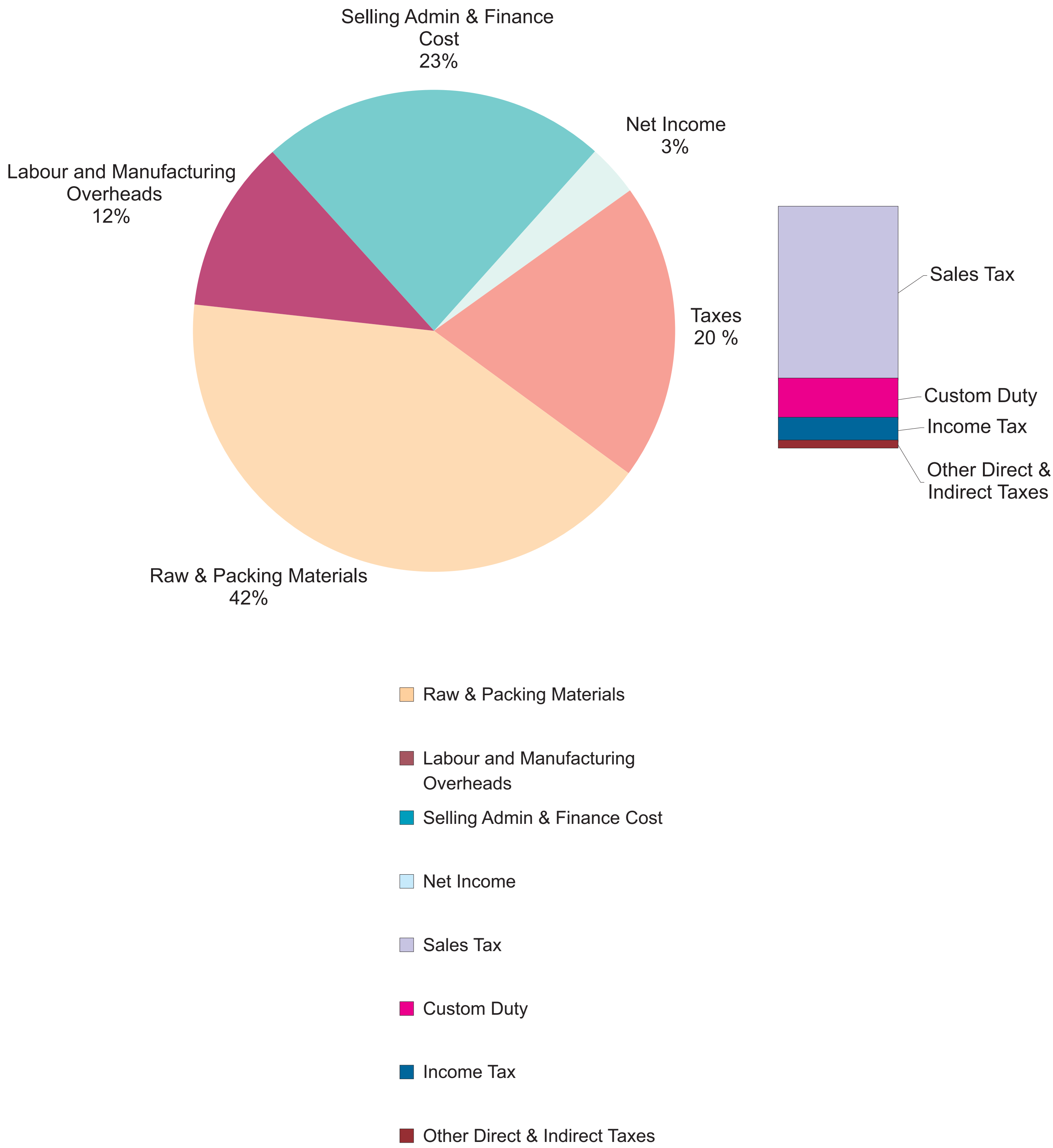
From 2000-01 to 2006-07

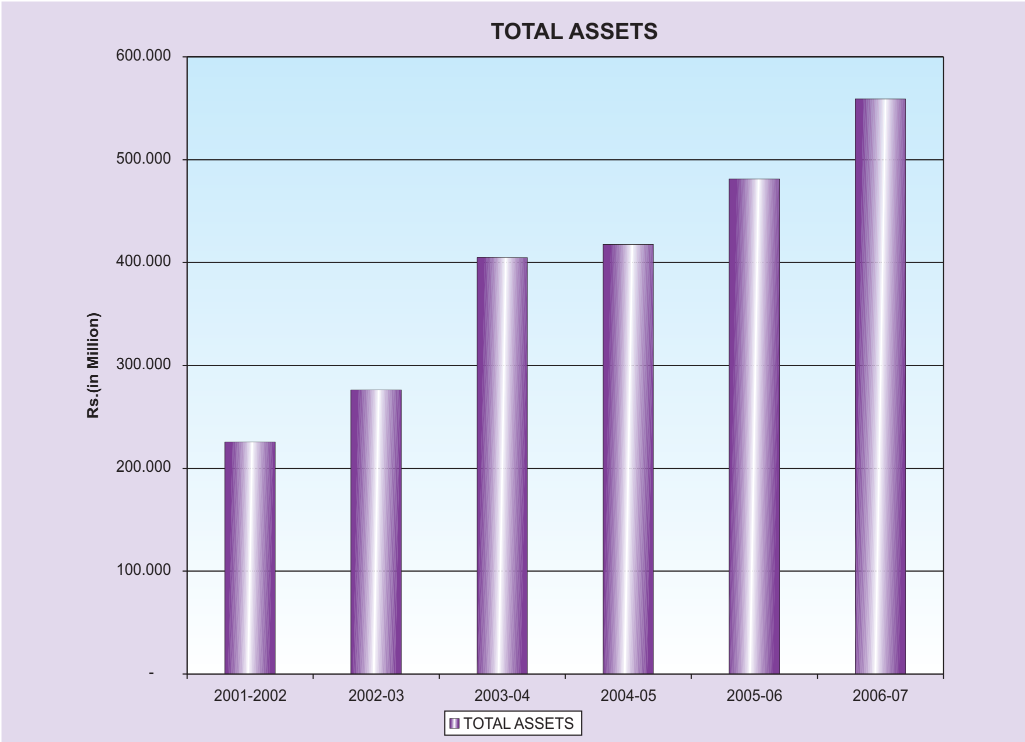
PERIODS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Net Sales Revenue	493,707	536,443	622,019	713,977	845,189	912,698	**920,597**
Cost of Goods Sold	407,801	438,080	480,627	553,575	674,201	638,651	**655,043**
Gross Profit	85,906	98,363	141,392	160,402	170,988	274,047	**265,554**
Operating profit & Loss	10,907	21,668	31,260	55,869	69,067	92,670	**63,992**
Profit/(Loss)Before Tax	11,527	25,239	33,530	53,571	63,897	89,512	**62,122**
Profit/(Loss) After Tax	7,009	16,106	21,548	34,767	42,132	58,337	**40,619**
Paid Up Capital	40,000	40,000	40,000	40,000	40,000	40,000	**40,000**
Current Assets	136,306	143,084	202,027	203,750	217,037	266,140	**256,995**
Current Liabillites	91,609	85,863	127,608	155,479	138,608	173,222	**161,037**

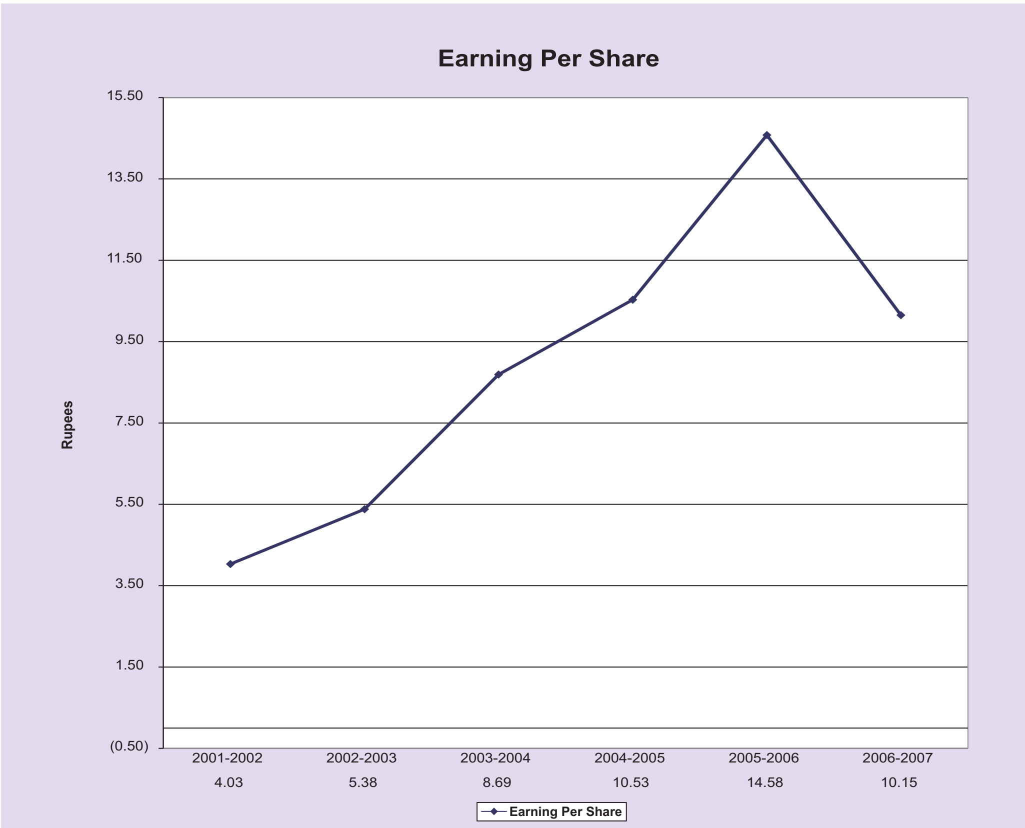
Comparative Sales ,Cost of Sales and Gross Profit

