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Board of Directors

Mrs. Feriel Ali Mehdi
Chairman / Chief Executive Officer

Syed Yawar Ali
Director

Syed Tariq Ali
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Khurshid Hadi
Director

Mr. Omer Ehtisham
Director

Mr. Kemal Shoaib
Director (Nominee NIT)

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

Board Audit Committee

Mr. Kemal Shoaib
Chairman

Syed Yawar Ali
Member

Mr. Shahid Nazir Ahmed
Member

Company Secretary & Chief Financial Officer

Mr. Naveed Ehtesham

Statutory Auditors

KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

Hussain & Haider, Advocates

Registered Office

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

Factory

Link Hali Road, Hyderabad - 71000

Bankers

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

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 Eighth Annual General Meeting of Zulfeqar Industries Limited will be held on Monday, 27 October 2008 at 02:00 p.m. 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 Annual General Meeting held on Tuesday, 23 October, 2007.
2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended 30 June 2008 together with the Directors` and Auditors` report thereon.
3. To approve as recommended by Directors a final cash dividend @ 10% i.e. Re.1/- per share and to issue Bonus Shares in the proportion of 1 share for every 10 shares held i.e. 10%.
4. To appoint Auditors of the company and fix their remuneration for the financial year 2008-09. The Directors have recommended to appoint KPMG Taseer Hadi & Co. Chartered Accountants who being eligible offer themselves for re-appointment.

SPECIAL BUSINESS:

5. 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.

Karachi: September 16, 2008

By order of the Board
Naveed Ehtesham
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 21 October 2008 to 27 October 2008 (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

Statement u/s 160(1)(b) of the Companies Ordinance 1984 is annexed with this notice.

ITEM NO. 5

This statement set out the material facts concerning the Special Business.

The fractional shares in value at current price have very nominal value for each share holder, therefore it is proposed to donate collective amount to a recognized charitable institution. The directors of the Company have no direct or indirect interest in the said bonus shares except to the extent of their share holding.

The Directors of the Company are pleased to present the financial results of the Company for the year ended 30 June 2008.

□ **Economic Environment**

The Country's economy experienced one of the most challenging times during the year with political instability prior to & following general elections combined with the uncertainty in fiscal & monetary policies which posed a risk to the economy. A GDP growth of 5.8 per cent could be achieved during the year which is significantly lower than the growth of 7.0 per cent in the fiscal year 2006-07.

□ **Company Overview**

Profitability of the Company has been negatively affected mainly as to the product mix changes, with lower price category brands growing more than premium. The second & third quarter saw a lot of disruptions in trading activities due to law & order situation thus overall sales volume were adversely hit. Unprecedented input cost increases & rupee devaluation particularly in the second half of the year increased the cost of doing business.

The profit after tax of the Company has declined to Rs 24 mn as compared to Rs 40.6 mn last year.

□ **Financial Review**

The Company achieved gross sales of Rs 1.391 bn as against Rs 1.149 bn registering a growth of 21% over last year. However, overall sales volume decreased by 3.7% due to the political & economic scenario mentioned above.

The cost of sales increased by 25.3% during the period under review due to the unprecedented price hike in the costs of raw materials in the international market. However, the gross profit has improved by 7.2% to Rs 285.744 mn supported by the Company pricing strategy.

The selling and distribution expenses increased by 16% due to increased marketing expenditure in order to support frequent price changes.

The administrative expenses have increased by 12.8% during the period under review mainly due to one-time downsizing costs.

The financial cost has doubled during the year under review as compared to the same period last year due to the increase in working capital requirements This was further aggravated with the upward revisions in KIBOR rate by the scheduled banks.

The book value of the share has appreciated from Rs 49.93 to Rs 53.80 and the market value as on 30 June 2008 was Rs 153 as compared to Rs 150 on 30 June 2007.

The liquidity position of the Company is sound as is evident from the current ratio of 1.45:1



□ **Operating Results**

The Company has earned an operating profit of Rs 40.76 mn during the period under review. Profit and loss for the year ended 30 June 2008 is as follows:

	2008	2007
	(Rs '000)	
Profit before taxation	36,879	62,122
Provision for taxation	12,829	21,503
Profit after taxation	24,050	40,619
Proposed- Final Dividend @ 10% (2007-30%)	4,400	12,000
- Bonus shares @ 10% (2007-10%)	4,400	4,000
Un-appropriated profit	186,724	174,124

□ **Earning per Share**

Earning per share for the year under review is Rs 5.47 as compared to Rs 9.23 (Restated) last year.

□ **Dividend**

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

□ **Capital Structure**

Shareholders' funds at the year end aggregated to Rs. 236.7mn (2007: Rs.219.7mn) with retained profits & excludes the effect of recommended dividend pay-out.

□ **Information Technology Review**

The Company achieved a significant milestone in the month of June '08 whereby 12 out of the 15 ERP modules have started running parallel with the legacy systems. The remaining modules are expected to be functional by half-year end & the Company is looking forward to commence a fully integrated ERP system from January 2009 onwards.

The IT function is also working on low-cost home made solutions to technology needs like in-house development of intra-net facility with dedicated workspaces for teams working on different projects as well as on-line availability of Company systems & procedures with restricted access to relevant staff.

□ **Marketing Review**

The Year 2007-08 had been a very challenging one for the industry with respect to business, where unpredictable market condition with continuous instability in prices prevailed. Volatility in market place, increasing raw material prices and shifting consumer preferences to popular and discounted segments were witnessed.

Capri's new line-up under the "Natural Skin Care and Wellness Range" platform was very well received by the consumers. Recent addition to the range proved to be a success and added to the equity of the brand. Popular segment brands; Palmy and Opal cumulatively registered growth of 9% and improved market share. Consistent support to the brands through Above the Line and Trade level activities carried out year round ensured maximum recall, availability and prominent displays of the brands.

□ **Supply Chain**

During the year, Overall International commodity markets went into unprecedented price hike. Prices of basic raw materials jumped by 45% on an average over last year & all auxiliary chemicals followed the same pattern. Our strategy is to utilize cost effective and alternate materials to build flexibility in raw materials.

Ever highest Crude oil prices spurred world wide inflation, 10% increase in power tariff coupled with 6% increase in gas tariff. Freight & logistics costs (both inbound & outbound) escalated to an average 24%. Industry went through worst energy crisis resulting in severe loss of production.

Our key strategy is to increase productivity and cost efficiency with in Supply chain functions through inventory management to improve cash to cash cycle and reduce logistic cost through load management. Finishing lines productivity increased by 10% during the period under review.

□ **Human Resource**

Our strategy is to attract, develop and retain the depth and diversity of talent needed to execute our business strategy. In order to achieve the desired results, the Company has the focus to create a culture of High Performance by implementing new performance management system throughout ZIL.

The company's focus is to train and develop employees for future challenges based on our Competencies framework. The employees are trained through in-house training programs, external trainers and other reputable training institutes with modern training techniques.

We strive to maintain highest standards of excellence inculcate highest ethical values and Core ZIL behavior in all our employees and encourage continuous learning. As our corporate responsibility we also provide the learning opportunities to students from various disciplines to get exposure in their chosen fields and help them prepare for future business challenges.

□ **Future Outlook**

Considering the extremely volatile & changing economic as well as political scenario in the region, the Company is preparing itself to tackle contingencies with strict enforcement of cost saving measures in the process as well as operational functions. The Company is continuously working on alternates for substitution in the production process thereby reducing input costs without compromising on product quality.



The Company is planning to launch new products in the home & personal care category to give value & choice to consumers. The popular & discounted segment would also remain in spotlight through launching of various marketing activities.

