annual report 2006

ZULFEQAR INDUSTRIES LIMITED

DIRECTORS' REPORT

The Directors of the Company are pleased to present the financial results of the Company for the year ended 30 June 2006.

Economic Environment

During the fiscal year the real Gross Domestic product (GDP) grew by 6.6%, a decrease from last year's 8.4% mainly due to the rising global fuel prices and the devastating earthquake in October 2005 in northern Pakistan. The dollar parity remained relatively stable. Per capita income in dollar terms has risen from $742 to $847 during the current year registering a growth of 14.2%.

Major crops also registered a decline primarily on account of shortage in cotton production due to adverse weather conditions. The Manufacturing sector also registered a weaker than expected growth of 9% against the target of 14.5%.

However, inflation remained at 7.92% lower than that of last years 9.28%.

Company Overview

The year 2005-6 was another successful year for the company as it earned the highest profit after tax in its history with Rs. 58.337 mn. as compared to Rs 42.135 mn. last year depicting a growth of 38%.

The inflationary pressure on the income of middle and lower income levels was clearly reflected in the product mix of the sales of the company with a robust increase in the popular segment with 30% increase in volume over last year.

Financial Review

The company achieved gross sales of Rs 1.135 bn. registering a 10.46% growth over last year .

The gross profit has also increased by 60.27% to Rs 274.047 mn. during the period under review from Rs 170.987 mn. during the same period last year due to the withdrawal of excise duty on finished soap by the Government as a consequence of which the cost of sales has reduced by 5.27%.

The selling and distribution expenses increased by 70.77% during period under review due to heavy expenditure in promotion and availability of the company's products. Further, the high cost of fuel also contributed to the increase the distribution cost.

The administrative expenses have increased mainly due to salaries of staff previously shared with associated concern; Wazir Ali Industries Limited & 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 37.39 to Rs 49.21 and the market value as on 30 June 2006 was Rs 140 as compared to Rs 147.90 on 30 June 2005.

The liquidity position of the company is sound as is evident from the current ratio of 1.53: 1.

- **Operating Results**

The Company has earned an operating profit of Rs 92.26 mn. for the year ended 30 June 2006 with an improvement of 50.78% over last year. Profit and loss for the year ended is as follows:

	2006	**2005**
	(Rs '000)	
Profit before taxation	89,512	63,897
Provision for taxation	31,175	21,765
Profit after taxation	58,337	42,132
Proposed Final Dividend @ 50%(2005-35%)	20,000	14,000
Unappropriated profit	150,854	103,572

- **Earning per Share**

Earning per share for the year under review is **Rs 14.58** as compared to Rs 10.53 last year.

- **Dividend**

The Directors are pleased to propose a final cash dividend of **Rs 5** per share (50%) on the face value of shares.

- **Cash Flow and Capital Investment**

Cash generated from operations during the year was Rs.142.7 mn. (2005: Rs. 31.6 mn.).

This is after adjusting for increase in working capital of Rs. 25.4 mn. (2005: Rs. 54 mn. decrease) mainly on account of increase in accrued expenses payable to advertising agencies for production & transmission of advertisements & other marketing activities. Taxes paid during the year amounted to Rs.19.5 mn. (2005: Rs. 15.1 mn.) based on the applicable regulations of Income Tax.

Short term investments of Rs. 33.8 were made during the year particularly at year-end in order to avail interest rate advantage at year-end.

Fixed Capital Expenditure of Rs.55.6 mn. (2005: Rs. 31.4 mn.) mainly represents payment for acquisition of land at Port Qasim besides other items relating to plant reliability, efficiency improvements and normal replacement of operating assets. As presented in previous report, the land at Port Qasim Authority is approximately 11 acres-plans are underway to develop the land in 2007.

Capital Structure and Finance

Shareholders' funds at the year end aggregated to Rs. 196.8 mn. (2005: Rs. 149.6 mn). The increase is mainly due to retained profits and excludes the effect of recommended payment of dividend.

Net borrowings at the year end were Rs. 21.23 mn. (2005: Rs. 38.5 mn.). The Company's long-term debt to equity ratio for the year ended 30 June 2006 is 1:99.

Information Technology Review

During the year, the Company has made significant investments to upgrade IT infrastructure and reporting technology with the ongoing implementation of Enterprise Resource Planning system for the Company's requirements to replace our existing legacy applications.

The system is in the final phase of implementation & is expected to be fully functional from 1st January 2007.

Marketing Review

The company closed the year (05-06) with a good growth of **15.43%** in personal wash category and **9%** growth in home care category, despite pressure on premium segment, aggressive competition, new entrants and occasional uncertainty in the market place.

Though the complete brand portfolio of the personal wash category witnessed growth but significant increase in volume came from popular segment brands.

The growth was due to a focused strategy by a combined thrust of consistent market activations and increasing the penetration in the existing markets to explore new opportunities for business expansion.

Future Outlook

The rising cost of materials & utilities due to the ongoing inflationary trend in world fuel prices are going to have a negative impact on the profitability of the Company. Interest rates have grown and are currently at record levels at 9.5% as part of the tight monetary policy to control inflation.

A 5% excise duty on financial services like brokerage, commissions, letters of credit and guarantees, money transfers and insurance and 15% excise duty on all types of communication will also raise the cost of doing business because unlike general sales tax which is an input tax adjustable against the general sales tax liability on inputs, excise duty will not be adjustable.

The company is confident that it will achieve its objective of being a top player in the personal wash category. Research and development is being carried out to expand the business by diversifying the product portfolio into other categories.

- **Supply Chain**

As part of our BMR started in the year 2000, now that the second phase is nearly complete we have increased our production capability by 10.5%. Additionally the electrical system has been revamped that is giving the Company savings in the energy cost.

The company's products have become cost effective and aesthetically acceptable to the consumers in order to meet the commitment of providing quality products at best prices, thereby rendering our products more competitive in the market.

Controls have been exercised to limit inventories for which minimum, maximum and reorder levels have been established. Therefore inventory levels have been reduced by 13.5% as compared to last year.

The company's credit policy is being strictly implemented and a short credit is only allowed to financially sound customers and distributors. Accounts receivable are meticulously monitored to maintain a good inventory and cash flow cycle

- **Human Resources**

In order to get feedback about employee satisfaction in the Company, Climate and Motivational Surveys were carried out. We at Zulfeqar Industries Limited believe in providing opportunities to its employees to share their ideas and mutually work for further improvement.

We recruit people on merit who can take up the challenges and have the potential to become leaders in their profession. Further, we welcome students for internships in order to sharpen their skills before going into the "real" world. For this purpose, we have conducted on-campus interviews and attracted young students from various recognized Business Schools.