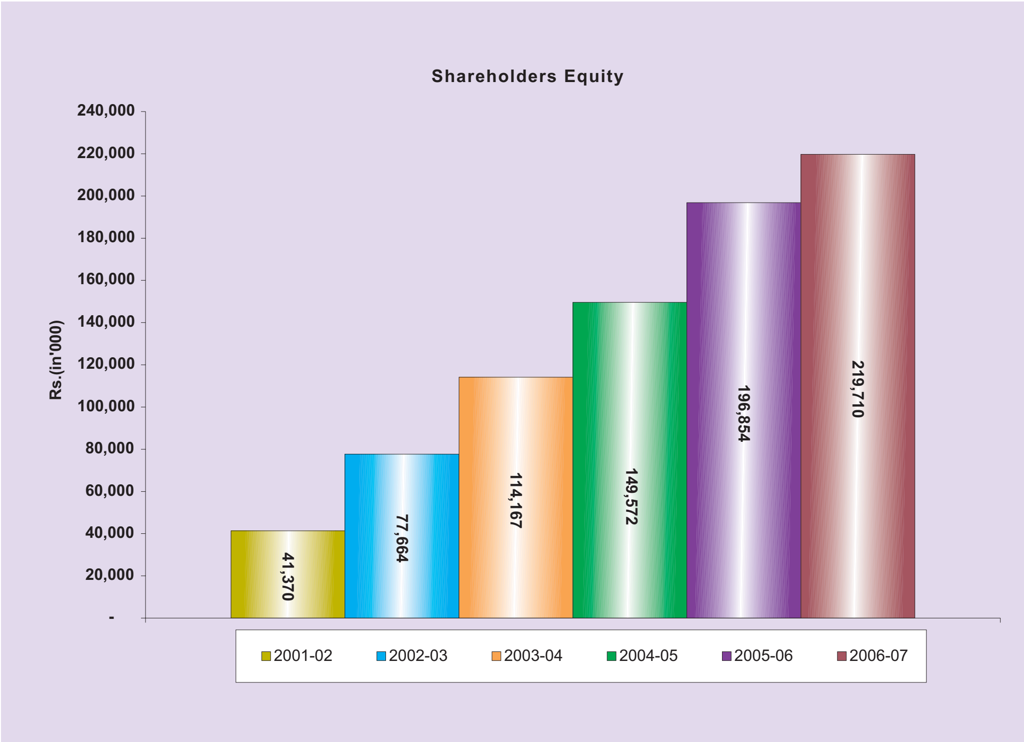


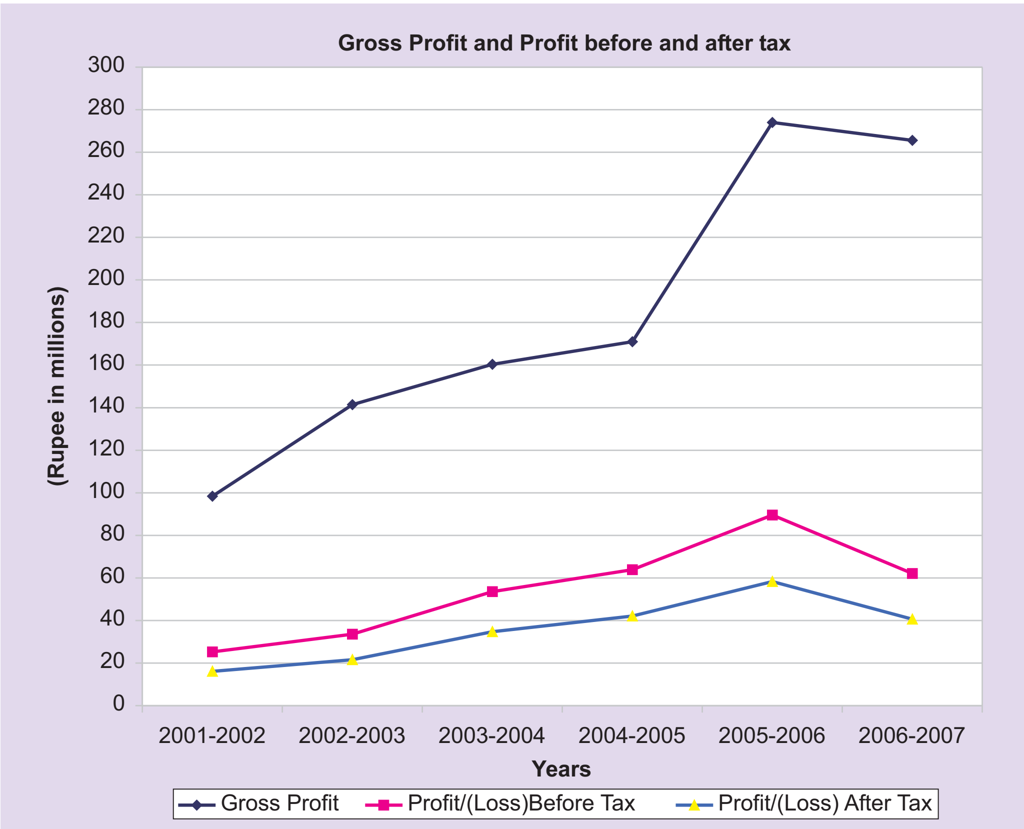
Distribution of Revenue




TOTAL ASSETS
600.000
500.000
400.000
300.000
200.000
100.000
-
Rs.(in Million)
2001-2002
2002-03
2003-04
2004-05
2005-06
2006-07
TOTAL ASSETS


Earning Per Share
15.50
13.50
11.50
9.50
7.50
5.50
3.50
1.50
(0.50)
Rupees
2001-2002
2002-2003
2003-2004
2004-2005
2005-2006
2006-2007
4.03
5.38
8.69
10.53
14.58
10.15
Earning Per Share


Shareholders Equity
Rs.(in'000)
240,000
220,000
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
41,370
77,664
114,167
149,572
196,854
219,710
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07


Gross Profit and Profit before and after tax
(Rupee in millions)
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
2001-2002
2002-2003
2003-2004
2004-2005
2005-2006
2006-2007
Years
Gross Profit
Profit/(Loss)Before Tax
Profit/(Loss) After Tax

I. Directors' statement

The directors state that:

a. The financial statements prepared by the management present a true and fair state of affairs of the Company.
b. Proper books of accounts have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment, except for the following:
• Dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognized in the financial statements as liability.
d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
e. The system of internal control is sound in design and has been effectively implemented and monitored.
f. There is no significant doubt upon the Company's ability to continue as a going concern.
g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

II. Statement in compliance of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 2(10)SE/SMD/2002 of listing regulations of Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

a. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least seven independent non-executive directors.

b. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

c. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

d. No casual vacancy occurred in the Board during the year.

e. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and management employees of the Company.

f. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the Company are in the process of development and maintaining a complete record of particulars of significant policies along with the dates on which they were approved or amended.

g. All the powers of the Board have been duly exercised and have taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.

h. The meetings of the Board were presided over by the Chief Executive Officer as Chairperson duly elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

i. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of employment, as determined by the CEO.

j. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

k. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

l. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding. During the period under review, notification has been received from the Director/CEO for buying shares of the Company and would be placed before the Board by the Company Secretary and the Secretary has ensured that the relevant conditions of the Code have been complied with.

m. The Company has complied with all the corporate and financial reporting requirements of the Code.

n. The Board has formed an audit committee. It comprises three members, who are non-executive directors including the chairman of the committee.

o. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

p. The Board has outsourced the internal audit function to M. Yusuf Adil Saleem & Co. Chartered Accountants with effect from July 2005 to make it more effective.

q. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

r. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and approval from the Securities and Exchange Commission of Pakistan and the auditors have confirmed that they have observed IFAC guidelines in this regard.

s. We confirm that all other material principles contained in the Code have been complied with.