The Company is confident that with the strategy to strengthen its position through diversification, it will achieve profitable results.

□ **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 accounts for the year ended 30 June 2008 is Rs. 63 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 2008-09.

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

Statement In Compliance of The Code of Corporate Governance.
Directors' Statement
Meetings of the Board of Directors
Outstanding Statutory Payments
Pattern of Shareholding
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

Mrs. Ferial Ali Mehdi
Chairman / Chief Executive

Karachi: 16 September 2008

Statement of Compliance

with the Code of Corporate Governance



This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work 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:

- 1 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.
- 2 The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3 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 Development Financial Institution or a Non Banking Finance Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 No casual vacancy occurred in the Board during the year.
- 5 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.
- 6 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.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chief Executive as Chairman 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.
- 9 The majority of the Directors are conversant with their duties and responsibilities under the relevant laws applicable to Company and provisions of Code of Corporate Governance. Nevertheless, an orientation course for all the Directors is planned to be conducted shortly to acquaint them with their duties and responsibilities under the relevant laws.
- 10 There was no new appointment of Chief Financial Officer, Company Secretary and Internal Auditor during the year. The remuneration and the terms and conditions of the employment of Chief Financial Officer, Company Secretary and Internal Auditor, as determined by the Chief Executive, were approved by the Board in the earlier year.
- 11 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.
- 12 The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
- 13 The directors, Chief Executive 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 / CE 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.



- 14 The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15 The Board has formed an audit committee. It comprises three members, who are non-executive directors including the chairman of the committee.
- 16 The meetings of the audit committee were held at least once in 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.
- 17 The Board has outsourced the internal audit function to M/s. M.Yousuf Adil Saleem & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are interested in the internal audit function on a full time basis.
- 18 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.
- 19 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.
- 20 We confirm that all other material principles contained in the Code have been complied with.

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.

Meetings of the Board of Directors

Five meetings of the Board of Directors of the Company were held during the year and following was the attendance of the directors:

<u>Name of Directors</u>	<u>No. of Meetings attended</u>
Mrs. Ferial Ali Mehdi	5
Syed Yawar Ali	4
Syed Tariq Ali	2
Mr. Kemal Shoaib (Nominee NIT)	5
Mr. Shahid Nazir Ahmed	5
Mr. Khurshid Hadi	2
Mr. Omer Ehtisham	4
Mr. Amir Zia (Nominee Treet Corporation Ltd)	1

Outstanding Statutory Payments

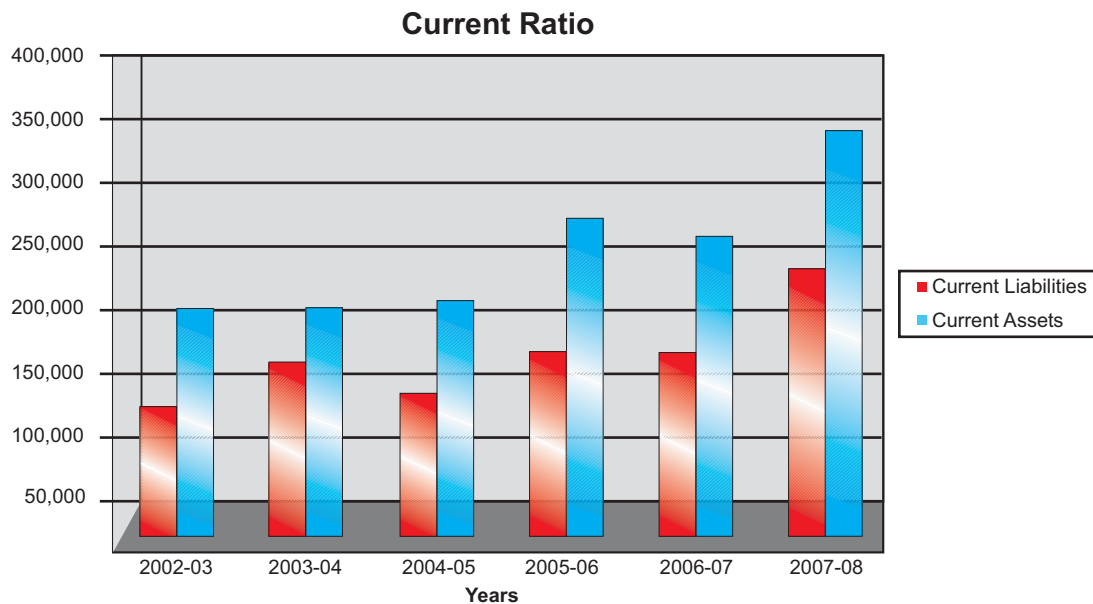
There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

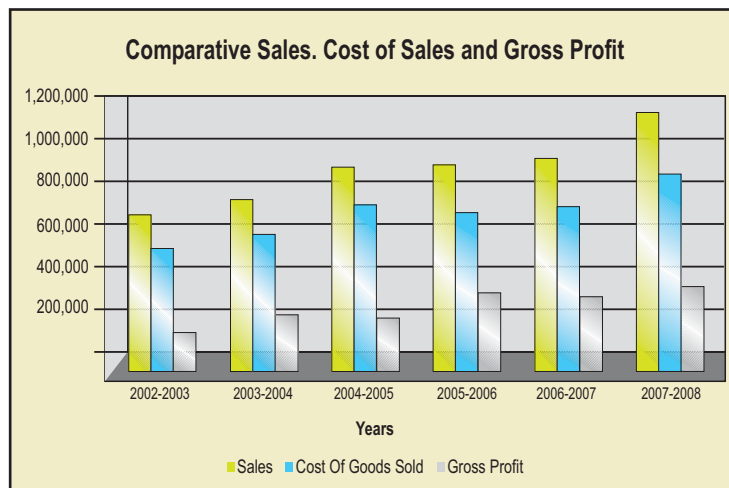
Key Operating & Financial Data

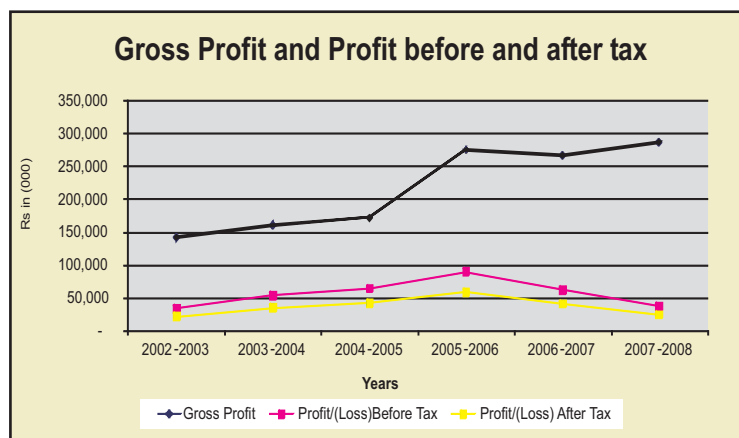
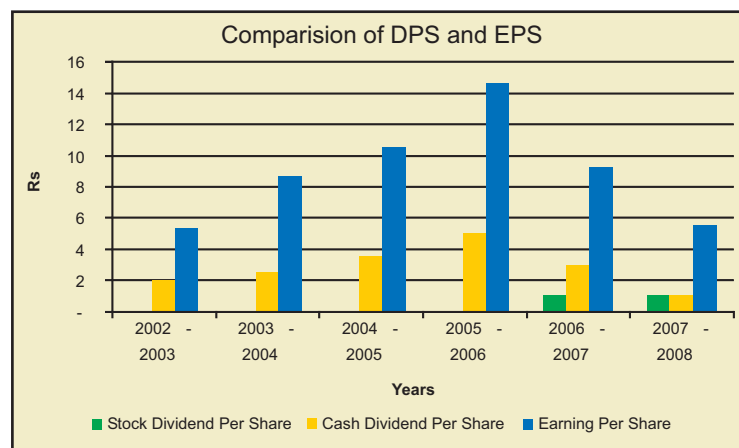
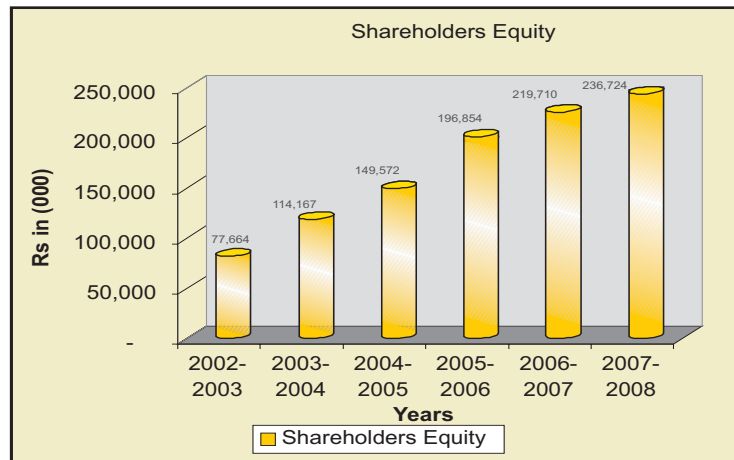