Training and development is part of our commitment to our people to make them more productive members of the team. These include in house trainings and public programs

- **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 2006 is Rs 53.352 mn..

The company has discontinued the Retirement Benefit Scheme available for the management employees who were in the service of the company up to 30 June 1999 by paying them off the balances standing to their credit as on 30 June 2006 to bring all employees at par with the benefits of the company.

- **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
Syed Tariq AliEsquire	Member

The Board of Directors has appointed Mr. Shahid Nazir Ahmed as Member of the Board Audit Committee in place of Syed Tariq Ali Esquire. The Board wishes to place on record the valuable services rendered by Syed Tariq Ali Esquire as Member of the Board Audit Committee.

- **Auditors**

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2006-07.

- The following information is attached with this report:

a) Directors' statement
b) Statement in compliance of the Code of Corporate Governance
c) Meetings of the Board of Directors
d) Outstanding Statutory Payments
e) Pattern of Shareholding
f) Key operating and financial results for 7 years.

Acknowledgements

The Directors would like to express their gratitude to the shareholders, distributors, bankers and the development financial institutions for their continued support and encouragement and also place on record their appreciation of the valuable services rendered by the officers, staff and field force of the Company.

For and on behalf of the Board

Syeda Feriel R. Ali
Chief Executive Officer

Karachi: 14 September 2006

Key Operating and Financial Results for 7 Years

PERIODS	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
(Rs. in '000)							
Net Sales Revenue	438,844	421,566	536,443	622,019	713,977	845,189	912,698
Cost of Goods Sold	365,593	335,660	438,080	480,627	553,575	674,201	638,651
Gross Profit	73,251	85,906	98,363	141,392	160,402	170,988	274,047
Operating profit	22,026	20,367	31,736	36,459	55,869	69,067	92,670
Profit Before Tax	8,044	11,527	25,239	33,530	53,571	63,897	89,512
Profit After Tax	8,286	7,009	16,106	21,548	34,767	42,132	58,337
Paid Up Capital	20,000	40,000	40,000	40,000	40,000	40,000	40,000
Current Assets	134,461	136,306	143,084	202,027	203,750	217,037	266,140
Current Liabilities	95,451	91,609	85,863	127,608	155,479	138,608	173,222

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 six 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, of whom two 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	-
S. Feriel R. Ali	4
Syed Yawar Ali	3
Syed Tariq Ali	2
Mr. Kemal Shoaib	2
Mr. Shahid Nazir Ahmed	4
Ms. Aaliya K. Dossa	2
Mr. Amir Zia	2

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.

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.

Dated: 14 September 2006

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **Zulfeqar Industries Limited** as at 30 June 2006 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 changes stated in notes 2.8 and 2.21 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 2006 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: 14 September 2006

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Zulfeqar Industries Limited
Balance Sheet
As at 30 June 2006

	Note	2006	2005
		(Rupees in '000)	
FIXED ASSETS			
Property, plant and equipment	3	**211,221**	175,646
LONG TERM INVESTMENTS	4	**-**	15,780
LONG TERM ADVANCES AND DEPOSITS	5	**3,655**	8,346
LONG TERM LOANS TO EMPLOYEES	6	**314**	314
CURRENT ASSETS			
Stores and spares	7	**10,006**	6,149
Stock-in-trade	8	**121,857**	126,711
Short term investments	9	**49,201**	30,795
Trade debts	10	**7,893**	6,172
Mark-up / profit accrued	11	**1,610**	1,771
Current maturity of loans to employees	6	**193**	477
Advances, deposits, prepayments and other receivables	12	**27,643**	21,806
Cash and bank balances	13	**47,737**	23,731
		266,140	217,612
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	22	**19,729**	18,613
Accrued mark-up liability	15	**268**	628
Trade and other payables	16	**126,797**	101,683
Taxation	17	**26,428**	17,684
		173,222	138,608
NET CURRENT ASSETS		**92,918**	79,004
NET ASSETS		**308,108**	279,090
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,000,000 (2005: 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		**156,854**	109,572
		196,854	149,572
SURPLUS ON REVALUATION OF FIXED ASSETS	19	**47,538**	50,483
LONG TERM DEPOSITS		**450**	475
DEFERRED STAFF LIABILITIES	20	**43,775**	45,468
DEFERRED TAXATION	21	**17,994**	13,140
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	22	**1,497**	19,952
CONTINGENCIES AND COMMITMENTS	23		
		308,108	279,090

The annexed notes 1 to 43 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Profit and Loss Account
For the year ended 30 June 2006

	Note	2006	2005
		(Rupees in '000)	
Net sales	*24*	**912,698**	845,189
Cost of goods sold	*25*	**638,651**	674,201
Gross profit		**274,047**	170,988
Selling and distribution expenses	*26*	**151,740**	88,856
Administrative expenses	*27*	**30,042**	20,939
		181,782	109,795
Operating profit		**92,265**	61,193
Other income - net	*28*	**405**	7,874
		92,670	69,067
Financial charges	*29*	**3,158**	5,170
Profit before taxation		**89,512**	63,897
Taxation	*30*	**31,175**	21,765
Profit after taxation		**58,337**	42,132
		(Rupees)	
Earnings per share - basic and diluted	*31*	**14.58**	10.53

The annexed notes 1 to 43 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited

Cash Flow Statement

For the year ended 30 June 2006

	2006	2005
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**89,512**	63,897
Adjustments for:		
Mark-up expense	**3,158**	5,170
Depreciation	**19,097**	15,487
Provision for gratuity	**4,161**	4,673
Provision for retirement benefits	**4,968**	2,904
Gain on disposal of fixed assets acquired on winding up of subsidiary	**-**	(90)
(Gain) / loss on revaluation of investments	**381**	(1,044)
Amortization of premium on investment	**89**	149
Profit on investment	**(2,923)**	(5,272)
Mark-up on short term deposit	**(603)**	(168)
Dividend income	**(183)**	(147)
Gain on disposal of fixed assets	**(277)**	(368)
Trade mark written off	**-**	471
	27,868	21,765
Operating profit before working capital changes	**117,380**	85,662
Decrease / (increase) in operating assets		
Stores and spares	**(3,857)**	(2,784)
Stock in trade	**4,854**	(30,824)
Trade debts	**(1,721)**	491
Loans and advances	**284**	(214)
Long term advances and deposits	**4,691**	(589)
Advances, deposits, prepayments and other receivables	**(3,930)**	(1,474)
	321	(35,394)
Increase / (decrease) in operating liabilities		
Trade and other payables	**25,047**	(18,648)
Cash generated from operations	**142,748**	31,620
Income tax paid	**(19,486)**	(15,100)
Gratuity paid	**(2,287)**	(634)
Retirement benefits paid	**(8,535)**	(684)
Mark-up received on investments	**2,996**	4,021
Mark-up on short term deposits received	**603**	168
Dividend received	**183**	147
Mark-up paid	**(3,518)**	(4,602)
	(30,044)	(16,684)
Net cash flows from operating activities	**112,704**	14,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(55,589)**	(31,405)
Short term investment	**(18,786)**	1,822
Sales proceeds of fixed assets	**1,194**	1,685
Sales proceeds of assets acquired on winding-up of a subsidiary	**-**	3,228
Long term investment	**15,780**	15,184
Net cash flows from investing activities	**(57,401)**	(9,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(13,933)**	(9,954)
Repayment of lease liability-net	**(17,339)**	(13,216)
Long term deposits	**(25)**	-
Net cash flows from financing activities	**(31,297)**	(23,170)
Net increase / (decrease) in cash and cash equivalents	**24,006**	(17,720)
Cash and cash equivalents at beginning of the year	**23,731**	41,451
Cash and cash equivalents at end of the year	**47,737**	23,731

