ZIL LIMITED

(formerly Zulfeqar Industries Ltd.)

Annual Report 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

Contents




Annual Report
2009

Corporate Information

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman / Chief Executive Officer

Syed Tariq Ali
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Khurshid Hadi
Director

Mr. Omer Ehtisham
Director

Syed Maratib Ali
Director

Mr. Kemal Shoaib
Director (Nominee NIT)

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

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

Board Audit Committee

Mr. Kemal Shoaib
Chairman

Mr. Shahid Nazir Ahmed
Member

Mr. Omer Ehtisham
Member

Bankers

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

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

NOTICE IS HEREBY GIVEN that the Forty Ninth Annual General Meeting of ZIL Limited (formerly Zulfeqar Industries Limited) will be held on Tuesday, 27 October 2009 at 08:30 am. at The Royal Rodale, Plot No. Tc-V, 34th Street, Khayaban-e-Sehar, Phase-V Ext., DHA, Karachi, Pakistan to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on Friday, June 12, 2009.

2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended 30 June 2009 together with the directors` and auditors` report thereon.

3. To approve as recommended by directors a final cash dividend @ 40% i.e. Rs.4/- 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 2009-10 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.

By order of the Board
Naveed Ehtesham
Company Secretary

Karachi: September 10, 2009

NOTES:

1. The Share Transfer Books of the Company will remain closed from 21 October 2009 to 27 October 2009 (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.

Directors' Report

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

The Directors of the Company are pleased to present the financial results of the Company for the year ended 30 June 2009.

Overview

The year ending June 30th 2009 proved to be one the most challenging years in recent times as the difficulties faced by the global economy were also felt in Pakistan. Here the economy experienced one of the most difficult times as the continuing energy crisis severely affected industrial productivity while volatile commodity prices and law & order situation hampered economic activity. A GDP growth of 2 per cent could be achieved during the year while the manufacturing sector contracted by 3.3 per cent.

The Company overcame the odds & posted a healthy growth in terms of revenue as well as profitability. The premium brand is also showing strength & gaining market share while improving product mix of the Company.

Financial Review

The Company achieved gross sales of Rs 1.72 bn as against Rs 1.39 bn registering a growth of 24% over last year. Overall sales volumes however, have remained approximately the same even though the premium brand has gained volume as compared to last year.

The cost of sales remained under pressure and increased by 21% during the year due to the increase in commodity and oil prices coupled with the severe rupee devaluation and increases in cost of borrowing. Consequently a third upward price revision in 1st quarter of the year offset some of the pressure and marginally improved the gross profit to Rs.359mn. Furthermore in the 3rd and 4th quarter the global commodity prices started easing which allowed the company to pass on the benefit to its consumers by reducing the retail prices of some of the brand.

The increase in the selling and distribution expenses reflects an aggressive strategy that the Company adopted to defend its brands' position in the market. While the cost optimization measures were successful in keeping admin expenses in check and contributed to the profit after tax of the Company which increased to Rs 51 mn as compared to Rs 24 mn last year.

The liquidity position of the Company also improved as is evident from the current ratio of 1.59: 1.

Operating Results

The Company has earned an operating profit of Rs 87 mn during the year. Profit and loss for the year ended 30 June 2009 is as follows:

	2009	2008
	(Rupees in '000)	
Profit before taxation	**80,326**	36,879
Provision for taxation	**29,082**	12,829
Profit after taxation	**51,244**	24,050
Proposed- Final Dividend @ 40% (2008-10%)	**19,360**	4,400
- Bonus shares @ 10% (2008-@ 10%)	**4,840**	4,400
Un-appropriated profit	**233,263**	186,724

Earning per Share

Earning per share for the year is Rs 10.59 as compared to Rs 4.97 (re-stated) last year.

Dividend

The Directors are pleased to propose a final cash dividend of Rs. 4/- per share (40 %) on the face value of shares & 10% bonus shares i.e. 1 share for every 10 shares held.