From 2001-02 to 2007-08
Rs in (000)

PERIODS	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Net Sales Revenue	536,443	622,019	713,977	845,189	912,698	920,597	1,105,489
Cost Of Goods Sold	438,080	480,627	553,575	674,201	638,651	655,043	819,745
Gross Profit	98,363	141,392	160,402	170,988	274,047	265,554	285,744
Operating Profit & Loss	21,668	31,260	55,869	69,067	92,670	63,992	40,761
Profit/(Loss) Before Tax	25,239	33,530	53,571	63,897	89,512	62,122	36,879
Profit/(Loss) Before Tax	16,106	21,548	34,767	42,132	58,337	40,619	24,050
Paid Up Capital	40,000	40,000	40,000	40,000	40,000	40,000	44,000
Current Assets	143,084	202,027	203,750	217,037	266,140	256,995	346,023
Current Liabilities	85,863	127,608	155,479	138,608	173,222	161,037	239,025







OUR PHILOSOPHY

To create a feeling of well-being amongst people and make their lives a little easier and more beautiful.

OUR COMMITMENT

- We will ensure growth & profitability by extending our product portfolio in other categories of HPC business in domestic & international markets.
- We will continuously improve our systems and products to enhance customer satisfaction.

Hence the key drivers will be to:

- Train & motivate ZIL people to build a high performance culture
- Implement effective MIS to integrate business processes and speedup decision making
- Assure Quality by Design
- Optimize resources to ensure business competitiveness.



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 Regulation 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 provision 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 2008.

Date: 16 September 2008

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** ("the company") as at 30 June 2008 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, 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;
 - ii) the expenditure incurred during the year was for the purpose of the Company's usiness; 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 2008 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: 16 September 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet As at 30 June 2008



	Note	2008	2007
(Rupees in '000)			
NON-CURRENT ASSETS			
Property, plant and equipment	4	273,967	276,641
Intangible asset	5	994	1,548
Long term prepayment	6	19,729	20,149
Long term deposits	7	3,363	3,364
Long term loans to employees	8	277	309
		<u>298,330</u>	<u>302,011</u>
CURRENT ASSETS			
Stores and spares	9	6,871	5,880
Stock-in-trade	10	258,767	134,432
Short term investments		-	27,930
Trade debts	11	10,633	4,726
Advances, prepayments and other receivables	12	35,591	24,960
Cash and bank balances	13	34,161	59,067
		<u>346,023</u>	<u>256,995</u>
CURRENT LIABILITIES			
Trade and other payables	15	209,622	148,499
Taxation	16	29,403	12,538
		<u>239,025</u>	<u>161,037</u>
NET CURRENT ASSETS		<u>106,998</u>	<u>95,958</u>
NET ASSETS		<u>405,328</u>	<u>397,969</u>
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital 5,000,000 (2007: 5,000,000) ordinary shares of Rs. 10 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid up capital	17	44,000	40,000
Reserves		192,724	180,124
Deficit on revaluation of available-for-sale investments		-	(414)
		<u>236,724</u>	<u>219,710</u>
Surplus on revaluation of fixed assets- net of tax	18	82,979	87,529
NON-CURRENT LIABILITIES			
Long term deposits		450	450
Deferred staff liabilities	19	50,505	51,574
Deferred tax liability- net	20	34,670	38,706
		<u>85,625</u>	<u>90,730</u>
		<u>405,328</u>	<u>397,969</u>
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes from 1 to 35 form an integral part of these financial statements.

Ferial Ali Mehdi
Chairman/Chief Executive

Shahid Nazir Ahmed
Director

Profit and Loss Account For the year ended 30 June 2008



ZULFEQAR
INDUSTRIES LTD.

	Note	2008	2007
(Rupees in '000)			
Net sales	22	1,105,489	920,597
Cost of sales	23	819,745	654,019
Gross profit		285,744	266,578
Selling and distribution cost	24	197,146	169,875
Administrative expenses	25	38,667	34,294
		235,813	204,169
		49,931	62,409
Other operating income	26	4,574	6,604
Other operating expenses	27	13,744	5,021
		40,761	63,992
Finance cost	28	3,882	1,870
Profit before taxation		36,879	62,122
Taxation	16.1	12,829	21,503
Profit for the year		24,050	40,619
(Rupees in '000)			
Earnings per share	29	5.47	(Restated) 9.23

The annexed notes from 1 to 35 form an integral part of these financial statements.

Ferial Ali Mehdi
Chairman/Chief Executive

Shahid Nazir Ahmed
Director

Cash Flow Statement For the year ended 30 June 2008



	Note	2008	2007
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,879	62,122
Adjustments for:			
Mark-up expense	28	3,882	1,870
Depreciation / amortisation	4.4	26,835	23,556
Provision for gratuity	19.3	4,072	6,085
Provision for staff retirement benefits	19.3	4,580	3,000
Loss on disposal of investments		89	400
Return on investments		(352)	(1,835)
Mark-up on short term investments		(713)	(882)
Dividend income		(129)	(281)
(Gain) / loss on disposal of fixed assets		(382)	112
		<u>37,882</u>	<u>32,025</u>
Operating profit before working capital changes		74,761	94,147
Decrease / (increase) in operating assets:			
Stores and spares		(991)	4,126
Stock-in-trade		(124,335)	(12,575)
Trade debts		(5,907)	3,167
Long term loans to employees		38	5
Long term advances and deposits		1	291
Advances, prepayments and other receivables		4,606	1,500
		<u>(126,588)</u>	<u>(3,486)</u>
Increase / (decrease) in operating liabilities:			
Trade and other payables		59,425	21,549
Cash generated from operations		<u>7,598</u>	<u>112,210</u>
Income tax paid		(15,376)	(24,816)
Gratuity paid	19.3	(4,950)	(638)
Retirement benefits paid	19.3	(4,771)	(648)
Profit received on investments		436	2,893
Profit received on short term deposits		713	882
Dividend received		178	232
Mark-up paid		(2,244)	(2,027)
		<u>(26,014)</u>	<u>(24,122)</u>
Net cash flows from operating activities		<u>(18,416)</u>	<u>88,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(25,348)	(58,718)
Short term investments		28,255	20,856
Proceeds from disposal of fixed assets		2,543	2,228
Net cash flows from investing activities		<u>5,450</u>	<u>(35,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(11,940)	(19,897)
Repayment of lease liability		-	(21,227)
Net cash flows from financing activities		<u>(11,940)</u>	<u>(41,124)</u>
Net increase in cash and cash equivalents		<u>(24,906)</u>	<u>11,330</u>
Cash and cash equivalents at beginning of the year		<u>59,067</u>	<u>47,737</u>
Cash and cash equivalents at end of the year	13	<u><u>34,161</u></u>	<u><u>59,067</u></u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

Ferial Ali Mehdi
Chairman/Chief Executive

Shahid Nazir Ahmed
Director

Statement of Changes in Equity For the year ended 30 June 2008



ZULFEQAR
INDUSTRIES LTD.