The annexed notes 1 to 43 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Statement of Changes in Equity
For the year ended 30 June 2006

	Issued, subscribed and paid up capital	Revenue reserve		Total reserves	Total
		General reserve	Unappropriated profit		
			(Rupees in '000)		
Balance as at 1 July 2004	40,000	6,000	68,167	74,167	114,167
Final dividend paid for the year ended 30 June 2004	-	-	(10,000)	(10,000)	(10,000)
Profit for the year ended 30 June 2005	-	-	42,132	42,132	42,132
Transferred from surplus on revaluation of fixed assets	-	-	3,273	3,273	3,273
Balance as at 30 June 2005	40,000	6,000	103,572	109,572	149,572
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	-	-	2,945	2,945	2,945
Balance as at 30 June 2006	**40,000**	**6,000**	**150,854**	**156,854**	**196,854**

The annexed notes 1 to 43 form an integral part of these financial statements.

Syeda Feriel R. Ali
Chief Executive Officer

Shahid Nazir Ahmed
Director

Zulfeqar Industries Limited
Notes to the financial statements
For the year ended 30 June 2006

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.

1.2 The Company is domiciled in Karachi, Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 ("the Ordinance"). Approved accounting standards comprise such International Accounting 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 requirement of the said directives take precedence.

2.2 New accounting standards and IFRIC interpretations that are not yet effective

The effect, if any, of the standards and interpretations which are not yet effective / applicable to the Company are discussed below:

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirement. Management is currently assessing the impact of this amendment on the Company's operations.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from 1 January 2006). This amendment is not relevant to the Company's operations, as the Company does not have any intra-group transactions that would qualify as a hedged item in the financial statements.

IAS 39 (Amendment), The Fair Value Option (effective 1 January 2006). This amendment

changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Company should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (IFRS 4 not yet adopted by
local regulatory authorities). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts. Management considers that this amendment is not relevant to the Company.

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 July 2006). These amendments are not relevant to the Company's operations.

IFRS 6, Exploration for an Evaluation of Mineral Resources (expected to be locally effective from 1 July 2006). IFRS 6 is not relevant to the Company.

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1,
Presentation of Financial Statements - Capital Disclosures (adoption status is not yet confirmed by local regulatory authorities). IFRS 7 introduces new disclosures to improve information about financial instruments. It requires the disclosure for qualitative and quantitative information about exposures to risks arising from financial instrument, including specified minimum disclosures about credit risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. This IFRIC is not relevant to the Company's operations.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental
Rehabilitation Funds (effective from 1 January 2006). IFRIC 5 is not relevant to the Company's
operations.

IFRIC 6, Liabilities arising from Participating in a Specific market - Waste Electrical and Electronic Equipment (effective for financial periods beginning 1 December 2005). IFRIC 6 is not relevant to the Company's operations.

IFRIC 7, Applying the Restatement approach under IAS 29 Financial Reporting in Hyperinflationary Ecnomies (I March 2006) IFRIC 7 is not relevant to the Company's operations.

IFRIC 8, Scope of IFRS 2 share-based payment (1 May 2006) Management considers that IFRIC 8 will have no effect to the Company.

IFRIC 9, Reassessment of Embedded Derivatives (1 June 2006) Management considers that IFRIC 9 will have no effect to the Company.

2.3 Accounting convention

2.3.1 These financial statements have been prepared under the historical cost convention, except that certain fixed assets (refer note 3) are shown at revalued amounts, certain investments have been recognised at fair value and obligation under defined benefit plans are stated at present value.

2.3.2 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 discussed in note 40 to these financial statements.

2.4 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 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 costs are 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 the rate of 10 percent of basic salary.

2.5 Compensated absences

The Company accounts for these benefits in the accounting year in which the absences are earned.

2.6 Taxation

i) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any, or minimum tax liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

ii) Deferred

Deferred taxation is provided, 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 amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using current rates of taxation.

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 utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized 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 recognized by debiting the surplus account.

2.7 Property, plant and equipment

i) Owned

- Fixed assets including all additions are carried at cost or revaluation less accumulated depreciation and impairment losses, if any.

- Depreciation on fixed assets other than freehold land is charged under the reducing balance method at rates specified in note 3 (except that cost of leasehold land is amortized over the period of lease on a straight line basis). 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.

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. Transfers are made to relevant fixed assets category as and when the assets are available for use.

2.8 Investments

All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment (except the held for trading investments in which case the transaction costs are charged to the profit and loss account).

The Company classifies its investments in the following categories:

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. Investments which are acquired principally for the purposes of generating profit from short term fluctuation in prices or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading. Investments designated at fair value through profit or loss upon initial recognition include those that are not held for trading purposes and may be sold.

After initial recognition, above investments are remeasured at fair value determined with reference to the year-end quoted rates (stock market or PKRV rates for Pakistan Investment Bonds). Gains and losses arising from changes in the fair value are included in the profit and loss account in the period in which they arise.

Investments are treated as current assets where the intention is to hold these for less than twelve months from the balance sheet date. Otherwise investments are treated as long term assets.

International Accounting Standard (IAS) – 39 (revised) dealing with "Financial Instruments Recognition and Measurement" is applicable for annual periods beginning on or after 1 January 2005. Under the above mentioned IAS, assets may be classified as "Financial Assets at Fair Value through Profit or Loss", which in turn contains two further categories; namely held for trading instruments and those instruments which upon initial recognition are designated by the management at fair value through profit or loss. In accordance with the transitional provisions of the above IAS, the Company's investments up to the previous year in available for sale category have been reclassified into the later category of financial assets at fair value through profit or loss. This reclassification has no impact on the profit and loss account and the balance sheet of the current or the previous years.