Capital Structure

Shareholders' funds at the year end aggregated to Rs. 287.7mn (2009: Rs.236.7mn) with retained profits & excludes the effect of recommended dividend pay-out.

Information Technology Review

The Company has started live processing on all major ERP modules including the sales module which is now disseminating information on a real-time basis.

A plan is underway to implement long-term connectivity solutions to cater for the increasing infrastructure demands.

Marketing Review

The Year 2008-09 has been a year of drastic changes & challenges. The inflationary pressures as well as frequent changes in consumer prices posed a major challenge to the marketing strategy. Consumer buying pattern became unsettled uncertain during the period due to the uncertainty. In the turmoil the discounted segment grew as people found the rising prices hard to bear. While on the other hand it was also witnessed that consumers wanted value for money thus the premium segment didn't fall as was being anticipated duly reflected by the volumes of our flagship brand.

Lately, the rise in mushroom brands is on the increase as raw material prices fell in the last quarter of the year which will pose an added threat in the new financial year.

Human Resource

The focus has been to align HR strategy with the business strategy to get sustained results thus the thrust is to inculcate a Performance culture and talent management. To engage ZIL people to develop leadership skills, we will not only emphasize on results (What we do) but also our focus will be on our values and Core ZIL behaviors (How we do it).

As part of talent strategy, we identify improvement areas based on the competencies framework and develop our talent for future challenges through in-house and external trainers with modern tools & techniques.

Change of Company identity and logo

With a rich 55 year history we have been evolving and growing by improving our understanding of consumers' needs, wants and aspirations. We are still evolving and effective July 1st 2009 we are now known as ZIL Limited. Our logo signifies 2 colors each representing two worlds_ beauty and home care__ coming together to form the letter Z forming the world of ZIL Limited. With this new energy the company will serve its consumers with new innovative products which have been summarized in our company slogan "Making lives a little easier and more beautiful".

Gratuity and Provident Funds

The Company is operating a funded Provident Fund and 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 2008 is Rs. 65 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
Mr. Shahid Nazir Ahmed	Member
Mr. Omer Ehtisham	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 2009-10.

❑ 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 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. Feriel Ali Mehdi
Chairman / Chief Executive

Karachi: 10 September 2009

Statement of Compliance with the Code of Corporate Governance

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

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 of the Company at the time of their election on 01 July 2007 had 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 at the time of their election on 01 July 2007 had confirmed that they 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 A casual vacancy occurring in the Board on 29 December 2008 was filled up by the directors within one day thereof.

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 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, have been approved by the Board of Directors.

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 year, a notification was received for the purchase of shares in the Company by Chief Executive from another director of the Company, details of which was placed before the Board of director 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 involved 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 The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

21 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

Four meetings of the Board of Directors of the Company were held on September 16, 2008, October 29, 2008, February 26, 2009 and April 28, 2009. Following was the attendance of the directors:

Name of Directors	No. of Meetings attended	Leave of absence granted
Mrs. Feriel Ali Mehdi	3	1
Syed Yawar Ali	2	-
Syed Tariq Ali	0	4
Mr. Kemal Shoaib (Nominee NIT)	4	-
Mr. Shahid Nazir Ahmed	4	-
Mr. Khurshid Hadi	2	2
Mr. Omer Ehtisham	3	1
Mr. Amir Zia (Nominee Treet Corporation Ltd)	2	2
Syed Maratib Ali	1	1

On December 29, 2008 Syed Yawar Ali resigned from the Board of the Company and Syed Maratib Ali were appointed as Director in place of Syed Yawar Ali.