III. Meetings of the Board of Directors

Four meetings of the Board of Directors of the Company were held and following was the attendance of the directors:

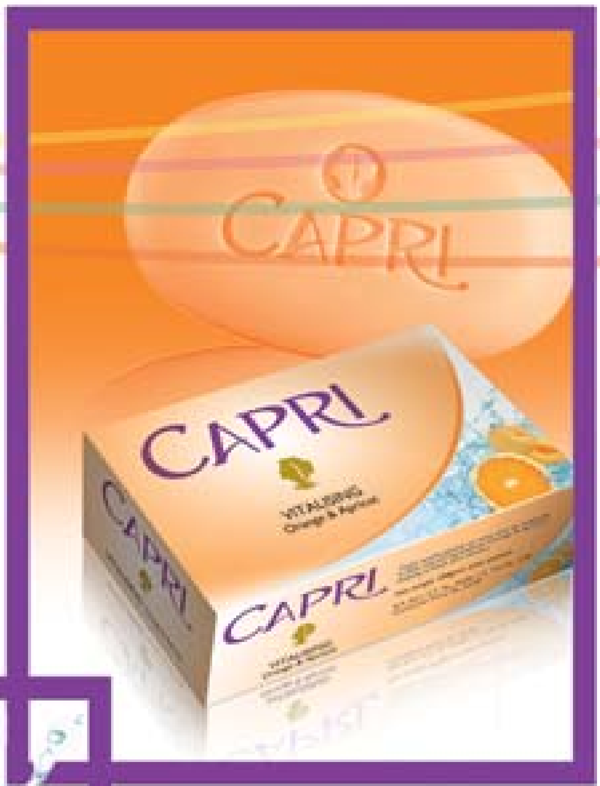
Names of Directors	No. of Meetings attended
Syed Wajid Ali	0
Mrs. Feriel Ali Mehdi	5
Syed Yawar Ali	5
Syed Tariq Ali	2
Mr. Kemal Shoaib	4
Mr. Shahid Nazir Ahmed	4
Ms. Aaliya K. Dossa	3
Mr. Amir Zia	1

IV. Outstanding Statutory Payments

There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

Sink into the enchanting pool of **Capri Moisturising**. The healing plant, **Aloe Vera** merges with **Glycerin** to whisper moisture and energy into your skin leaving it **soft, beautiful** and **healthy.**

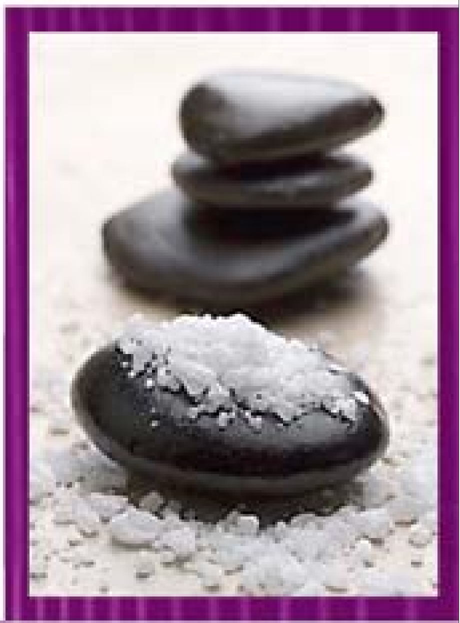
Indulge in the rich creamy lather of **Capri Nourishing**. The luxurious **Peach & Yoghurt Cream** cares for your skin from the inside out, leaving it feeling **nourished, supple** and **beautiful**.



Dive into the tropical fusion of **Capri Vitalising.** Rich in essential vitamins/nutrients, the fruity extracts of **Orange & Apricot** rejuvenate your skin, giving it a **fresh, beautiful glow.**

Melt into the soothing experience of **Capri Cleansing.** The fresh extracts of **Cucumber & Tea Tree** relax you while gently lathering up to make your skin **beautiful, smooth** and **soft.**

Our Commitment



To create

a feeling of

wellbeing

amongst

people

and make

their lives

a little

easier

and

more beautiful.

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No.2
Beaumont Road
Karachi 75530 Pakistan

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Review report to the members on statement of compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Zulfeqar Industries Limited** to comply with the Listing Regulations of the Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as at 30 June 2007.

Date: 11 September 2007

Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No.2
Beaumont Road
Karachi 75530 Pakistan

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Auditors's Report to the Members

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** ("the Company") as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.6 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: 11 September 2007

Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet

As at 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	4	**276,641**	190,652
Intangible asset	5	**1,548**	-
Long term prepayment	6	**20,149**	20,569
Long term deposits	7	**3,364**	3,655
Long term loans to employees	8	**309**	314
CURRENT ASSETS			
Stores and spares	9	**5,880**	10,006
Stock-in-trade	10	**134,432**	121,857
Short term investments	11	**27,930**	49,201
Trade debts	12	**4,726**	7,893
Advances, deposits, prepayments and other receivables	13	**24,960**	29,446
Cash and bank balances	14	**59,067**	47,737
		256,995	266,140
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		**-**	19,729
Trade and other payables	16	**148,499**	127,065
Taxation	17	**12,538**	26,428
		161,037	173,222
NET CURRENT ASSETS		**95,958**	92,918
NET ASSETS		**397,969**	308,108
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,000,000 (2006: 5,000,000) ordinary shares of Rs. 10 each		**50,000**	50,000
Issued, subscribed and paid up capital	18	**40,000**	40,000
Reserves		**180,124**	156,854
Deficit on revalaution of available-for-sale investment		**(414)**	-
		219,710	196,854
Surplus on revaluation of fixed assets	19	**87,529**	47,538
NON-CURRENT LIABILITIES			
Long term deposits		**450**	450
Deferred staff liabilities	20	**51,574**	43,775
Deferred taxation	21	**38,706**	17,994
Liabilities against assets subject to finance lease		**-**	1,497
		397,969	308,108
COMMITMENTS	22		

The annexed notes 1 to 38 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Shahid Nazir Ahmed
Director

Profit and Loss Account

For the year ended 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
Sales - net	23	**920,597**	912,698
Cost of sales	24	**655,043**	638,651
Gross profit		**265,554**	274,047
Selling and distribution cost	25	**169,875**	151,740
Administrative expenses	26	**34,294**	30,042
		204,169	181,782
		61,385	92,265
Other operating income	27	**6,604**	6,699
Other operating expenses	28	**3,997**	6,294
		63,992	92,670
Finance cost	29	**1,870**	3,158
Profit before taxation		**62,122**	89,512
Taxation	30	**21,503**	31,175
Profit for the year		**40,619**	58,337
		(Rupees)	
Earnings per share - basic and diluted	31	**10.15**	14.58

The annexed notes 1 to 38 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Shahid Nazir Ahmed
Director

Cash Flow Statement

For the year ended 30 June 2007

	Note	2007	2006
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**62,122**	89,512
Adjustments for:			
Mark-up expense		**1,870**	3,158
Depreciation / amortisation		**23,556**	19,097
Provision for gratuity		**6,085**	4,161
Provision for retirement benefits		**3,000**	4,968
Loss on remeasurement of investments		**-**	381
Loss on disposal of investment		**400**	-
Amortisation of premium on investment		**-**	89
Mark-up on investment		**(1,835)**	(2,923)
Mark-up on short term investment		**(882)**	(603)
Dividend income		**(281)**	(183)
Loss / (gain) on disposal of fixed assets		**112**	(277)
		32,025	27,868
Operating profit before working capital changes		**94,147**	117,380
Decrease / (increase) in operating assets:			
Stores and spares		**4,126**	(3,857)
Stock-in-trade		**(12,575)**	4,854
Trade debts		**3,167**	(1,721)
Loans and advances		**5**	284
Long term advances and deposits		**291**	4,691
Advances, deposits, prepayments and other receivables		**1,500**	(3,930)
		(3,486)	321
Increase / (decrease) in operating liabilities:			
Trade and other payables		**21,549**	25,047
Cash generated from operations		**112,210**	142,748
Income tax paid		**(24,816)**	(19,486)
Gratuity paid		**(638)**	(2,287)
Retirement benefits paid		**(648)**	(8,535)
Profit received on investments		**2,893**	2,996
Profit received on short term deposits		**882**	603
Dividend received		**232**	183
Mark-up paid		**(2,027)**	(3,518)
		(24,122)	(30,044)
Net cash flows from operating activities		**88,088**	112,704
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(58,718)**	(55,589)
Short term investments		**20,856**	(18,786)
Proceeds from disposal of fixed assets		**2,228**	1,194
Long term investment		**-**	15,780
Net cash flows from investing activities		**(35,634)**	(57,401)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(19,897)**	(13,933)
Repayment of lease liability		**(21,227)**	(17,339)
Long term deposits		**-**	(25)
Net cash flows from financing activities		**(41,124)**	(31,297)
Net increase in cash and cash equivalents		**11,330**	24,006
Cash and cash equivalents at beginning of the year		**47,737**	23,731
Cash and cash equivalents at end of the year	14	**59,067**	47,737