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.

2.9 Stores and spares

These are valued at cost determined under moving average basis less impairment losses, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.10 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined under the weighted average basis (raw and packing materials on moving 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 realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

Goods in transit are stated at cost, which includes invoice value and other charges incurred thereon, less impairment losses, if any.

2.11 Trade debts and other receivables

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts.

2.12 Foreign currency translation

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

2.13 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.

2.14 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.

2.15 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.

2.16 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 investments and term deposits with banks are recognised on time proportion basis.

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

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 Change in accounting policy

Appropriations for proposed issue of bonus shares and to general reserves

The Company during the year changed its accounting policy whereby appropriation of profit to general reserve and appropriation for proposed issuance of bonus shares are now recognised in the year in which these are approved. Previously, the financial statements were adjusted for these appropriations, approved subsequent to the year-end. The change was considered necessary in light of a circular issued by the Institute of Chartered Accountants of Pakistan. The change in policy has no impact on the current or previous reported financial statements of the Company since no such appropriations were made in these financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	30 June 2006								
	COST AND REVALUATION			Rate	DEPRECIATION / AMORTIZATION				Written down
	As at 1 July 2005	Addition/ (disposal) *adjustment	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
Owned	----------------(Rupees in '000)----------------				-----------------------------------(Rupees in '000)------------------------------				
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 land	-	* 20,989	20,989	2	-	420	-	420	20,569
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) * 43,484	178,125		14,099	12,626	(933) * 2,661	28,453	149,672
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
Capital work in progress									
Plant, machinery and equipment	606	19,965 * (10,835)	9,736	-	-	-	-	-	9,736
Furniture and fixtures	-	809 * (399)	410	-	-	-	-	-	410
Computers	758	2,293 * (2,015)	1,036	-	-	-	-	-	1,036
Leasehold land and improvements		23,177 * (22,989)	188	-	-	-	-	-	188
	1,364	46,244 (36,238)	11,370		-	-	-	-	11,370
	199,042	**55,589** **(2,459)**	**252,172**		**23,396**	**19,097**	**(1,542)**	**40,951**	**211,221**

* Transfer from capital work in progress and leased assets to own assets.

	30 June 2005									
	COST AND REVALUATION			Rate	DEPRECIATION / AMORTIZATION				Written down
	As at 1 July 2004	Addition/ (disposal) *adjustment	As at 30 June 2005	%	As at 1 July 2004	For the year	(Disposal) *adjustment	As at 30 June 2005	value as on 30 June 2005
Owned	------------------(Rupees in '000)------------------				------------------------------------(Rupees in '000)-------------------------------				
Freehold land	21,000	-	21,000	-	-	-	-	-	21,000
Building on freehold land	15,921	425	16,346	10	-	1,616	-	1,616	14,730
Plant, machinery and equipment	51,505	* 25,402	76,907	10	-	6,012	-	6,012	70,895
Furniture and fixtures	3,109	17	3,126	10	1,745	138	-	1,883	1,243
Vehicles	4,026	5,428	8,990	20	2,567	670	(1,639)	3,020	5,970
		(2,562)					* 1,422		
		* 2,098							
Computers	1,856	* 745	2,601	30	1,256	312		1,568	1,033
	97,417	5,870	128,970		5,568	8,748	(1,639)	14,099	114,871
		(2,562)					* 1,422		
		* 28,245							
Leased									
Plant and machinery	9,500	* 47,987	57,487	10	-	5,348	-	5,348	52,139
Vehicles	9,253	4,670	11,221	20	4,189	1,391	* (1,422)	3,948	7,273
		(604)					(210)		
		* (2,098)							
	18,753	4,670	68,708		4,189	6,739	* (1,422)	9,296	59,412
		(604)					(210)		
		* 45,889							
Capital work in progress									
Plant, machinery and equipment	54,633	19,361	605	-	-	-	-	-	605
		* (73,389)							
					-	-	-	-	-
Computers	-	1,503	758	-	-	-	-	-	758
		* (745)							
	54,633	20,864	1,363		-	-	-	-	1,363
		(74,134)							
	170,803	**31,404**	**199,041**		**9,757**	**15,487**	**(1,849)**	**23,395**	**175,646**
		(3,166)							

* Transfer from capital work in progress and leased assets to own assets.

3.1 Disposal of fixed assets

	Year of purchase	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Mode of disposal	Sold to
		---------------------- (Rupees in '000)	----------------------					
Plant, machinery and equipment								
Glycerine vessel	1980	235	180	55	196	141	Insurance claim	International General Insurance Co. of Pakistan Limited - related party
Photocopy machine	1997	163	100	63	50	(13)	Negotiation	General Trade (Pvt) Limited
		398	280	118	246	128		
Vehicles								
Cultus VXR	2001	525	370	155	172	17	Terms of employment	Mr. Sheikh Ahmed Akber- employee
Honda City	2001	715	520	195	234	39	Terms of employment	Mr. Iftikhar Ahmed - employee
Suzuki Mehran	2005	350	89	261	228	(33)	Insurance claim	International General Insurance Co. of Pakistan Limited - related party
Book value upto Rs.50,000	2005 / 1998	391	253	138	279	141	Insurance claim / Negotiation	International General Insurance Co. of Pakistan Limited - related party / Mr. Javaid Ahmed
		1,981	1,232	749	913	164		
Computer	2005	80	30	50	35	(15)	Insurance claim	International General Insurance Co. of Pakistan Limited - related party
2006		**2,459**	**1,542**	**917**	**1,194**	**277**		
2005		3,166	1,849	1,317	1,685	368		

3.2 Depreciation for the year has been allocated as follows:

		2006	2005
		(Rupees in '000)	
Cost of sales	*25*	**14,941**	13,161
Selling and distribution expenses	*26*	**1,156**	746
Administrative expenses	*27*	**3,000**	1,580
		19,097	15,487

3.3 On 30 June 2004, the fourth revaluation of certain assets of the company were carried out. The assets revalued were free hold land, building and plant and machinery. These revaluations, resulted in a net surplus of Rs. 74.049 million (before related deferred tax liabilities) as of that date. The incremental value of revalued assets is being depreciated over the remaining useful lives of the assets. The revaluation was carried out under the market value basis by an independent valuer, M/s Iqbal A. Nanjee & Co.

3.4 As at 30 June 2006, the un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 61.811 million (2005: Rs. 66.343 million).