	Issued, subscribed and paid up capital	Revenue reserve		Total reserves	(Deficit) on revaluation of available-for- sale investment	Total
		General reserve	Unappropriated profit			
----- (Rupees in '000) -----						
Balance as at 1 July 2006	40,000	6,000	150,854	156,854	-	196,854
Changes in equity for the year ended 30 June 2007						
Final cash 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 investments (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
Changes in equity for the year ended 30 June 2008						
Bonus shares issued for the year ended 30 June 2007 (dividend)	4,000	-	(4,000)	(4,000)	-	-
Final cash dividend paid for the year ended 30 June 2007	-	-	(12,000)	(12,000)	-	(12,000)
Profit for the year ended 30 June 2008	-	-	24,050	24,050	-	24,050
Transferred from surplus on revaluation of fixed assets (recognised directly in equity)	-	-	4,550	4,550	-	4,550
Loss on remeasurement of available-for-sale investments (transferred to profit and loss account on sale)	-	-	-	-	414	414
Total recognised income for the year	-	-	28,600	28,600	414	29,014
Balance as at 30 June 2008	44,000	6,000	186,724	192,724	-	236,724

The annexed notes from 1 to 35 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 of the company is situated at 3rd Floor, Kandawala Building, M.A. Jinnah Road, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Initial Application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain disclosures. The related disclosures have been made in note 31.6 to the financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 2 (amendment)-Share-based payments. IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.

IFRS 3 (amendment)-Business Combinations and consequential amendments to IAS 27- Consolidated and separate financial statements, IAS 28-Investment in associates and IAS 31-Interest in Joint Ventures.

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

Revised IAS 1 - Presentation of financial statements.

Revised IAS 23-Borrowing costs. Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets.

IAS 29- Financial Reporting in Hyperinflationary Economies

IAS 32 (amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements. IAS 32 amended classification of Puttable Financial Instruments.

IFRIC 10 - Interim Financial Reporting and Impairment

IFRIC 11 - Group and Treasury Share Transactions

IFRIC 12 - Service Concession Arrangements

IFRIC 13- Customer Loyalty Programmes

IFRIC 14- IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 15- Agreement for the Construction of Real Estate

IFRIC 16- Hedge of Net Investment in a Foreign Operation

2.4 Basis of measurement

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

2.5 Functional and preparation currency

These financial statements are presented in Pakistani Rupee which is the Company's functional currency and rounded off to nearest thousand rupees.

2.6 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:

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.

Staff gratuity and retirement benefits

Certain actuarial assumptions have been adopted (as disclosed in note 19 to these financial statements) for the actuarial valuation of staff gratuity and retirement benefits. Changes in these assumptions in future years may affect the liability under these schemes in those years.

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.

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.

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 ten 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 up to 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 and surplus on revaluation of 'Available-for-sale' investments, in which case it is recognised in the surplus on revaluation accounts.

3.4 Property, plant and equipment

i) **Owned**

- Property, plant and equipment (including capital spares in hand) 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 on addition is charged from the month the asset is available for use, and no depreciation is charged from the month in which the asset is disposed off.
- 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.
- Surplus on revaluation of building and plant, machinery and equipments to the extent of incremental depreciation charged there on is transferred from surplus on revaluation of building and plant, machinery and equipments to retained earnings (unappropriated profit), net of deferred tax.

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 depreciation 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 operating fixed assets category as and when the assets are available for intended 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 or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

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 following bases.

Raw materials	- at moving average cost.
Packing materials	- at weighted average cost.
Work-in-process	- at weighted average cost.
Finished goods	- at weighted average cost.
Stock in transit	- at invoice value and other charges incurred thereon.

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.

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 dividend 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.

3.19 Dividend and appropriations

Dividends and reserve appropriations are recognised as a liability in the period in which these are declared/ approved.

4. PROPERTY, PLANT AND EQUIPMENT

		2008	2007
		(Rupees in '000)	
Operating assets	4.1	261,119	273,421
Capital work-in-progress	4.2	12,848	3,220
		<u>273,967</u>	<u>276,641</u>

Notes to the financial statements For the year ended 30 June 2008



4.1 Operating assets

		30 June 2008										
		COST AND REVALUATION				Rate %	DEPRECIATION				Written down value as on 30 June 2008	
		As at 1 July 2007	Addition/ (disposal)/ revaluation	As at 30 June 2008	As at 1 July 2007		For the year	(Disposal)/ Released on revaluation	As at 30 June 2008			
		------(Rupees in '000)-----				------(Rupees in '000)-----						
Owned												
Freehold land	4.5	42,000	-	-	42,000	-	-	-	-	-	-	42,000
Building on freehold land	4.5	20,703	-	-	20,703	10	-	2,070	-	-	2,070	18,633
Leasehold improvements		2,000	1,068	-	3,068	10	380	242	-	-	622	2,446
Plant, machinery and equipment	4.5	193,808	3,634 (90)	-	197,352	10	14,548	18,077	(62)	-	32,563	164,789
Capital spares		7,162	1,000	-	8,162	10	751	714	-	-	1,465	6,697
Furniture and fixtures		8,867	2,234 (46)	-	11,055	10	2,310	698	(32)	-	2,976	8,079
Vehicles		26,621	6,969 (4,382)	-	29,208	20	11,721	3,280	(2,263)	-	12,738	16,470
Computers		5,056	692	-	5,748	30	3,086	657	-	-	3,743	2,005
		306,217	15,597 (4,518)	-	317,296		32,796	25,738	(2,357)	-	56,177	261,119
30 June 2007												
		COST AND REVALUATION				Rate %	DEPRECIATION				Written down value as on 30 June 2007	
		As at 1 July 2006	Addition/ (disposal)/ revaluation *Adjustment	As at 30 June 2007	As at 1 July 2006		For the year	(Disposal)/ Released on revaluation *Adjustment	As at 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	-	(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	2,596 2,910 (1,155)	-	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	(2,910) (2,280)	-	-	20	1,936	253	(1,824) (365)	-	-	-
		62,677	(60,397) (2,280)	-	-		12,498	3,522	(15,655) (365)	-	-	-
		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.