The annexed notes 1 to 38 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Shahid Nazir Ahmed
Director

Statement of Changes in Equity

For the year ended 30 June 2007

	Issued, subscribed and paid up capital	Revenue reserve: General reserve	Revenue reserve: Unappropriated profit	Total reserves	(Deficit) on revaluation of available-for-sale investment	Total
	---------- (Rupees in '000) ----------					
Balance as at 1 July 2005	40,000	6,000	103,572	109,572	-	149,572
Changes in equity for the year ended 30 June 2006						
Final dividend paid for the year ended 30 June 2005	-	-	(14,000)	(14,000)	-	(14,000)
Profit for the year ended 30 June 2006	-	-	58,337	58,337	-	58,337
Transferred from surplus on revaluation of fixed assets (recognised directly in equity)	-	-	2,945	2,945	-	2,945
Total recognised income for the year	-	-	61,282	61,282	-	61,282
Balance as at 30 June 2006	40,000	6,000	150,854	156,854	-	196,854
Changes in equity for the year ended 30 June 2007						
Final dividend paid for the year ended 30 June 2006	-	-	(20,000)	(20,000)	-	(20,000)
Profit for the year ended 30 June 2007	-	-	40,619	40,619	-	40,619
Transferred from surplus on revaluation of fixed assets (recognised directly in equity)	-	-	2,651	2,651	-	2,651
Loss on remeasurement of available-for-sale investment (recognised directly in equity)	-	-	-	-	(414)	(414)
Total recognised income for the year	-	-	43,270	43,270	(414)	42,856
Balance as at 30 June 2007	**40,000**	**6,000**	**174,124**	**180,124**	**(414)**	**219,710**

The annexed notes 1 to 38 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Shahid Nazir Ahmed
Director

1. STATUS AND NATURE OF BUSINESS

1.1 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, Kandawala Building, M.A. Jinnah Road, Karachi.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 ("the Ordinance") and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain fixed assets (refer note 4) are shown at revalued amounts and certain investments are carried at fair value (refer note 11).

2.3 Functional and preparation currency

These financial statements are presented in Pakistani Rupee which is the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

2.4.2 Staff retirement benefits

Certain actuarial assumptions have been adopted (as disclosed in note 20 to these financial statements) for the actuarial valuation of staff retirement benefits. Changes in these assumptions in future years may effect the liability under these schemes in those years.

2.4.3 Provisions

Provisions for impairment loss against doubtful trade debts, slow moving stores and spares and obsolete stock-in-trade are made on judgmental basis, which provision may differ in the future years based on the actual experience. The difference in provision if any, would be recognised in the future years.

2.4.4 Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of land, buildings and plant and machinery are based on a valuation carried out by an external professional valuer of the Company. The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the above estimates, in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

2.5 New accounting standards, interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 January 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes; and
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

a) ***Gratuity scheme*** - defined benefit plan

The Company operates an un-funded gratuity scheme for its permanent employees. Provision is made in these financial statement based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

b) ***Retirement benefit scheme*** - defined benefit plan

The Company also operates an un-funded retirement benefit scheme for its eligible non-management employees. Provision is made in these financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are recognised as income or expense in the year in which they arise. Past service cost resulting from changes to defined plans to the extent the benefits are already vested is recognized immediately and remaining unrecognized past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

c) ***Provident fund*** - defined contribution plan

The Company operates an approved provident fund scheme for all its eligible employees. The Company and the employees make equal monthly contributions at 10 percent of the basic salaries.

3.2 Compensated absences

The Company also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated upto the balance sheet date in accordance with the service rules.

3.3 Taxation

i) ***Current***

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and tax rebates.

ii) ***Deferred***

Deferred taxation is recognised, using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amounts of deferred tax recognised is based on the expected manner of the realisation or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets, are reduced to the extent that they are no longer probable that the related tax benefit will be realised.

Deferred tax is recognised in the profit and loss account except to the extent that it relates to surplus on revaluation of property, plant and equipment, in which case it is recognised in the surplus on revaluation account.

3.4 Property, plant and equipment

i) ***Owned***

- Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except that building and plant, machinery and equipments are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Freehold land is stated at its revalued amount.

- Depreciation on fixed assets, other than freehold land, is charged under the reducing balance method at rates specified in note 4. Depreciation is charged from the date on which the assets are available for use and on disposal up to the date the asset is in use.

- Assets, which have been fully depreciated, are retained in the books at a nominal value of Re.1.

- Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

- Normal repairs and maintenance is charged to expenses, as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

ii) Leased

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of present value of minimum lease payments under the lease agreements and the fair value at the inception of the lease less accumulated deprecation and impairment losses, if any. Finance charge on lease obligations is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation on leased assets is charged in the same manner as the owned assets.

iii) Capital work-in-progress

Capital work-in-progress is stated at cost (less impairment losses, if any) and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to relevant fixed assets category in operatives as and when the assets are available for use.

3.5 Intangible assets

Intangible assets (comprising of computer softwares) are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised under the straight line method at the rate of thirty percent per annum.

Cost that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognised as intangible assets.

Cost associated with maintaining computer software products are recognised as an expense when incurred.

3.6 Investments

All investments are initially recognized at cost, being the fair value of the consideration given including the transaction costs associated with the investment.

The Company classifies its investments in the following categories:

Available-for-sale

Investments that are not held either for trading or held till maturity, and that are held for an undefined period and may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. These are initially recognized at cost inclusive of transaction costs and subsequently measured at market rate using the rate quoted on the stock exchange at the close of the financial year. Gains or losses on remeasurement of available-for-sale investments are recognised directly in equity until the investments are sold / disposed-off or impaired.

Up to the previous year, above investments were classified in the 'fair value through profit or loss upon initial recognition' category. However, International Accounting Standard (IAS) 39, dealing with the recognition and measurement of financial instruments have been revised during the year and is effective for annual periods beginning on or after 1 January 2006. The above revised IAS, amongst other revisions, requires that a financial instrument may be classified under this category only if it meets certain specific qualification principles. Accordingly, to ensure compliance with the above revised IAS, the above investments have been de-designated as 'at fair value through profit or loss' and reclassified as 'available-for-sale investments'. Under the transitional provisions of the above IAS, the carrying amount (fair value) of the above investment as at 1 July 2006 amounting to Rs. 3.345 million is considered to be its initial carrying amount for the purposes of subsequent measurement.

Due to the above change, profit for the year is higher by Rs. 0.414 million. However, the above change had no effect on the closing balance of investment and the shareholders' equity as of 30 June 2007.

Held-to-maturity

Investments with a fixed maturity where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to maturity investments are carried to amortised cost using the effective interest rate method.

Purchases and sales of investments are recognised on trade-date i.e. the date on which the Company commits to purchase or sell the asset.

3.7 Stores and spares

These are stated at lower of cost and net realizable value. Cost is determined under moving average method. Cost of items in transit comprises of invoice value plus other charges incurred thereon.

3.8 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined under the weighted average basis.

Cost of finished goods consists of materials, labour and applicable production overheads. However, the work-in- process is valued at material cost only as conversion costs are immaterial.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

Cost in case of goods-in-transit includes invoice value and other charges incurred thereon.

3.9 Trade debts and other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts. Debts considered as irrecoverable are written off.

3.10 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

3.11 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.12 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and with banks, short-term running finances under mark-up arrangements and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3.13 Revenue recognition

Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers.

Profit on debt instrument investments and term deposits with banks are recognised using the effective yield method on a time proportion basis.

Dividend income on equity investments is recognised when a right to receive the payment is established.

3.14 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised in the profit and loss account.

3.15 Financial instruments

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit and loss account currently.

3.16 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.17 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.18 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

Borrowing costs are charged to income currently.