3.5 Freehold land, building and plant & machinery are carried at revalued amounts. Had there been no revaluation, related figures of revalued assets would have been as follows:

	Written down value	
	2006	2005
	(Rupees in '000)	
Freehold land	**29**	29
Building	**2,987**	3,217
Plant and machinery	**84,732**	89,235
	87,748	92,481

3.6 Details of restrictions on certain items of fixed assets are given in note 14 to these financial statements.

4. LONG TERM INVESTMENTS - held to maturity

	Note	2006	2005
		(Rupees in '000)	
Certificates of Musharika	*4.1*	**7,040**	14,080
Certificates of Investment	*4.2*	**8,740**	16,892
		15,780	30,972
Maturity within twelve months	*9*	**(15,780)**	(15,192)
		-	15,780

4.1 These represent 4 certificates of Rs. 1.76 million each of First Habib Modaraba. These certificates carry return at 7 percent per annum and will mature between 19 August 2006 and 19 February 2007.

4.2 These certificates issued by Grays Leasing Limited, carry return at 7 percent per annum and will mature by 1 May 2007.

5. LONG TERM ADVANCE AND DEPOSITS - considered good

	Note	2006	2005
Advance for purchase of land	*5.1*	**-**	3,000
Deposits:			
- against letter of guarantee		**2,861**	2,510
- against finance lease	*5.2*	**342**	2,522
- against utilities		**330**	195
- to Central Depository Company Limited		**12**	12
- others		**110**	107
		3,655	5,346
		3,655	8,346

5.1 Leasehold land, for which the partial payment of Rs. 3 million was made in the previous year has been acquired in the current year.

5.2 Deposits against finance lease

	2006	2005
Total deposits	**2,863**	3,089
Current maturity	**(2,521)**	(567)
	342	2,522

6. LONG TERM LOANS TO EMPLOYEES
Considered good - secured

	Note	2006	2005
Executives	*6.1*	**-**	265
Non-executive employees	*6.2*	**507**	526
		507	791
Receivable within one year		**(193)**	(477)
		314	314
Age analysis of long term loans is as follows			
- Outstanding for a period extending three years		**265**	171
- Others		**49**	143
		314	314

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

	2006	2005
	(Rupees in '000)	
Executive employees	**994**	265

6.2 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 installments. These loans have not been discounted to their present value as the financial impact is not material. This balance is secured against the employees provident fund balance.

7. STORES AND SPARES

Stores	**5,932**	4,950
Spares	**5,574**	2,699
	11,506	7,649
Provision against slow moving stores and spares	**(1,500)**	(1,500)
	10,006	6,149

8. STOCK-IN-TRADE

Raw material - in hand	**31,821**	35,543
- in transit	**42,977**	39,459
	74,798	75,002
Packing material	**5,218**	4,702
Work-in-process	**15,407**	18,180
Finished goods	**28,677**	31,070
	124,100	128,954
Provision against slow moving stock-in-trade	**(2,243)**	(2,243)
	121,857	126,711

9. SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss

Quoted			
Ordinary shares	*9.1*	**3,345**	2,576
Term Finance Certificates	*9.2*	**855**	3,705
		4,200	6,281
Unquoted			
Pakistan Investment Bond	*9.3*	**9,221**	9,322
		13,421	15,603
Current maturity of long term held-to-maturity investments	*4*	**15,780**	15,192
Held-to-maturity investments			
Certificate of deposit	*9.4*	**10,000**	-
Musharika certificates	*9.5*	**10,000**	-
		49,201	30,795

9.1 These represent 24,459 (2005: 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 (2005: Rs. 0.783 million).

9.2 These represent the Term Finance Certificates of First Oil and Gas Securitization Company Limited carrying return at SBP discount rate plus 2.5 percent per annum, receivable monthly. These certificates will mature on 4 December 2006.

9.3 These represent 20 years Pakistan Investment Bonds (PIBs) having face value of Rs. 10 million. These PIBs will mature on 20 January 2024. These PIBs carry a coupon rate of 10 percent per annum.

9.4 This represents a Certificate of Deposit of Jahangir Siddiqui Investment Bank Limited of Rs. 10 million. The Certificate of Deposit will mature on 31 July 2006 and carries return at 10.35 percent per annum.

9.5 These Musharika Certificates will mature on 30 September 2006 and carry profit rate at 10 percent per annum.

10. TRADE DEBTS

		2006	2005
		(Rupees in '000)	
Considered good - unsecured	*10.1*	**7,893**	6,172
Considered doubtful - unsecured		**4,952**	4,952
		12,845	11,124
Provision against impaired debts		**(4,952)**	(4,952)
		7,893	6,172

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

Treet Corporation Limited	**164**	121
Wazir Ali Industries Limited	**41**	69
	205	190

11. MARK-UP / PROFIT ACCRUED

On:		
- Certificates of Musharika	**1,051**	1,107
- Certificates of Investment	**102**	198
- Pakistan Investment Bonds	**441**	441
- Others	**16**	25
	1,610	1,771

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2006	2005
		(Rupees in '000)	
Advances - considered good:			
- Suppliers and contractor - net		**4,331**	2,539
- Taxation		**18,490**	16,583
		22,821	19,122
Current maturity of deposits against finance lease	*5.2*	**2,521**	567
Tax refundable		**68**	68
Prepayments		**612**	370
		680	438
Due from an associated company (insurance claim receivable)		**63**	-
Other receivables		**1,558**	1,679
		27,643	21,806

13. CASH AND BANK BALANCES

	2006	2005
Cash in hand	**29**	12
Cash at banks in - current accounts	**11,811**	16,357
- deposit accounts	**20,897**	7,362
- short term deposit	**15,000**	-
	47,708	23,719
	47,737	23,731

14. UNUTILIZED CREDIT FACILITIES

14.1 At 30 June 2006, unutilized facilities for running finance available from certain banks aggregated to Rs. 135 million (2005: Rs 35 million). These are secured against stock in trade items and plant and machinery of the Company and are valid up to 31 March 2007.

14.2 At 30 June 2006, unutilized letter of credit facilities from certain banks amounted to Rs. 353.87 million (2005: 108 million). These are secured against the import bills of the Company.

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15. ACCRUED MARK-UP LIABILITY

	2006	2005
- on short term running finance facility	**34**	180
- on lease facilities	**234**	448
	268	628

16. TRADE AND OTHER PAYABLES

	Note	2006	2005
Trade credit liability		**44,828**	42,044
Accrued expenses		**57,402**	43,231
Advances from customers		**4,521**	4,633
Due to associated companies	*16.1*	**2,140**	3,266
Sales tax payable		**10,085**	1,690
Worker's Welfare Fund		**1,655**	1,154
Worker's Profit Participation Fund	*16.2*	**790**	442
Other liabilities		**5,199**	5,113
Unclaimed dividend		**177**	110
		126,797	101,683

16.1 The represents mark-up free unsecured amount payable to Wazir Ali Industries Limited a related party. Maximum amount due at the end of any month was Rs.2.164 million (2005 Rs.6.578 million).