4.2 Capital work-in-progress

	2008	2007
	(Rupees in '000)	
Plant, machinery and equipment	9,875	1,012
Vehicle (advance payment)	1,775	899
Intangible asset (advance payment)	1,193	1,037
Computers	5	-
Furniture and fixtures	-	84
Leasehold land and improvements	-	188
	<u>12,848</u>	<u>3,220</u>

4.3 Disposal of fixed assets

	Year of purchase	Cost/Revalued Amount	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Sold to
----- (Rupees in '000) -----								
Furniture and fixtures								
Items of net book value below Rs. 50,000 each	1981 & 1997	46	31	15	6	(9)	Scraped	Various
Vehicles								
Daihatsu Cuore	2005	459	203	256	256	-	Terms of employment	Mr.Faisal Iqbal (Ex-employee)
Daihatsu Cuore	2007	474	90	384	384	-	Terms of employment	Mr.Sheikh Ahmed Akber (Ex-employee)
Suzuki Cultus	2006	590	201	389	420	31	Terms of employment	Mr.Shafi Sheikh (Ex-employee)
Suzuki Bolan	2002	367	276	91	120	29	Terms of employment	Mr.S Akber Zaidi (Ex-employee)
Suzuki Khyber	2005	270	126	144	170	26	Negotiation	Mr.M. Naseem Khan
Honda Civic	2002	1,245	930	315	604	289	Negotiation	Mr. Shiraz Shah
Suzuki Cultus	2002	555	388	167	182	15	Terms of employment	Mr. Shibli Abdullah
Suzuki Mehran	2007	390	38	352	380	28	Insurance claim	EFU General Insurance Limited
Items of net book value below Rs. 50,000 each	2005	32	12	20	20	-	Terms of employment	Mr. Shibli Abdulkhal
		<u>4,382</u>	<u>2,264</u>	<u>2,118</u>	<u>2,536</u>	<u>418</u>		
Plant, machinery and equipment								
Items of net book value below Rs. 50,000 each	1996	90	62	28	1	(27)	Scraped	Mr. Jawed Massi
		<u>90</u>	<u>62</u>	<u>28</u>	<u>1</u>	<u>(27)</u>		
2008		<u>4,518</u>	<u>2,357</u>	<u>2,161</u>	<u>2,543</u>	<u>382</u>		
2007		<u>3,538</u>	<u>1,196</u>	<u>2,342</u>	<u>2,230</u>	<u>(112)</u>		

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



		2008	2007
		(Rupees in '000)	
Depreciation for the year on property, plant and equipment	4.1	25,738	22,514
Amortisation of intangible asset for the year	5	677	622
Amortisation of long term prepayment	6	420	420
		26,835	23,556
Cost of sales	23	20,387	18,200
Selling and distribution expenses	24	1,642	1,358
Administrative expenses	25	4,806	3,998
		<u>26,835</u>	<u>23,556</u>

- 4.5** 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/qbal A. Nanjee & Co., on the basis of market value. This valuation was incorporated in the financial statements as of 30 June 2007 and resulted in a surplus of Rs. 54.294 million before tax for that year (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). The details of revalued amounts as of 30 June 2007 are as follows:

	(Rupees in '000)
Free hold land	42,000
Buildings on free hold land	20,703
Plant, machinery and equipment	179,261
	<u>241,964</u>

In addition to the above revaluation, the company had also arranged the revaluation of the above properties in previous years which resulted in revaluation surplus as follows:

	1981 - 82	1999 - 2000	2003 - 04
	(Rupees in '000)		
Free hold land	580	7,009	13,440
Buildings on free hold land	765	10,582	5,781
Plant, machinery and equipment	15,174	24,651	20,524
	<u>16,519</u>	<u>42,242</u>	<u>39,745</u>

- 4.6 Had the freehold land, buildings and plant and machinery not been revalued, the total carrying values as at 30 June 2008 would have been as follows:

	(Rupees in '000)
Free hold land	29
Buildings on free hold land	1,851
Plant, machinery and equipment	117,902
	<u>119,782</u>

5. INTANGIBLE ASSET - Computer Software

	2008	2007
	(Rupees in '000)	
Cost		
At 1 July	2,170	-
Additions	123	2,170
At 30 June	<u>2,293</u>	<u>2,170</u>
Amortisation		
At 1 July	622	-
Charge for the year	677	622
At 30 June	1,299	622
Book value at 30 June	<u>994</u>	<u>1,548</u>

6. LONG TERM PREPAYMENT

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.

Total payment	20,989	20,989
Amortisation		
- Opening balance	840	420
- For the year	420	420
	1,260	840
	<u>19,729</u>	<u>20,149</u>

7. LONG TERM DEPOSITS - considered good

Deposits:

- against letter of guarantee	1,538	1,538
- against utilities	1,691	1,699
- to Central Depository Company of Pakistan Limited	12	12
- others	122	115
	<u>3,363</u>	<u>3,364</u>



		2008	2007
		(Rupees in '000)	
8. LONG TERM LOANS TO EMPLOYEES			
	Considered good - secured		
	Non-executive employees	8.1 477	515
	Receivable within one year	<u>(200)</u>	<u>(206)</u>
		<u>277</u>	<u>309</u>
	Age analysis of long term loans is as follows		
	- Outstanding for a period extending three years	11	221
	- Others	<u>466</u>	<u>294</u>
		<u>477</u>	<u>515</u>
8.1	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 recoverable in 36 to 52 equal monthly instalments. This balance is secured against the employees provident fund balance.		
9. STORES AND SPARES			
	Stores	7,703	6,714
	Spares	<u>668</u>	<u>666</u>
		<u>8,371</u>	<u>7,380</u>
	Provision against slow moving stores and spares	<u>(1,500)</u>	<u>(1,500)</u>
		<u>6,871</u>	<u>5,880</u>
10. STOCK-IN-TRADE			
	Raw material - in hand	80,259	50,719
	- in transit	<u>127,513</u>	<u>44,457</u>
		<u>207,772</u>	<u>95,176</u>
	Packing material	13,329	9,565
	Work-in-process	27,126	18,503
	Finished goods	<u>12,783</u>	<u>13,431</u>
		<u>261,010</u>	<u>136,675</u>
	Provision against slow moving items of stock-in-trade	<u>(2,243)</u>	<u>(2,243)</u>
		<u>258,767</u>	<u>134,432</u>
11. TRADE DEBTS - unsecured			
	Considered good	11.1 10,633	4,726
	Considered doubtful	<u>4,952</u>	<u>4,952</u>
		<u>15,585</u>	<u>9,678</u>
	Provision against impaired debts	<u>(4,952)</u>	<u>(4,952)</u>
		<u>10,633</u>	<u>4,726</u>
11.1	Trade debts include mark-up free balance amounting to Rs. 0.139 million (2007: Rs. 0.235 million) due from Treet Corporation Limited (a related party).		

	2008	2007
	(Rupees in '000)	
12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good:		
- Suppliers and contractors - net	2,057	5,878
- Taxation	<u>32,337</u>	<u>16,961</u>
	34,394	22,839
Advances to sales staff	68	302
Advances for expenses	-	1,028
Current maturity of loans to employees (refer note 8)	200	206
Tax refundable	68	68
Dividend receivable	-	49
Mark-up / profit accrued on bank deposits/investments	20	104
Prepayments	344	-
Other receivables	497	364
	<u>35,591</u>	<u>24,960</u>
13. CASH AND BANK BALANCES		
Cash in hand	102	15
Cash at banks in - current accounts	<u>11,098</u>	<u>7,911</u>
- profit and loss sharing accounts	<u>22,961</u>	<u>36,141</u>
- term deposit	<u>-</u>	<u>15,000</u>
	<u>34,059</u>	<u>59,052</u>
	<u>34,161</u>	<u>59,067</u>
14. UNUTILISED CREDIT FACILITIES		
14.1 At 30 June 2008, unutilised facilities for running finance under mark-up arrangements available from certain banks aggregated to Rs. 242.87 million (2007: Rs. 219 million). These are secured under mark-up arrangements against stock-in-trade items, booked debts and plant and machinery of the Company and are valid up to 31 March 2009.		
14.2 At 30 June 2008, unutilised letter of credit facilities from certain banks amounted to Rs. 485.961 million (2007: Rs. 469.57 million). These are secured against the import bills of the Company.		