	Note	**2007**	2006
4. PROPERTY, PLANT & EQUIPMENT			
Operating assets	4.1	**273,421**	179,282
Capital work-in-progress	4.2	**3,220**	11,370
		276,641	190,652

4.1 Operating assets

30 June 2007

	COST AND REVALUATION				Rate	DEPRECIATION					Written down
	As at 1 July 2006	Addition/ (disposal)/ *Adjustment	Surplus on revaluation	As at 30 June 2007	%	As at 1 July 2006	For the year	(Disposal)/ *Adjustment	Released on revaluation	As at 30 June 2007	value as on 30 June 2007
	------------(Rupees in '000)-----------					------------------------------(Rupees in '000)------------------------------					
Owned											
Freehold land	21,000	-	21,000	42,000	-	-	-	-	-	-	42,000
Building on freehold land	16,461	-	4,242	20,703	10	3,100	1,336	-	(4,436)	-	20,703
Leasehold improvements	2,000	-	-	2,000	10	200	180	-	-	380	1,620
Plant, machinery and equipment	87,344	48,977 * 57,487	-	193,808	10	13,238	12,095	- * 13,831	(24,616)	14,548	179,260
Capital spares	-	7,162	-	7,162	10	-	751	-	-	751	6,411
Furniture and fixtures	3,525	5,443 (101)	-	8,867	10	2,036	345	(71)	-	2,310	6,557
Vehicles	22,270	2596 (1,155) * 2,910	-	26,621	20	7,146	3,512	(761) * 1,824	-	11,721	14,900
Computers	4,536	520	-	5,056	30	2,313	773	-	-	3,086	1,970
	157,136	64,698 (1,256) * 60,397	25,242	306,217		28,033	18,992	(832) * 15,655	(29,052)	32,796	273,421
Leased											
Plant and machinery	57,487	* (57,487)	-	-	10	10,562	3,269	* (13,831)	-	-	-
Vehicles	5,190	(2,280) * (2,910)	-	-	20	1,936	253	* (1,824) (365)	-	-	-
	62,677	(2,280) * (60,397)	-	-		12,498	3,522	(365) * (15,655)	-	-	-
	219,813	**64,698 (3,536)**	**25,242**	**306,217**		**40,531**	**22,514**	**(1,197)**	**(29,052)**	**32,796**	**273,421**

* Represents transfer to owned assets.

	30 June 2006								
	COST AND REVALUATION			Rate	DEPRECIATION				Written down
	As at 1 July 2005	Addition/ (disposal)/ **revaluation	As at 30 June 2006	%	As at 1 July 2005	For the year	(Disposal) adjustment	As at 30 June 2006	value as on 30 June 2006
	------------(Rupees in '000)-----------				------------------------------(Rupees in '000)------------------------------				
Owned									
Freehold land	21,000	-	21,000	-	-	-	-	-	21,000
Building on freehold land	16,346	115	16,461	10	1,616	1,484	-	3,100	13,361
Leasehold improvements	-	2,000	2,000	10	-	200	-	200	1,800
Plant, machinery and equipment	76,907	10,835 (398)	87,344	10	6,012	7,506	(280)	13,238	74,106
Furniture and fixtures	3,126	399	3,525	10	1,883	153	-	2,036	1,489
Vehicles	8,990	6,950 (916) 7,246	22,270	20	3,020	2,088	(623) 2,661	7,146	15,124
Computers	2,601	2,015 (80)	4,536	30	1,568	775	(30)	2,313	2,223
	128,970	7,065 (1,394) 22,495	157,136		14,099	12,206	(933) 2,661	28,033	129,103
Leased									
Plant and machinery	57,487	-	57,487	10	5,348	5,214	-	10,562	46,925
Vehicles	11,221	2,280 (1,065) * (7,246)	5,190	20	3,949	1,257	(609) (2,661)	1,936	3,254
	68,708	2,280 (1,065) * (7,246)	62,677		9,297	6,471	(609) (2,661)	12,498	50,179
	197,678	9,345 (2,459) 15,249	219,813		23,396	18,677	(1,542)	40,531	179,282

* Represents transfer to owned assets.

4.2 Capital work in progress

	2007	2006
Plant, machinery and equipment	**1,012**	9,736
Furniture and fixtures	**84**	410
Computers	**-**	1,036
Leasehold land and improvements	**188**	188
Vehicle (advance payment)	**899**	-
Intangible assets (advance payment)	**1,037**	-
	3,220	11,370

4.3 Disposal of fixed assets

	Year of purchase	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Sold to
	------------------ (Rupees in '000) ------------------							
Plant, machinery and equipment								
Air Conditioner	1987	12	11	1	2	1	Scraped	Mr. Imran
		12	11	1	2	1		
Vehicles								
Toyota Hilux Vigo	2006	2,279	364	1,915	1,800	(115)	Negotiation	Mr.Asad Khan
Honda Civic	2002	1,155	761	394	426	32	Terms of employment	Syed Tariq Ali (Director)
		3,434	1,125	2,309	2,226	(83)		
Computer								
P-1 Workstations	1996	92	60	32	2	(30)	Scraped	Mr. Jawed Massi
		92	60	32	2	(30)		
2007		3,538	1,196	2,342	2,230	(112)		
2006		3,166	1,849	1,317	1,685	368		

4.4

Depreciation on above property, plant and equipment and amortisation of intangible assets (note 5) and a long term prepayment (note 6) for the year has been allocated as follows:

		2007	2006
		(Rupees in '000)	
Depreciation for the year on property, plant and equipment	4	**22,514**	18,677
Amortisation of intangible assets for the year	5	**622**	-
Amortisation of long term prepayments		**420**	420
		23,556	19,097
Cost of sales	24	**18,200**	14,941
Selling and distribution expenses	25	**1,358**	1,156
Administrative expenses	26	**3,998**	3,000
		23,556	19,097

4.5 The properties (free hold land, building on free hold land, plant and machinery and equipment) of the Company were revalued as of 30 June 2007 by an independent valuer M/s Iqbal A. Nanjee & Co. on the basis of market value. This valuation has been incorporated in these financial statements as at 30 June 2007 and has resulted in a surplus of Rs. 54.294 million before tax (Rs. 21 million on free hold land, Rs. 8.678 million on building on free hold land and Rs.24.616 million on plant, machinery and equipment) over the written down value of Rs. 187.670 million of these assets before the current year's revaluation (total revalued amount being Rs. 241.964 million). The details of revalued amounts are as follows:

	(Rupees in '000)
Free hold land	42,000
Buildings on free hold land	20,702
Plant, machinery and equipment	179,261
	241,963

4.6 The previous valuation was carried out on 30 June 2004. Had the freehold land, buildings and plant and machinery not been revalued, the total carrying values as at 30 June 2007 would have been as follows:

	(Rupees in '000)
Free hold land	21,000
Buildings on free hold land	12,024
Plant, machinery and equipment	154,645
	187,669

5. INTANGIBLE ASSET

	2007	2006
	(Rupees in '000)	
Cost		
At 1 July	**-**	-
Additions	**2,170**	-
At 30 June	**2,170**	-
Amortisation		
At 1 July	**-**	-
Charge for the year	**622**	-
At 30 June	**622**	-
Book value at 30 June	**1,548**	-

The above intangible asset represents computer software.

6. LONG TERM PREPAYMENTS

This represents payment for a leasehold land located in Eastern Industrial Zone, Port Qasim Area. The lease was executed on 9 March 2006 with Port Qasim Authority for a period of 50 years.

	2007	2006
	(Rupees in '000)	
Total payment	**20,989**	20,989
Amortisation		
- Opening balance	**420**	-
- For the year	**420**	420
	840	420
	20,149	20,569

7. LONG TERM DEPOSITS - considered good

Deposits:

	2007	2006
- against letter of guarantee	**1,538**	2,861
- against utilities	**1,699**	330
- to Central Depository Company of Pakistan Limited	**12**	12
- against finance lease	**-**	342
- others	**115**	110
	3,364	3,655

8. LONG TERM LOANS TO EMPLOYEES

Considered good - secured

		2007	2006
Non-executive employees	8.2	**515**	507
Receivable within one year		**(206)**	(193)
		309	314

	2007	2006
Age analysis of long term loans is as follows		
- Outstanding for a period extending three years	**221**	265
- Others	**294**	242
	515	507

8.1 Maximum aggregate balance due from executives at the end of any month during the year was as follows:

	2007	2006
	(Rupees in '000)	
Executive employees	**99**	994

8.2 The above mark-up free loans have been given to the non-executive employees for purchase of motorcycles as per Company's Motor Cycle loan policy. These are repayable in 36 equal monthly instalments. This balance is secured against the employees provident fund balance.