16.2 WORKERS' PROFIT PARTICIPATION FUND

		2006	2005
		(Rupees in'000)	
Opening balance		**442**	69
Mark-up on Worker's Profit Participation Fund	*29*	**83**	3
Contribution during the year	*28*	**4,790**	3,442
Payments during the year		**(4,525)**	(3,072)
		790	442

17. PROVISION FOR TAXATION

The Income Tax returns of the Company have been submitted upto and including the tax year 2005, which is deemed to be assessed, under the Universal Self Assessment Scheme (Section 120) of the Income Tax Ordinance, 2001.

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2006	2005			
(Numbers of shares)				
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 2006, 848,462 (2005: 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)

Balance as on 1 July 2005	**66,343**	71,377
Transferred to retained earnings in respect of incremental depreciation charged during the year	**(2,945)**	(3,273)
Related deferred tax liability	**(1,587)**	(1,761)
	61,811	66,343
Less: Related deferred tax liability at beginning of the year	**15,860**	17,621
Relating to incremental depreciation	**(1,587)**	(1,761)
	14,273	15,860
Balance as on 30 June 2006	**47,538**	50,483

20. DEFERRED STAFF LIABILITIES

	Note	2006	2005
		(Rupees in '000)	
Staff gratuity	*20.1*	**26,609**	24,735
Staff retirement benefits	*20.2*	**17,166**	20,733
		43,775	45,468

20.1 Gratuity scheme

The Company operates an unfunded scheme to provide gratuity to the permanent employees on retirement and has made provisions on the basis of an actuarial advice.

The latest actuarial valuation was carried out as at 30 June 2006 under the Projected Unit Credit Method. Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level	- 10% per annum (2005: 10% per annum)
- Discount rate	- 10% per annum (2005: 10% per annum)

Movement in net liability recognised

	2006	2005
Opening net liability	**24,735**	19,799
Expense recognized	**4,161**	4,673
Liability of transferred employees	**-**	897
Benefits paid during the year	**(2,287)**	(634)
Closing net liability	**26,609**	24,735

Charge for defined benefit plan

	2006	2005
Current service cost	**1,505**	1,087
Interest cost	**2,474**	1,584
Actuarial losses recognized	**182**	2,002
	4,161	4,673

20.2 Staff retirement benefit scheme

The Company also operates an unfunded retirement benefit scheme for eligible employees on cessation of employment on the following grounds and has made provisions on the basis of actuarial advice:

- Death
- Retirement
- Early retirement or resignation

The latest actuarial valuation of the retirement benefit scheme was carried out as at 30 June 2006 under the Project Unit Credit Method. Principal actuarial assumptions used in the valuation of the scheme are as follows:

- Expected rate of increase in salary level	- 10% per annum (2005: 10% per annum)
- Discount rate	- 10% per annum (2005: 10% per annum)

Reconciliation of payable to the defend benefit plan		**2006**	2005
		(Rupees in '000)	
Present value of defined benefit obligation		**17,222**	20,733
Unrecognised past service cost		**(56)**	-
		17,166	20,733

Movement in net liability recognised

Opening net liability		**20,733**	18,513
Expense recognized		**4,968**	2,904
Benefits paid during the year	*20.2.1*	**(8,535)**	(684)
Closing net liability		**17,166**	20,733

Charge for defined benefit plan

Current service cost		**983**	881
Interest cost		**2,073**	1,481
Actuarial loss recognised		**575**	542
Settlement loss	*20.2.1*	**1,337**	-
		4,968	2,904

20.2.1 During the year, the Company amended the above retirement benefit scheme. This amendment included the provision of the fact that management employees who have not completed 30 years of services or who are not retiring at the age of 60 by the year ending 30 June 2011 may withdraw retirement benefits due to them up till 30 June 2006 (employees not falling in this criteria would continue under the scheme).

The management employees were given an additional benefit based on their length of service. This resulted in a settlement loss of Rs. 1.337 million. Accordingly based on the amendment, the Company had paid the opting employees their entitlement as of 30 June 2006 in accordance with their entitlement.

21. DEFERRED TAX LIABILITY

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

Taxable temporary difference			
Accelerated depreciation for tax purposes		**11,680**	8,671
Lease rentals		**10,405**	7,566
Surplus on revaluation of fixed assets		**15,860**	17,621
Reversal of deferred tax on revaluation of fixed assets	*30.1*	**(1,587)**	(1,761)
	19	**14,273**	15,860
Deductible temporary difference		**36,358**	32,097
Provision for gratuity and retirement benefits		**(15,321)**	(15,914)
Provision for slow moving stock and doubtful debts		**(3,043)**	(3,043)
		17,994	13,140

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006			2005		
	Minimum lease payment	**Financial charges for future periods**	**Present value**	Minimum lease payment	Financial charges for future periods	Present value
	(Rupees in '000)					
Not later than one year	20,575	846	19,729	19,640	1,027	18,613
Later than one year and not later than five years	1,632	135	1,497	22,395	2,443	19,952
	22,207	981	21,226	42,035	3,470	38,565

22.1 Present value of minimum lease payments has been discounted by using financing rates ranging from 7.5% to 12.95% per annum (2005: 6.75% to 17.04% per annum). Title to the assets acquired under the leasing arrangements are transferable to the Company on the adjustment of deposit (residual value) of Rs. 2.863 million (2005: Rs. 3.089 million) paid against these liabilities. Repair and insurance costs are to be borne by the Company.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating Rs. 7.28 million (2005: Rs.5.146 million).

23.2 Commitments

23.2.1 Commitments under letters of credit for the import of stock in trade items at 30 June 2006 amounted to Rs. 56.127 million (2005: Rs. 61.819 million).