		2008	2007
		(Rupees in '000)	
Trade credit liability		105,064	64,192
Accrued expenses		69,301	60,732
Advances from customers		14,519	5,739
Due to associated companies	15.1	1,477	1,359
Sales tax payable	15.2	8,300	5,701
Special excise duty payable	15.2	772	-
Worker's Welfare Fund		1,692	858
Worker's Profit Participation Fund	15.3	699	3,285
Accrued mark-up liability		1,689	51
Other liabilities		5,770	6,303
Dividend payable		69	103
Unclaimed dividend		270	176
		<u>209,622</u>	<u>148,499</u>

15.1 Due to associated companies

Wazir Ali Industries Limited	15.1.1	1,392	1,359
International General Insurance Company of Pakistan Limited	15.1.2	85	-
		<u>1,477</u>	<u>1,359</u>

15.1.1 This represents mark-up free unsecured amount payable to Wazir Ali Industries Limited (a related party) in respect of certain expenses incurred by them.

15.1.2 This represents insurance premiums payable to International General Insurance Company of Pakistan Limited (a related party).

15.2 These amounts were subsequently paid by the Company.

15.3 Workers' Profit Participation Fund

Opening balance		3,285	790
Mark-up on Workers' Profit Participation Fund	28	97	89
Contribution during the year	27	1,999	3,285
Payments during the year		(4,682)	(879)
		<u>699</u>	<u>3,285</u>

16. TAXATION	2008	2007
	(Rupees in '000)	
16.1 Details of tax charge for the year		
Current		
- for the year	16,865	12,436
- for prior years	-	9
	<u>16,865</u>	<u>12,445</u>
Deferred		
- for the year	(1,586)	10,485
- Reversal relating to surplus on revaluation of fixed assets	18 (2,450)	(1,427)
	<u>(4,036)</u>	<u>9,058</u>
	<u>12,829</u>	<u>21,503</u>
16.2 Relationship between income tax expense and accounting profit		
Profit before tax	<u>36,879</u>	<u>62,122</u>
Tax at the applicable tax rate of 35% (2007: 35%)	12,923	21,742
Effect of lower tax rate on dividend income	(32)	(84)
Tax effect of expenses that are not allowable in determining the taxable income	232	210
Prior year	-	9
Others	(294)	(374)
Tax expense	<u>12,829</u>	<u>21,503</u>

16.3 The income tax returns of the company have been finalised up to and including the financial year ended 30 June 2001, while returns for subsequent years up to the financial year ended 30 June 2006 have been filed and are deemed to be assessed, under the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities. Return for the tax year 2007 (financial year 2007) has been selected for audit under section 177 of the Ordinance, however no assessment order has as yet been made. The management is of the view that there may not arise any material liability once this attains finality.

Further, the company has filed an appeal under section 170(1) of the Ordinance to claim a refund of Rs. 3.595 million for the tax year 2007. However, the large tax payers unit (LTU) by passing an order under section 170(4) of the Ordinance has allowed a refund of Rs. 1.066 million only. In response to this order, the Company has further filed an appeal for the remaining amount of Rs. 2.529 million to the Commissioner of Income Tax (Appeals) under section 170(5) of the Ordinance and is confident that ultimately this would be decided in the Company's favour.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008	2007		2008	2007
(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
800,000	400,000	Fully paid ordinary shares of Rs.10 each issued as bonus shares	8,000	4,000
<u>4,400,000</u>	<u>4,000,000</u>		<u>44,000</u>	<u>40,000</u>

At 30 June 2008, 933,308 (2007: 848,462) shares of the company were held by associated companies.

18. SURPLUS ON REVALUATION OF FIXED ASSETS- net of tax (on freehold land, building and plant and machinery)

Balance as on 1 July		112,028	61,812
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		(4,550)	(2,651)
Related deferred tax liability		(2,450)	(1,427)
		<u>105,028</u>	<u>112,028</u>
Less:			
Related deferred tax liability at beginning of the year		24,499	14,273
On revaluation carried out during the year		-	11,653
On incremental depreciation for the year		(2,450)	(1,427)
		<u>22,049</u>	<u>24,499</u>
Balance as on 30 June		<u>82,979</u>	<u>87,529</u>

19. DEFERRED STAFF LIABILITIES

19.1 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 2008 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	
	2008 %	2007 %	2008 %	2007 %
	------(Rupees in '000)-----			
Valuation discount rate	12	10	12	10
Salary increase rate	12	10	12	10

19.2 Payable to defined benefit schemes

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2008 %	2007 %	2008 %	2007 %	2008 %	2007 %
	------(Rupees in '000)-----					
Present value of defined benefit obligations	31,178	32,056	19,361	19,563	50,539	51,619
Unrecognised past service cost	-	-	(34)	(45)	(34)	(45)
Net payable recognised as at the year-end	<u>31,178</u>	<u>32,056</u>	<u>19,327</u>	<u>19,518</u>	<u>50,505</u>	<u>51,574</u>

19.3 Movement in balance payable

Opening balance	32,056	26,609	19,518	17,166	51,574	43,775
Expense recognised	4,072	6,085	4,580	3,000	8,652	9,085
Benefits paid	(4,950)	(638)	(4,771)	(648)	(9,721)	(1,286)
Closing balance	<u>31,178</u>	<u>32,056</u>	<u>19,327</u>	<u>19,518</u>	<u>50,505</u>	<u>51,574</u>

19.4 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at July 01	32,056	26,609	19,518	17,166	51,574	43,775
Current service cost	2,206	1,807	707	664	2,913	2,471
Interest cost	3,206	2,661	1,956	1,722	5,162	4,383
Benefits paid	(4,950)	(638)	(4,771)	(648)	(9,721)	(1,286)
Past service cost - vested	-	1,061	11	11	11	1,072
Actuarial (gains) / losses	(1,340)	556	1,906	603	566	1,159
Present value of obligation as at 30 June	<u>31,178</u>	<u>32,056</u>	<u>19,327</u>	<u>19,518</u>	<u>50,505</u>	<u>51,574</u>

19.5 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:

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2008 %	2007 %	2008 %	2007 %	2008 %	2007 %
------(Rupees in '000)-----						
Current service cost	2,206	1,807	707	664	2,913	2,471
Interest cost	3,206	2,661	1,956	1,722	5,162	4,383
Net actuarial (gains)/ losses recognised	(1,340)	556	1,906	603	566	1,159
Recognised past service cost	-	1,061	11	11	11	1,072
	<u>4,072</u>	<u>6,085</u>	<u>4,580</u>	<u>3,000</u>	<u>8,652</u>	<u>9,085</u>

19.6 Historical information of obligation

	Gratuity Scheme				
	2008	2007	2006	2005	2004
------(Rupees in '000)-----					
Present value of obligation	<u>31,178</u>	<u>32,056</u>	<u>26,609</u>	<u>24,735</u>	<u>19,799</u>
Actuarial gains / (losses) on obligation	<u>1,340</u>	<u>(556)</u>	<u>(182)</u>	<u>(2,002)</u>	<u>(1,237)</u>
	Staff retirement benefits scheme				
	2008	2007	2006	2005	2004
------(Rupees in '000)-----					
Present value of obligation	<u>19,361</u>	<u>19,563</u>	<u>17,222</u>	<u>20,733</u>	<u>18,513</u>
Actuarial loss on obligation	<u>(1,906)</u>	<u>(603)</u>	<u>(575)</u>	<u>(542)</u>	<u>(2,241)</u>

20. DEFERRED TAX LIABILITY -net

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

Taxable temporary differences:	2008	2007
	(Rupees in '000)	
on accelerated tax depreciation	33,341	35,301
on surplus on revaluation of fixed assets	<u>22,049</u>	<u>24,499</u>
	55,390	59,800
 Deductible temporary differences:		
on provision for gratuity and retirement benefits	(17,677)	(18,051)
on provision for slow moving stock and doubtful debts	<u>(3,043)</u>	<u>(3,043)</u>
	34,670	38,706

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

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

21.1.2 Post dated cheques of Rs.49.067 million (2007: Rs.20.140 million) have been issued to Collector of Customs.

21.2 Commitments

21.2.1 Commitments under letters of credit for the import of stock in trade items at 30 June 2008 amounted to Rs. 1.095 million (2007: Rs. 57.738 million).