			2007	2006
			(Rupees in '000)	
9.	**STORES AND SPARES**			
	Stores		**6,714**	5,932
	Spares		**666**	5,574
			7,380	11,506
	Provision against slow moving stores and spares		**(1,500)**	(1,500)
			5,880	10,006
10.	**STOCK-IN-TRADE**			
	Raw material - in hand		**50,719**	31,821
	- in transit		**44,457**	42,977
			95,176	74,798
	Packing material		**9,565**	5,218
	Work-in-process		**18,503**	15,407
	Finished goods		**13,431**	28,677
			136,675	124,100
	Provision against slow moving items of stock-in-trade		**(2,243)**	(2,243)
			134,432	121,857
11.	**SHORT TERM INVESTMENTS**			
	Available for sale investments			
	Quoted			
	Ordinary shares	11.1	**2,930**	3,345
	Term Finance Certificates		**-**	855
			2,930	4,200
	Unlisted			
	Pakistan Investment Bond		**-**	9,221
			2,930	13,421
	Held-to-maturity investments			
	Musharika certificate	11.2	**25,000**	10,000
	Certificate of deposit		**-**	10,000
	Current maturity of long term held-to-maturity investments		**-**	15,780
			27,930	49,201

11.1 These represent 24,459 (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 (2006: Rs. 0.783 million).

11.2 This represents Certificates of Musharika of First Habib Modaraba which will mature on 20 September 2007. This carries profit rate at 9.5 percent per annum.

		2007	2006
		(Rupees in '000)	
12. TRADE DEBTS - unsecured			
Considered good	12.1	**4,726**	7,893
Considered doubtful		**4,952**	4,952
		9,678	12,845
Provision against impaired debts		**(4,952)**	(4,952)
		4,726	7,893

12.1 Trade debts include mark-up free balances due from the following related parties:

	2007	2006
Treet Corporation Limited	**235**	164
Wazir Ali Industries Limited	**-**	41
	235	205

13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2007	2006
Advances - considered good:		
- Suppliers and contractors - net	**5,878**	4,331
- Taxation	**16,961**	18,490
	22,839	22,821
Advances to sales staff	**302**	-
Advances for expenses	**1,028**	-
Current maturity of loans to employees	**206**	193
Tax refundable	**68**	68
Dividend receivable	**49**	-
Mark-up / profit accrued on investments	**104**	1,610
Deposits against finance lease	**-**	2,521
Prepayments	**-**	612
Due from an associated company	**-**	63
Other receivables	**364**	1,558
	24,960	29,446

14. CASH AND BANK BALANCES

	2007	2006
Cash in hand	**15**	29
Cash at banks in - current accounts	**7,911**	11,811
- profit and loss sharing accounts	**36,141**	20,897
- term deposit	**15,000**	15,000
	59,052	47,708
	59,067	47,737

15. UNUTILISED CREDIT FACILITIES

15.1 At 30 June 2007, unutilised facilities for running finance under mark-up arrangements available from certain banks aggregated to Rs. 219 million (2006: Rs 135 million). These are secured under mark-up arrangments against stock-in-trade items and plant and machinery of the Company and are valid up to 31 March 2009.

15.2 At 30 June 2007, unutilised letter of credit facilities from certain banks amounted to Rs. 469.57 million (2006: 353.87 million). These are secured against the import bills of the Company.

		2007	2006
		(Rupees in '000)	

16. TRADE AND OTHER PAYABLES

		2007	2006
Trade credit liability		**64,192**	44,828
Accrued expenses		**60,732**	57,402
Advances from customers		**5,739**	4,521
Due to associated companies	16.1	**1,359**	2,140
Sales tax payable		**5,701**	10,085
Worker's Welfare Fund		**858**	1,655
Worker's Profit Participation Fund	16.2	**3,285**	790
Accrued mark-up liability		**51**	268
Other liabilities		**6,303**	5,199
Unclaimed dividend		**279**	177
		148,499	127,065

16.1 This represent s mark-up free unsecured amount payable to Wazir Ali Industries Limited a related party in respect of certain expenses incurred by them.

16.2 Workers' Profit Participation Fund

		2007	2006
Opening balance		**790**	442
Mark-up on Worker's Profit Participation Fund	29	**89**	83
Contribution during the year		**3,285**	4,790
Payments during the year		**(879)**	(4,525)
		3,285	790

17. PROVISION FOR TAXATION

The Income Tax returns of the Company have been submitted upto and including the tax year 2006, which is deemed to be assessed, under the Universal Self Assessment Scheme (Section 120) of the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities. The tax assessments of the Company have been finalised up to and including the financial year ended 30 June 2006.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007	2006		**2007**	2006
(Numbers of shares)			**(Rupees in'000)**	
3,550,000	3,550,000	Fully paid ordinary shares of Rs.10 each issued for cash	**35,500**	35,500
50,000	50,000	Fully paid ordinary shares of Rs.10 each issued for consideration other than cash	**500**	500
400,000	400,000	Fully paid ordinary shares of Rs.10 each issued as bonus shares	**4,000**	4,000
4,000,000	4,000,000		**40,000**	40,000

At 30 June 2007, 848,462 (2006: 848,462) shares of the company were held by associated companies.

19. SURPLUS ON REVALUATION OF FIXED ASSETS
(on freehold land, building and plant and machinery)

		2007	2006
		(Rupees in '000)	
Balance as on 1 July 2006		**61,812**	66,343
Surplus arising due to revaluation on 30 June 2007	4.5	**54,294**	-
Transferred to retained earnings in respect of incremental depreciation charged during the year		**(2,651)**	(2,945)
Related deferred tax liability		**(1,427)**	(1,587)
		112,028	61,811
Less:			
Related deferred tax liability at beginning of the year		**14,273**	15,860
On revaluation carried out during the year		**11,653**	-
On incremental depreciation for the year		**(1,427)**	(1,587)
		24,499	14,273
Balance as on 30 June 2007		**87,529**	47,538

20. DEFERRED STAFF LIABILITIES

20.1 Gratuity and staff retirement benefit schemes

The Company operates an unfunded scheme to provide gratuity to the permanent employees on retirement. The Company also operates an unfunded retirement benefit scheme for eligible employees on cessation of employment on the following grounds:

- Death
- Retirement
- Early retirement or resignation

The latest actuarial valuation of the above retirement benefit schemes was carried out as at 30 June 2007 under the Project Unit Credit Method. Principal actuarial assumptions used in the valuation of the schemes are as follows:

	Gratuity Scheme		Staff retirement benefits scheme	
	2007 (%)	2006 (%)	**2007 (%)**	2006 (%)
Valuation discount rate	**10**	10	**10**	10
Salary increase rate	**10**	10	**10**	10

20.3 Payable to defined benefit schemes

	Gratuity Scheme		Staff retirement benefits scheme	
	2007	2006	**2007**	2006
	-----------------------(Rupees in '000)-----------------------			
Present value of defined benefit obligations	**32,056**	26,609	**19,563**	17,222
Unrecognised past service cost	**-**	-	**(45)**	(56)
Net payable recognised as at the year-end	**32,056**	26,609	**19,518**	17,166

20.4 Movement in balance payable

	Gratuity Scheme		Staff retirement benefits scheme	
	2007	2006	**2007**	2006
Opening balance of payable	**26,609**	24,735	**17,166**	20,733
Expense recognised	**6,085**	4,161	**3,000**	4,968
Benefits paid	**(638)**	(2,287)	**(648)**	(8,535)
Closing balance of payable	**32,056**	26,609	**19,518**	17,166

20.5 Reconciliation of the present value of the defined benefit obligations

	Gratuity Scheme		Staff retirement benefits scheme	
	2007	2006	**2007**	2006
	--(Rupees in '000)--			
Present value of obligation as at July 01	**26,609**	24,735	**17,166**	20,733
Current service cost	**1,807**	1,505	**664**	983
Interest cost	**2,661**	2,474	**1,722**	2,073
Benefits paid	**(638)**	(2,287)	**(648)**	(8,535)
Past service cost - vested	**1,061**	-	**11**	-
Actuarial losses	**556**	182	**603**	575
Settlement loss	**-**	-	**-**	1,337
Present value of obligation as at 30 June	**32,056**	26,609	**19,518**	17,166

20.6 Charge for defined benefit plans and other benefits

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

Current service cost	**1,807**	1,505	**664**	983
Interest cost	**2,661**	2,474	**1,722**	2,073
Net actuarial loss recognised	**556**	182	**603**	575
Recognised past service cost	**1,061**	-	**11**	-
Settlement loss	**-**	-	**-**	1,337
	6,085	4,161	**3,000**	4,968

20.7 Historical information of obligation and plan assets

	Gratuity Scheme				
	2007	2006	2005	2004	2003
	-- (Rupees in '000) --				
Present value of obligation	**32,056**	26,609	24,735	19,799	18,731
Actuarial loss on obligation	**(556)**	(182)	(2,002)	(1,237)	(1,520)

	Staff retirement benefits scheme				
	2007	2006	2005	2004	2003
	-- (Rupees in '000) --				
Present value of obligation	**19,563**	17,222	20,733	18,513	22,988
Actuarial loss on obligation	**(603)**	(575)	(542)	(2,241)	(42)

21. DEFERRED TAX LIABILITY

Deferred tax liability comprises of deductible / (taxable) temporary differences in respect of the following:

		2007	2006
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		**35,300**	11,680
Lease obligation		**-**	10,405
Surplus on revaluation of fixed assets		**25,927**	15,860
Reversal of deferred tax on revaluation of fixed assets	19	**(1,427)**	(1,587)
		24,500	14,273
Deductible temporary difference		**59,800**	36,358
Provision for gratuity and retirement benefits		**(18,051)**	(15,321)
Provision for slow moving stock and doubtful debts		**(3,043)**	(3,043)
		38,706	17,994

22. COMMITMENTS

22.1 Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating Rs. 7.02 million (2006: Rs.7.28 million).