23.2.2 Post dated cheques have been issued to Collector of Customs amounting to Rs. 21.422 million (2005: Nil)

24. NET SALES

	2006	2005
	(Rupees in '000)	
Gross sales	**1,135,250**	1,027,704
Sales tax	**(162,243)**	(133,223)
Trade promotion discount	**(60,278)**	(49,250)
Rebate & sales return	**(31)**	(42)
	(222,552)	(182,515)
	912,698	845,189

25. COST OF GOODS SOLD

	Note	2006	2005
Raw and packing material consumed	*25.1*	**502,741**	446,830
Stores & spares consumed		**6,027**	5,078
Salaries, wages & other benefits	*25.2*	**57,876**	54,712
Contribution to the provident fund		**1,169**	1,090
Repairs and maintenance		**3,449**	3,645
Excise duty		**-**	89,459
Fuel and power		**38,194**	33,718
Rent, rates and taxes		**342**	91
Insurance		**1,675**	1,893
Product research and development		**524**	63
Traveling and conveyance		**2,165**	1,863
Printing and stationery		**323**	289
Postage, telegrams and telephones		**572**	666
Legal charges		**28**	5
Professional fee		**70**	72
Entertainment		**37**	5
Subscription		**40**	35
Depreciation	*3.2*	**14,941**	13,161
Freight and handling material		**2,191**	3,112
Other expenses		**1,121**	757
		633,485	656,544
Opening stock of work-in-process		**18,180**	15,115
Closing stock of work-in-process		**(15,407)**	(18,180)
Cost of good manufactured		**636,258**	653,479
Opening stock of finished goods		**31,070**	51,792
Closing stock of finished goods		**(28,677)**	(31,070)
		638,651	674,201

25.1 Raw and packing material consumed

		2006	2005
		(Rupees in '000)	
Opening stock		**38,003**	27,374
Purchases		**499,534**	457,459
		537,537	484,833
Closing stock		**(34,796)**	(38,003)
		502,741	446,830

25.2 Salaries, wages and other benefits include Rs. 7.309 million (2005: Rs. 5.656 million) in respect of the accrual for defined benefit obligations of the Company.

26. SELLING AND DISTRIBUTION COST

Salaries, wages and other benefits	*26.1*	**21,793**	14,363
Fuel and power		**65**	5
Contribution to the provident fund		**455**	349
Repairs and maintenance		**673**	530
Rent, rates and taxes		**803**	196
Depreciation	*3.2*	**1,156**	746
Professional fee		**603**	455
Postage and telegram		**1,246**	734
Printing and stationery		**718**	472
Traveling and conveyance		**7,535**	5,339
Insurance		**1,628**	188
Advertising		**90,116**	44,214
Freight, distribution and handling		**22,031**	15,808
Product research and development		**1,729**	1,460
Trade mark written off		**-**	471
Common expenses charged by associated company		**235**	2,810
Other expenses		**954**	716
		151,740	88,856

26.1 These include Rs. 0.715 million (2005: Rs. 0.772 million) in respect of the accrual for defined benefit obligations of the Company.

27. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	*27.1*	**15,675**	11,279
Contribution to the provident fund		**432**	418
Fuel and power		**942**	618
Repairs and maintenance		**364**	656
Rent, rates and taxes		**2,080**	1,042
Depreciation	*3.2*	**3,000**	1,580
Legal charges		**205**	218
Professional fee		**1,800**	1,570
Charity and donation	*27.2*	**165**	10
Auditors' remuneration	*27.3*	**269**	245
Postage, telegrams and telephones		**941**	402
Printing and stationery		**410**	455
Traveling an conveyance		**1,227**	760
Computer expenses		**198**	135
Insurance		**955**	138
General advertisement		**296**	114
Trainings and seminars		**806**	738
Other expenses		**277**	561
		30,042	20,939

27.1 These include Rs. 1.105 million (2005: Rs. 1.149 million) in respect of the accrual for defined benefit obligations of the Company.

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

27.3 Auditors' remuneration

		2006	2005
		(Rupees in '000)	
Audit fee		**145**	125
Certification fee		**30**	30
Fee for half yearly review		**50**	50
Out of pocket expense		**44**	40
		269	245

28. OTHER INCOME - NET

Scrap sales		**3,183**	5,314
Return on investments		**2,834**	5,125
Mark-up on short term deposit		**603**	168
Gain on disposal of fixed assets		**277**	368
Dividend income		**183**	147
Gain on disposal of assets acquired on winding-up of subsidiary company		**-**	90
Insurance commission		**-**	84
(Loss) / gain on revaluation of investments		**(381)**	1,044
		6,699	12,340
Workers' Welfare Fund		**(1,504)**	(1,024)
Workers' Profit Participation Fund	*16.2*	**(4,790)**	(3,442)
		(6,294)	(4,466)
		405	7,874

29. FINANCIAL CHARGES

Running / demand finance		**166**	556
Mark-up on Worker's Profit Participation Fund	*16.2*	**83**	3
		249	559
Finance cost and front end fee on lease arrangements		**2,275**	3,866
Bank charges and commission		**634**	745
		2,909	4,611
		3,158	5,170

30. TAXATION

30.1 Details of tax charge for the year

Current			
- for the year		**26,326**	17,582
- for prior years		**(6)**	(101)
		26,320	17,481
Deferred			
- for the year		**6,442**	6,045
- Reversal relating to surplus on revaluation of fixed assets	*21*	**(1,587)**	(1,761)
		4,855	4,284
		31,175	21,765

30.2 Relationship between income tax expense and accounting profit

	2006	2005
	(Rupees in '000)	
Profit before tax	**89,512**	63,897
Tax at the applicable tax rate of 35% (2004: 35%)	**31,329**	22,364
Effect of lower tax rate on dividend income	**(55)**	(65)
Tax effect of expenses that are not allowable in determining the taxable income	**97**	328
Tax effect of (gain) / loss on revaluation of investments exempt / not allowable for tax purposes	**133**	(365)
Others	**(323)**	(396)
Prior year	**(6)**	(101)
Tax expense	**31,175**	21,765

31. BASIC AND DILUTED EARNINGS PER SHARE

	2006	2005
Net profit for the year	**58,337**	42,132
	(Number of shares)	
Weighted average number of ordinary shares	**4,000,000**	4,000,000
	(Rupees)	
Basic and diluted earnings per share	**14.58**	10.53

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

	Chief Executive		**Director**		**Executives**	
	2006	2005	**2006**	2005	**2006**	2005
	(Rupees in '000)		**(Rupees in '000)**		**(Rupees in '000)**	
Remuneration	**1,656**	1,440	**783**	681	**1,831**	596
Provident fund	**166**	144	**-**	-	**183**	60
Special pay	**782**	680	**-**	-	**1,231**	401
Housing and utilities	**947**	814	**474**	443	**824**	389
Medical	**166**	152	**84**	88	**42**	7
Incentive	**378**	203		-	**476**	127
Leave passage and other benefits	**-**	2		-	**-**	-
	4,095	3,435	**1,341**	1,212	**4,587**	1,580
No. of persons	**1**	1	**1**	1	**3**	1

32.1. Aggregate amount charged in these accounts for director's fee paid to one non-executive director was Rs. 0.015 million (2005: Rs 0.015 million).

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

33. PLANT CAPACITY AND PRODUCTION

Soap	2006	2005
	(Metric Tons)	
Assessed / rated	**10,500**	9,500
Actual production	**9,573**	8,319

In view of up-gradation and replacement of machinery, the Company re-assessed its production capacity which was found to be 1,000 Metric tons higher than the previously assessed capacity.