21.2.2 Aggregate commitments for capital expenditure as at 30 June 2008 amounted to Rs.1.001 million (2007: Rs. 0.563 million).

22. NET SALES

	2008	2007
	(Rupees in '000)	
Gross sales	1,391,181	1,149,029
Sales tax	(199,552)	(165,081)
Trade promotion discount	(74,286)	(63,330)
Special excise duty	(11,809)	-
Rebate and sales return	(45)	(21)
	<u>(285,692)</u>	<u>(228,432)</u>
	1,105,489	920,597



		2008	2007
		(Rupees in '000)	
23. COST OF SALES			
Raw and packing material consumed	23.1	684,884	505,783
Stores and spares consumed		5,069	5,410
Salaries, wages and other benefits	23.2	67,760	59,929
Contribution to the provident fund		1,352	1,309
Repairs and maintenance		1,655	1,839
Fuel and power		36,227	40,137
Rent, rates and taxes		384	388
Insurance		2,171	2,219
Product research and development		641	308
Travelling and conveyance		1,797	1,735
Printing and stationery		372	322
Postage, telegrams and telephones		496	489
Legal charges		24	307
Professional fee		79	86
Entertainment		98	68
Subscription		33	54
Depreciation	4.4	20,387	18,200
Freight and handling material		2,969	2,262
Other expenses		1,322	1,024
		827,720	641,869
Opening stock of work-in-process		18,503	15,407
Closing stock of work-in-process		(27,126)	(18,503)
Cost of good manufactured		819,097	638,773
Opening stock of finished goods		13,431	28,677
Closing stock of finished goods		(12,783)	(13,431)
		819,745	654,019
23.1 Raw and packing material consumed			
Opening stock		58,041	34,796
Purchases		718,188	529,028
		776,229	563,824
Closing stock		(91,345)	(58,041)
		684,884	505,783

23.2 Salaries, wages and other benefits include Rs. 7.262 million (2007: Rs. 7.653 million) in respect of the accrual for defined benefit obligations of the Company.

24. SELLING AND DISTRIBUTION COST	2008	2007
	(Rupees in '000)	
Salaries, wages and other benefits	24.1 36,781	32,526
Fuel and power	159	86
Contribution to the provident fund	878	739
Repairs and maintenance	1,123	982
Rent, rates and taxes	844	846
Depreciation	4.4 1,642	1,358
Professional fee	278	327
Postage and telegram	1,849	1,879
Printing and stationery	1,220	1,040
Travelling and conveyance	8,770	8,188
Insurance	2,365	2,123
Advertising	109,284	89,280
Freight, distribution and handling	27,091	27,019
Product research and development	3,317	2,919
Other expenses	1,545	563
	<u>197,146</u>	<u>169,875</u>

24.1 These include Rs. 0.717 million (2007: Rs. 0.617 million) in respect of the accrual for defined benefit obligations of the Company.

25. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	25.1 21,429	18,241
Contribution to the provident fund	631	592
Fuel and power	1,151	1,029
Repairs and maintenance	808	626
Rent, rates and taxes	1,675	1,957
Depreciation	4.4 4,806	3,998
Legal charges	75	179
Professional fee	2,277	2,772
Charity and donation	25.2 10	90
Auditors' remuneration	25.3 336	335
Postage, telegrams and telephones	1,537	1,496
Printing and stationery	803	592
Travelling and conveyance	1,471	896
Computer expenses	68	241
Insurance	413	334
General advertisement	332	170
Trainings and seminars	445	467
Directors' fee	120	20
Other expenses	280	259
	<u>38,667</u>	<u>34,294</u>

25.1 These include Rs. 0.673 million (2007: Rs. 0.815 million) in respect of the accrual for defined benefit obligations of the Company.

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

25.3 Auditors' remuneration

Audit fee	170	170
Fee for half yearly review	50	50
Fee for the review of Code of Corporate Governance	30	30
Fee for other certifications	30	40
Out of pocket expenses	56	45
	<u>336</u>	<u>335</u>



	2008	2007
	(Rupees in '000)	
26. OTHER OPERATING INCOME		
Scrap sales - net	3,087	4,118
Return on investments	352	1,835
Loss on disposal of investments	(89)	(400)
Mark-up on short term deposit	713	882
Gain/(loss) on disposal of fixed assets	382	(112)
Dividend income	129	281
	<u>4,574</u>	<u>6,604</u>
27. OTHER OPERATING EXPENSES		
Workers' Welfare Fund	963	712
Workers' Profit Participation Fund	15.3 1,999	3,285
Foreign exchange loss	10,782	1,024
	<u>13,744</u>	<u>5,021</u>
28. FINANCE COST		
Mark-up on:		
Running/demand finance	3,363	531
Worker's Profit Participation Fund	15.3 97	89
Lease arrangements	-	807
Bank charges and commission	422	443
	<u>3,882</u>	<u>1,870</u>
	2008	2007
	(Rupees in '000)	
29. EARNINGS PER SHARE		
Profit for the year	<u>24,050</u>	<u>40,619</u>
	(Number of Shares)	
		(Restated)
Weighted average number of ordinary shares	<u>4,400,000</u>	<u>4,400,000</u>
	(Rupees)	
		(Restated)
Earnings per share	<u>5.47</u>	<u>9.23</u>

The number of shares for prior year have also been adjusted for the effect of bonus shares issued during the year.

No figure for diluted earnings per share has been presented as the company has not issued any instrument which would have an impact on earnings per share when exercised.

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Remuneration	2,004	1,821	-	392	3,834	2,371
Provident fund	200	182	-	-	362	237
Special pay	947	861	-	-	2,567	1,593
Housing and utilities	1,122	1,005	-	243	2,330	1,433
Medical	200	182	-	11	123	95
Incentive	249	102	-	-	305	193
	<u>4,722</u>	<u>4,153</u>	<u>-</u>	<u>646</u>	<u>9,521</u>	<u>5,922</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>5</u>	<u>3</u>

30.1 Aggregate amount charged in these accounts for director's fee paid to non-executive directors was Rs. 0.12 million (2007: Rs 0.02 million).

30.2 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.