22.2 Commitments under letters of credit for the import of stock in trade items at 30 June 2007 amounted to Rs.57.738 million (2006: Rs. 56.127 million).

22.3 Post dated cheques of Rs.20.140 million (2006: 21.422 million) have been issued to Collector of Customs.

23. SALES - net

	2007	2006
	(Rupees in '000)	
Gross sales	**1,149,029**	1,135,250
Sales tax	**(165,081)**	(162,243)
Trade promotion discount	**(63,330)**	(60,278)
Rebate & sales return	**(21)**	(31)
	(228,432)	(222,552)
	920,597	912,698

		2007	2006
		(Rupees in '000)	

24. COST OF SALES

	Note	2007	2006
Raw and packing material consumed	24.1	**506,807**	502,741
Stores & spares consumed		**5,410**	6,027
Salaries, wages & other benefits	24.2	**59,929**	57,876
Contribution to the provident fund		**1,309**	1,169
Repairs and maintenance		**1,839**	3,449
Fuel and power		**40,137**	38,194
Rent, rates and taxes		**388**	342
Insurance		**2,219**	1,675
Product research and development		**308**	524
Travelling and conveyance		**1,735**	2,165
Printing and stationery		**322**	323
Postage, telegrams and telephones		**489**	572
Legal charges		**307**	28
Professional fee		**86**	70
Entertainment		**68**	37
Subscription		**54**	40
Depreciation	4.4	**18,200**	14,941
Freight and handling material		**2,262**	2,191
Other expenses		**1,024**	1,121
		642,893	633,485
Opening stock of work-in-process		**15,407**	18,180
Closing stock of work-in-process		**(18,503)**	(15,407)
Cost of good manufactured		**639,797**	636,258
Opening stock of finished goods		**28,677**	31,070
Closing stock of finished goods		**(13,431)**	(28,677)
		655,043	638,651

24.1 Raw and packing material consumed

	2007	2006
Opening stock	**34,796**	38,003
Purchases	**530,052**	499,534
	564,848	537,537
Closing stock	**(58,041)**	(34,796)
	506,807	502,741

24.2 Salaries, wages and other benefits include Rs. 7.653 million (2006: Rs. 7.309 million) in respect of the accrual for defined benefit obligations of the Company.

		2007	2006
		(Rupees in '000)	

25. SELLING AND DISTRIBUTION COST

Salaries, wages and other benefits	25.1	**32,526**	21,793
Fuel and power		**86**	65
Contribution to the provident fund		**739**	455
Repairs and maintenance		**982**	673
Rent, rates and taxes		**846**	803
Depreciation	4.4	**1,358**	1,156
Professional fee		**327**	603
Postage and telegram		**1,879**	1,246
Printing and stationery		**1,040**	718
Travelling and conveyance		**8,188**	7,535
Insurance		**2,123**	1,628
Advertising		**89,280**	90,116
Freight, distribution and handling		**27,019**	22,031
Product research and development		**2,919**	1,729
Common expenses charged by associated company		**-**	235
Other expenses		**563**	954
		169,875	151,740

25.1 These include Rs. 0.617 million (2006: Rs. 0.715 million) in respect of the accrual for defined benefit obligations of the Company.

26. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	26.1	**18,241**	15,675
Contribution to the provident fund		**592**	432
Fuel and power		**1,029**	942
Repairs and maintenance		**626**	364
Rent, rates and taxes		**1,957**	2,080
Depreciation	4.4	**3,998**	3,000
Legal charges		**179**	205
Professional fee		**2,772**	1,800
Charity and donation	26.2	**90**	165
Auditors' remuneration	26.3	**335**	269
Postage, telegrams and telephones		**1,496**	941
Printing and stationery		**592**	410
Travelling and conveyance		**896**	1,227
Computer expenses		**241**	198
Insurance		**334**	955
General advertisement		**170**	296
Trainings and seminars		**467**	806
Other expenses		**279**	277
		34,294	30,042

26.1 These include Rs. 0.814 million (2006: Rs. 1.105 million) in respect of the accrual for defined benefit obligations of the Company.

26.2 The directors and their spouses did not have any interest in the donee fund.

		2007	2006
		(Rupees in '000)	
26.3 Auditors' remuneration			
Audit fee		**200**	145
Fee for half yearly review		**50**	50
Fee for Certifications		**40**	30
Out of pocket expense		**45**	44
		335	269

27. OTHER INCOME

Scrap sales		**4,118**	3,183
Return on investment		**1,835**	2,834
Loss on disposal of investment		**(400)**	-
Mark-up on short term deposit		**882**	603
(Loss) / gain on disposal of fixed assets		**(112)**	277
Dividend income		**281**	183
Loss on revaluation of investments		**-**	(381)
		6,604	6,699

28. OTHER OPERATING EXPENSES

Workers' Welfare Fund		**712**	1,504
Workers' Profit Participation Fund	16.2	**3,285**	4,790
		3,997	6,294

29. FINANCE COST

Mark-up on:			
Running / demand finance		**531**	166
Mark-up on Worker's Profit Participation Fund	16.2	**89**	83
		620	249
Finance cost on lease arrangements		**807**	2,275
Bank charges and commission		**443**	634
		1,250	2,909
		1,870	3,158

		2007	2006
		(Rupees in '000)	

30. TAXATION

30.1 Details of tax charge for the year

	Note	2007	2006
Current			
- for the year		**12,436**	26,326
- for prior years		**9**	(6)
		12,445	26,320
Deferred			
- for the year		**10,485**	6,442
- Reversal relating to surplus on revaluation of fixed assets	19	**(1,427)**	(1,587)
		9,058	4,855
		21,503	31,175

30.2 Relationship between income tax expense and accounting profit

	2007	2006
Profit before tax	**62,122**	89,512
Tax at the applicable tax rate of 35% (2006: 35%)	**21,742**	31,329
Effect of lower tax rate on dividend income	**(84)**	(55)
Tax effect of expenses that are not allowable in determining the taxable income	**210**	97
Others	**(374)**	(190)
Prior year	**9**	(6)
Tax expense	**21,503**	31,175

31. BASIC AND DILUTED EARNINGS PER SHARE

	2007	2006
Profit for the year	**40,619**	58,337
	(Number of shares)	
Weighted average number of ordinary shares	**4,000,000**	4,000,000
	(Rupees)	
Basic and diluted earnings per share	**10.15**	14.58

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

	Chief Executive		Director		Executives	
	2007	2006	**2007**	2006	**2007**	2006
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Remuneration	**1,821**	1,656	**392**	783	**2,371**	1,831
Provident fund	**182**	166	**-**	-	**237**	183
Special pay	**861**	782	**-**	-	**1,593**	1,231
Housing and utilities	**1,005**	947	**243**	474	**1,433**	824
Medical	**182**	166	**11**	84	**95**	42
Incentive	**102**	378	**-**	-	**193**	476
	4,153	4,095	**646**	1,341	**5,922**	4,587
Number of persons	**1**	1	**1**	1	**3**	3

32.1 Aggregate amount charged in these accounts for director's fee paid to one non-executive director was Rs. 0.02 million (2006: Rs 0.015 million).

32.2 In addition to the above, the chief executive, a director and certain executives are provided with free use of Company maintained vehicles in accordance with the Company's policy.