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements are not significantly different from their fair values.

35. LIQUIDITY RISK

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. To guard against the risk the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

36. PROFIT / MARK-UP RATE RISK EXPOSURE

Profit / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market profit / mark-up rates. Sensitivity to profit / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. 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 2006 and 30 June 2005, is as follows:

	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	Maturity over 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
Long term loans to employees		507	-	-	-	-	507
Long term deposits		3,655	-	-	-	-	3,655
Advances, deposits, prepayments and other receivables		1,621	-	-	-	-	1,621
Mark-up / profit accrued		1,610	-	-	-	-	1,610
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
Accrued mark-up liability		268	-	-	-	-	268
Long term deposits		450	-	-	-	-	450
		128,492	19,729	1,497	-	21,226	107,266
On balance sheet gap (a)		(16,268)	62,024	(1,497)	-	60,527	(76,795)
Off balance sheet items-financial commitments							
Outstanding letters of credit		56,127	-	-	-	-	56,127
Post dated cheques issued to Collector of Customs		21,422	-	-	-	-	21,422
		77,549	-	-	-	-	77,549

	Effective profit / mark-up rate %	Total	Exposed to profit / mark-up rate risk				Not exposed to profit / mark-up rate risk
		2005					
			Maturity upto one year	Maturity one to five years	Maturity over five years	Sub-total	
		------------------------------(Rupees in '000)------------------------------					
Financial assets							
Investments	6 -8	46,575	18,889	15,788	9,322	43,999	2,576
Trade debts		6,172	-	-	-	-	6,172
Long term loans to employees		791	-	-	-	-	791
Long term deposits		5,913	-	-	-	-	5,913
Advances, deposits, prepayments and other receivables		1,679	-	-	-	-	1,679
Mark-up / profit accrued		1,771	-	-	-	-	1,771
Cash and bank balances	2	23,731	7,362	-	-	7,362	16,369
		86,632	26,251	15,788	9,322	51,361	35,271
Financial liabilities							
Liabilities against assets subject to finance lease	6.75 - 17.04	38,565	18,613	19,952	-	38,565	-
Trade and other payables		93,764	-	-	-	-	93,764
Accrued mark-up liability		628	-	-	-	-	628
Long term deposits		475	-	-	-	-	475
		133,432	18,613	19,952	-	38,565	94,867
On balance sheet gap (a)		(46,800)	7,638	(4,164)	9,322	12,796	(59,596)
Off balance sheet items-financial commitments							
Outstanding letters of credit		61,819	-	-	-	-	61,819
Commitment for lease of land		13,500	-	-	-	-	13,500
Post dated cheques issued to Collector of Customs		13,500	-	-	-	-	13,500
		88,819	-	-	-	-	88,819

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

37. 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. 0.029 million (2005: Rs. 0.014 million) are exposed to credit risk. The Company believes that it is not exposed to any major concentration of credit risk as it has varied number of customers with small amount outstanding against each.

38. FOREIGN EXCHANGE RISK MANAGEMENT

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. 11.88 million (2005: Rs. 11.378 million) which are subject to currency risk exposure. Financial liabilities denominated in foreign currency are in U.S. Dollar.

39. TRANSACTION WITH RELATED PARTIES

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

		2006	2005
		(Rupees in '000)	
Associated Companies			
Sale of goods		**380**	811
Services rendered		**1,954**	6,580
Purchase of goods		**511**	19,454
Services received		**2,516**	6,676
Insurance premium paid		**2,679**	1,687
Insurance claims received		**334**	-
Profit commission received (on insurance policies)		**-**	84
Selling and distribution expenses shared		**235**	2,810
Dividend paid		**2,970**	2,121
Staff retirement contribution plan			
Contribution to employees' provident fund	*39.1*	**2,055**	1,858
Key management person			
Managerial remuneration, etc.	*39.2*	**533**	310
Directors and Chief Executive Officer			
Dividend paid		**5,880**	4,198

The details of balances with related parties are disclosed in notes 10.1, 12 and 16.1 to these financial statements.

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

39.2 This represents the remuneration to one staff only. The details of other transactions with key management personnel in accordance with their terms of employment are given in note 32.

40. ACCOUNTING ESTIMATES AND JUDGMENTS

Income taxes

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

Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in note 20 to these financial statements for the purposes of the valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect actuarial gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on recommendations and valuation performed by external professional valuer. Further, the Company reviews the value of the assets for possible impairment on an annual basis and also re-estimates the useful lives of these assets. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 14 September 2006 has proposed a cash dividend of Rs. 5.00 per share (2005: Rs. 3.5 per share). The proposed dividend will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2006 do not include the effect of the proposed dividend which will be accounted for in the financial statements for the year ending 30 June 2007.

42. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 14 September 2006.

43. GENERAL

Figures have been rounded off to nearest thousand rupees.

Syeda Feriel R. Ali	**Shahid Nazir Ahmed**
Chief Executive Officer	Director

PATTERN OF SHARE HOLDING AS OF 30 JUNE 2006

Number of shareholders	Share Holding		Total shares held	Percentage
	From	To		
922	1	100	15,607	0.3902
162	101	500	37,206	0.9302
23	501	1000	16,908	0.4227
24	1001	5000	62,989	1.5747
4	5001	10000	32,784	0.8196
5	10001	15000	56,457	1.4114
4	15001	20000	66,152	1.6538
1	20001	25000	22,944	0.5736
1	35001	40000	35,636	0.8909
1	45001	50000	50,000	1.2500
2	85001	90000	175,488	4.3872
2	95001	100000	200,000	5.0000
1	105001	110000	110,000	2.7500
1	130001	135000	130,122	3.2531
1	175001	180000	176,500	4.4125
1	195001	200000	198,340	4.9585
1	395001	400000	398,820	9.9705
2	515001	520000	1,039,891	25.9973
1	570001	575000	574,156	14.3539
1	595001	600000	600,000	15.0000
1160			**4,000,000**	**100.0000**

CATEGORIES OF SHAREHOLDERS - 30 JUNE 2006

	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Syeda Feriel R. Ali - Chief Executive	3	574,956	14.3739
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	8	477,448	11.9362
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)	1	519,891	12.9973
INVESTMENT CORPORATION OF PAKISTAN	1	81	0.0020
INSURANCE COMPANIES	2	22,778	0.5695
JOINT STOCK COMPANIES	12	189919	4.7480
INDIVIDUALS	1119	717,042	17.9261
OTHERS	1	165	0.0041
	1160	**4,000,000**	**100.0000**