30.3 Above are the key management personnel of the Company.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 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 2008, is as follows:

Effective profit / mark-up rate %	Total	2008			Sub-total	Non-mark-up / profit bearing
		Mark-up / profit bearing				
		Maturity upto three months	Maturity from three months to one year	Maturity from one year to five years		
		------(Rupees in '000)-----				
Financial assets						
Trade debts	10,633	-	-	-	-	10,633
Long term loans to employees	277	-	-	277	277	-
Long term deposits	3,363	-	-	-	-	3,363
Advances and other receivables	2,842	-	-	-	-	2,842
Cash and bank balances	34,161	22,961	-	-	22,961	11,200
	<u>51,276</u>	<u>22,961</u>	<u>-</u>	<u>277</u>	<u>23,238</u>	<u>28,038</u>
Financial liabilities						
Trade and other payables	183,640	-	-	-	-	183,640
Long term deposits	450	-	-	-	-	450
	<u>184,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,090</u>
On balance sheet gap (a)	<u>(132,814)</u>	<u>22,961</u>	<u>-</u>	<u>277</u>	<u>23,238</u>	<u>(156,052)</u>
Off balance sheet items-financial commitments						
Outstanding letters of bank guarantee	7,020	-	-	-	-	7,020
Outstanding letters of credit	1,095	-	-	-	-	1,095
Post dated cheques issued to Collector of Customs	49,067	-	-	-	-	49,067
	<u>57,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,182</u>

Notes to the financial statements
For the year ended 30 June 2008



	Effective profit / mark-up rate %	2007				Sub-total	Non-mark-up/ profit bearing
		Total	Maturity upto three months	Mark-up / profit bearing			
				Maturity from three months to one year	Maturity from one year to five years		
------(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 and other receivables		7,931	-	-	-	-	7,931
Cash and bank balances	5.5 - 7	59,067	51,141	-	-	51,141	7,926
		<u>103,327</u>	<u>76,141</u>	<u>-</u>	<u>-</u>	<u>76,141</u>	<u>27,186</u>
Financial liabilities							
Trade and other payables		132,916	-	-	-	-	132,916
Long term deposits		450	-	-	-	-	450
		<u>133,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,366</u>
On balance sheet gap (a)		<u>(30,039)</u>	<u>76,141</u>	<u>-</u>	<u>-</u>	<u>76,141</u>	<u>(106,180)</u>
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 issued to Collector of Customs		20,140	-	-	-	-	20,140
		<u>84,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,898</u>

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

31.2 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. 0.102 million (2007: Rs. 0.015 million) and investment in listed equity shares of Rs. Nil (2007: 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.

31.3 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. 58.826 million (2007: Rs. 41.42 million) which are subject to currency risk exposure. No financial asset is exposed to foreign exchange risk.

31.4 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.

31.5 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.

31.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

32. PLANT CAPACITY AND PRODUCTION

	2008	2007
	(Metric Tons)	
Soap		
Assessed / rated	<u>10,500</u>	10,500
Actual production	<u>9,095</u>	<u>9,194</u>

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

33. 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:

		2008	2007
		(Rupees in'000)	
Associated Companies			
Sale of goods		<u>516</u>	<u>342</u>
Services rendered		<u>829</u>	<u>1,085</u>
Purchase of goods		<u>1,429</u>	<u>1,308</u>
Services received		<u>2,545</u>	<u>4,331</u>
Insurance premium paid		<u>969</u>	<u>2,560</u>
Insurance claims received		<u>-</u>	<u>1,514</u>
Dividend paid		<u>3,394</u>	<u>4,242</u>
Bonus shares issued		<u>848</u>	<u>-</u>
Other related parties			
Contribution to the employees' provident fund	33.1	<u>2,861</u>	<u>2,638</u>
Dividend payments to the Directors and Chief Executive Officer		<u>6,640</u>	<u>8,400</u>
Proceed for sale of vehicle to a director		<u>-</u>	<u>426</u>
Bonus shares issued to Directors		<u>1,660</u>	<u>-</u>

The details of balances with related parties are disclosed in notes 11 and 15.1 to these financial statements.

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

33.2 The details of other transactions with key management personnel in accordance with their terms of employment are given in note 30 (refer note 30.3 also).

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

34. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 16 September 2008 has proposed a cash dividend of Re 1 per share (2007: Rs. 3.0 per share) amounting to Rs 4.40 million (2007: Rs 12 million) and bonus share issue in the proportion of 1 share for every 10 share held amounting to Rs.4.40 million (2007: Rs.4 million) for approval by the members of the company in forthcoming Annual General Meeting.

The financial statements for the year ended 30 June 2008 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 2009.

35. GENERAL

35.1 Comparative figure of Rs. 1.024 million has been reclassified from purchases to other operating expenses.

35.2 These financial statements were authorised for issue in the Board of Directors meeting held on 16 September 2008.



Ferial Ali Mehdi
Chairman/Chief Executive



Shahid Nazir Ahmed
Director

Pattern of Shareholding

As of 30 June 2008



Number of shareholders	Share Holding		Total shares held	Percentage
	From	To		
844	1	100	15,648	0.3556
171	101	500	38,657	0.8786
30	501	1000	20,772	0.4721
31	1001	5000	71,355	1.6217
6	5001	10000	47,438	1.0781
5	10001	15000	63,045	1.4328
3	15001	20000	54,476	1.2381
1	20001	25000	21,000	0.4773
2	25001	30000	50,293	1.1430
1	50001	55000	55,000	1.2500
1	95001	100000	98,010	2.2275
1	100001	105000	100,220	2.2777
1	130001	135000	133,650	3.0375
1	140001	145000	143,134	3.2530
1	255001	260000	258,150	5.8670
1	280001	285000	281,702	6.4023
2	290001	295000	585,046	13.2965
1	370001	375000	370,174	8.4130
1	415001	420000	420,000	9.5455
1	420001	425000	424,850	9.6557
1	485001	490000	487,380	11.0768
1	655001	660000	660,000	15.0000
1107			4,400,000	100.0000

Categories of Shareholders

As of 30 June 2008

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Mrs. Feriel Ali Mehdi - Chairman / CEO	3	395,749	8.9943
Syed Yawar Ali - Director	4	677,612	15.4003
Mrs. Nighat Ali W/o Syed Yawar Ali	2	6,479	0.1473
Syed Tariq Ali - Director	9	374,690	8.5157
Mr. Shahid Nazir Ahmed - Director	1	550	0.0125
Mr. Khurshid Hadi - Director	1	550	0.0125
Mr. Omer Ehtisham - Director	1	550	0.0125
ASSOCIATED COMPANIES			
International General Insurance Co. of Pak. Ltd	1	143,134	3.2530
Treet Corporation Ltd	2	790,174	17.9585
N.B.P - TRUSTEE DEPTT. (NIT)	2	571,879	12.9973
BANK, MUTUAL FUND & INSURANCE COMPANY	3	54,033	1.2280
JOINT STOCK COMPANIES	15	248,018	5.6368
SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY			
Mrs. Fakhre Jehan Begum	1	487,380	11.0768
INDIVIDUALS	1060	647,701	14.7205
OTHERS	2	1,501	0.0341
	1107	4,400,000	100.0000

FORM OF PROXY



ZULFEQAR
INDUSTRIES LTD.

The Secretary
Zulfeqar Industries Limited
3rd Floor Kandawala Building
M.A . Jinnah Road, Karachi

I/We
of.....being a member of ZULFEQAR INDUSTRIES LIMITED and holding.....
ordinary shares as per Share Register Folio Noand / or CDC Participant I.D. No
and Sub-Account No.....hereby appoint.....
of.....or failing himofas
my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be
held on Monday, 27 October 2008 at 02.00 p.m 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 thisday of October 2008

Witnesses:

1. Signature: _____
Name: _____
Address: _____

CNIC or _____
Passport No. _____

2. Signature: _____
Name: _____
Address: _____

CNIC or _____
Passport No. _____



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.