32.3 Above are the key management personnel of the Company.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Mark-up / profit rate risk

Information about the Company's exposure to mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier at 30 June 2007, is as follows:

	2007					
	Effective profit / mark-up rate %	Total	Exposed to profit / mark-up rate risk: Maturity upto one year	Exposed to profit / mark-up rate risk: Maturity one to five years	Exposed to profit / mark-up rate risk: Sub-total	Not exposed to profit / mark-up rate risk
		----(Rupees in '000)----				
Financial assets						
Investments	9.5	27,930	25,000	-	25,000	2,930
Trade debts		4,726	-	-	-	4,726
Long term loans to employees		309	-	-	-	309
Long term deposits		3,364	-	-	-	3,364
Advances, deposits and other receivables		7,931	-	-	-	7,931
Cash and bank balances	5.5 - 7	59,067	59,067	-	59,067	-
		103,327	84,067	-	84,067	19,260
Financial liabilities						
Trade and other payables		142,760	-	-	-	142,760
Long term deposits		450	-	-	-	450
		143,210	-	-	-	143,210
On balance sheet gap (a)		(39,883)	84,067	-	84,067	(123,950)
Off balance sheet items-financial commitments						
Outstanding letters of bank guarantee		7,020	-	-	-	7,020
Outstanding letters of credit		57,738	-	-	-	57,738
Post dated cheques		20,140	-	-	-	20,140
Post dated cheques issued to Collector of Customs		84,898	-	-	-	84,898

	2006					
	Effective profit / mark-up rate %	Total	Exposed to profit / mark-up rate risk			Not exposed to profit / mark-up rate risk
			Maturity upto one year	Maturity one to five years	Sub-total	
		------------------------------(Rupees in '000)	------------------------------			
Financial assets						
Investments	7 - 10.35	49,201	45,856	-	45,856	3,345
Trade debts		7,893	-	-	-	7,893
Loans to employees		507	-	-	-	507
Long term deposits		3,655	-	-	-	3,655
Advances, deposits and other receivables		3,231	-	-	-	3,231
Cash and bank balances	5.5 - 7	47,737	35,897	-	35,897	11,840
		112,224	81,753	-	81,753	30,471
Financial liabilities						
Liabilities against assets subject to finance lease	7.5 - 12.95	21,226	19,729	1,497	21,226	-
Trade and other payables		106,548	-	-	-	106,548
Long term deposits		450	-	-	-	450
		128,224	19,729	1,497	21,226	106,998
On balance sheet gap (a)		(16,000)	62,024	(1,497)	60,527	(76,527)
Off balance sheet items-financial commitments						
Letter of guarantee		7,280	-	-	-	7,280
Outstanding letters of credit		56,127	-	-	-	56,127
Post dated cheques issued to Collector of Customs		21,422	-	-	-	21,422
		84,829	-	-	-	84,829

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

33.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

All the financial assets of the Company, except cash in hand of Rs. 0.015 million (2006: Rs. 0.029 million) and investment in listed equity share of Rs. 2.930 million, are exposed to credit risk. The Company believes that it is not exposed to any major concentration of credit risk. The Company seeks to minimise concentration of credit risk exposure through having exposure only to customers considered credit worthy, obtaining securities where applicable and makes provision against those balances considered doubtful of recovery.

33.3 Foreign exchange risk management and hedges of anticipated future transactions

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. In appropriate cases, the management takes out forward foreign exchange contracts to mitigate the risk. Financial liabilities include Rs. 41.42 million (2006: Rs. 11.88 million) which are subject to currency risk exposure. No financial asset is exposed to foreign exchange risk.

33.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising fund to meet commitments associated with financial instruments. The Company closely monitors its liquidity and cash flow position. This includes maintenance of balance sheet ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

33.5 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

34. PLANT CAPACITY AND PRODUCTION

	2007	2006
	(Metric Tons)	
Soap		
Assessed / rated	**10,500**	10,500
Actual production	**9,194**	9,573

Due to the growing competition and easy availability of foreign brands of soap, the assessed plant capacity could not be fully utilized.

35. TRANSACTION WITH RELATED PARTIES

The related parties comprise Wazir Ali Industries Limited, Treet Corporation Limited, International General Insurance Company of Pakistan Limited, Employees Provident Fund, directors and key management personnel. The details of transactions with related parties, are as follows:

		2007	2006
		(Rupees in '000)	
Associated Companies			
Sale of goods		**342**	380
Services rendered		**1,085**	1,954
Purchase of goods		**1,308**	511
Services received		**4,331**	2,516
Insurance premium paid		**2,560**	2,679
Insurance claims received		**1,514**	334
Selling and distribution expenses shared		**-**	235
Dividend paid		**4,242**	2,970
Other related parties			
Contribution to the employees' provident fund	35.1	**2,638**	2,055
Dividend payments to the Directors and Chief Executive Officer		**8,400**	5,880
Proceed for sale of vehicle to a director		**426**	-

The details of balances with related parties are disclosed in notes 12 and 16.1 to these financial statements.

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

35.2 The details of other transactions with key management personnel in accordance with their terms of employment are given in note 32 (refer note 32.3 also).

35.3 Other transactions with the related parties are at agreed terms.

36. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 11 September 2007 proposed 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) for approval by the members of the company in the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2007 do not include the effect of the proposed cash dividend and bonus issue, which will be accounted for in the financial statements for the year ending 30 June 2008.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 11 September 2007.

38. GENERAL

38.1 Figures have been rounded off to nearest thousand rupees.

38.2 Up to the previous year, payments for the lease of a land at Port Qasim Authority were classified as leasehold land in property, plant and equipment. In the current year, the above payment has been reclassified as long term prepayment as the management is of the view that this more appropriately presents the substantial reality of the transaction (refer note 6).

In addition, investment in the ordinary shares of a listed company has also been reclassified from 'at fair value through profit or loss' category to the 'available-for-sale' category. Refer note 3.6 for details.

Feriel Ali Mehdi
Chairman / Chief Executive

Shahid Nazir Ahmed
Director

Pattern of Shareholding

As at 30 June 2007

Number of shareholders	Share Holding From	To	Total shares held	Percentage
901	1	100	15,488	0.3872
154	101	500	34,521	0.863025
25	501	1000	19,036	0.4759
24	1001	5000	63,252	1.5813
7	5001	10000	56,033	1.400825
3	10001	15000	33,679	0.841975
3	15001	20000	49,652	1.2413
2	20001	25000	45,722	1.14305
1	45001	50000	50,000	1.25
1	50001	55000	50,200	1.255
2	85001	90000	178,988	4.4747
1	100001	110000	100,600	2.515
1	105001	110000	110,000	2.75
1	130001	135000	130,122	3.25305
1	215001	220000	216,500	5.4125
1	255001	260000	256,093	6.402325
1	260001	265000	263,798	6.59495
1	295001	300000	298,340	7.4585
1	395001	400000	398,820	9.9705
1	415001	420000	420,000	10.5
1	595001	600000	600,000	15
1	605001	610000	609,156	15.2289
1134			4,000,000	100.0000

Categories of Shareholders

As at 30 June 2007

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Feriel Ali Mehdi - Chief Executive Officer	3	659,956	16.4989
Syed Wajid Ali - Chairman	1	10,648	0.2662
Mrs. Khadija Wajid Ali	1	15,708	0.3927
Syed Yawar Ali - Director	4	616,012	15.4003
Mrs. Nighat Ali W/o Syed Yawar Ali	2	5,890	0.1473
Syed Tariq Ali - Director	7	382,448	9.5612
Mr. Shahid Nazir Ahmed - Director	1	500	0.0125
Ms. Aaliya K. Dossa - Director	1	500	0.0125
ASSOCIATED COMPANIES			
International General Insurance Co. of Pak. Ltd	1	130,122	3.2531
Treet Corporation Ltd	2	718,340	17.9585
N.B.P - TRUSTEE DEPTT. (NIT)	2	519,891	12.9973
INSURANCE COMPANIES	1	22,778	0.5695
JOINT STOCK COMPANIES	17	228,063	5.7016
INDIVIDUALS	1090	688,979	17.2245
OTHERS	1	165	0.0041
	1134	4,000,000	100.0000

Abstract

September 11, 2007

To All Shareholders

Remuneration of Chairman / Chief Executive Officer

Abstract Under Section 218 (2) of the Companies Ordinance, 1984

The remuneration of Feriel Ali Mehdi Chairman / Chief Executive Officer, would be Rs. 4,252,980/- with effect from 1st July 2007 to 30th June 2008 with the provision of Company Maintained Car, Tel / Cell Phone, Hospitalization, Provident Fund, Gratuity, Leave, Incentives and other benefits incidental or relating to her office in accordance with Company's rules for the time being in force and enforced from time to time and appointment letter.

Breakup (Annually):

Basic	2,003,760
Housing	901,692
Utilities	200,376
Special Pay	946,776
Medical	200,376
Total Gross	4,252,980

Naveed Ehtesham
Company Secretary

Form of Proxy

I/We ....

of................being a member of ZULFEQAR INDUSTRIES LIMITED and holding ....

ordinary shares as per Share Register Folio No...........and / or CDC Participant I.D. No................

and Sub-Account No ....hereby appoint ....

of ....or failing him ....of ....as

my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Tuesday, 23rd October 2007 at 09.00 hours at Pakistan Society for Training and Development, Plot No. TC-3, 34th Street, Phase V (Extension), Defence Housing Authority Karachi, Pakistan and at any adjournment thereof.

Signed this ....day of October 2007

Witnesses:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________

CNIC or Passport No. ____________________

2. Signature: ____________________
   Name: ____________________
   Address: ____________________

CNIC or Passport No. ____________________

Signature on Rupees Five Revenue Stamp

The Signature should agree with the specimen registered with the Company.

Signature of Proxy

Notes:

The instrument appointing a proxy must be received at the registered office of the Company not less than forty-eight hours before the meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

ZULFEQAR
INDUSTRIES LTD.