Outstanding Statutory Payments

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

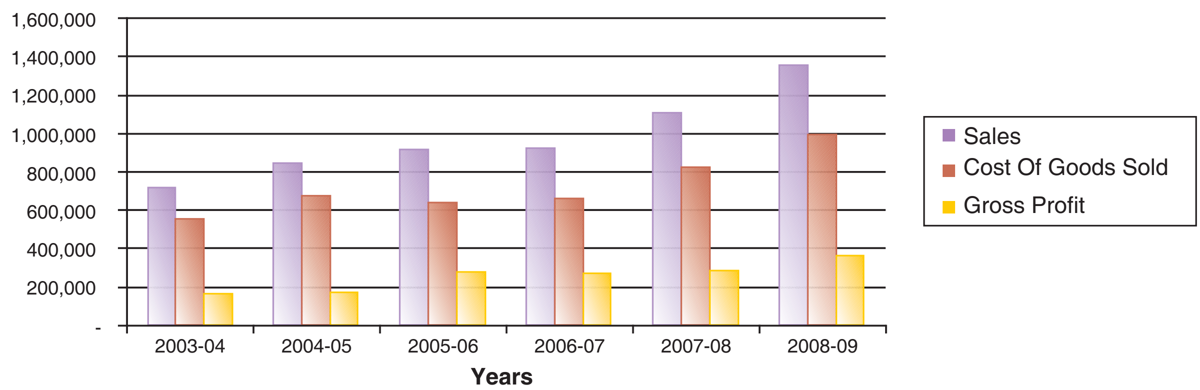
Key Operating & Financial Data

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

From 2002-03 to 2008-09
Rs. in (000)

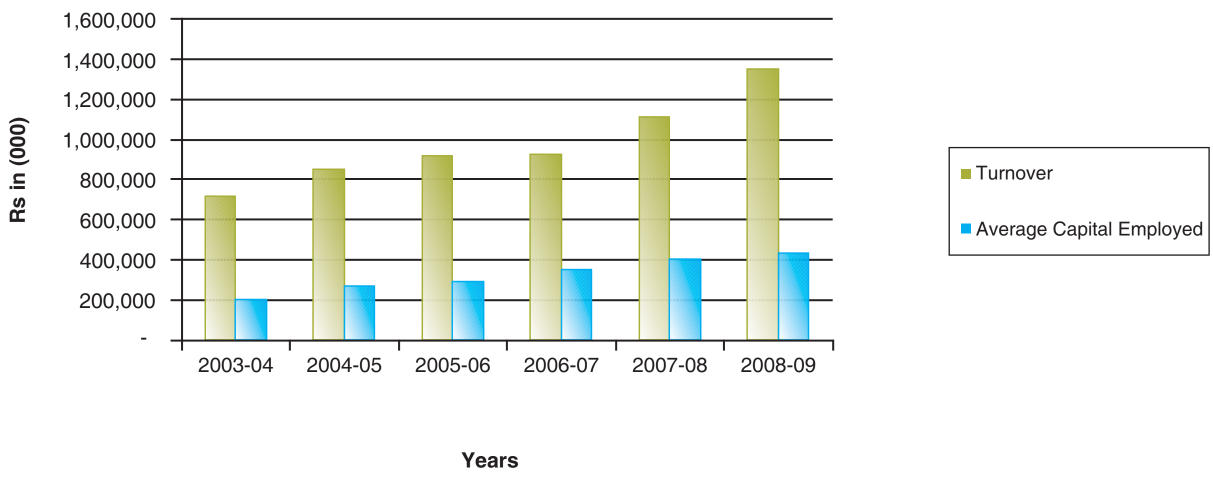
PERIODS	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net Sales Revenue	622,019	713,977	845,189	912,698	920,597	1,105,489	**1,350,144**
Cost Of Goods Sold	480,627	553,575	674,201	638,651	655,043	819,745	**990,889**
Gross Profit	141,392	160,402	170,988	274,047	265,554	285,744	**359,255**
Operating Profit & Loss	31,260	55,869	69,067	92,670	63,992	40,761	**87,008**
Profit/(Loss) Before Tax	33,530	53,571	63,897	89,512	62,122	36,879	**80,326**
Profit/(Loss) After Tax	21,548	34,767	42,132	58,337	40,619	24,050	**51,244**
Paid Up Capital	40,000	40,000	40,000	40,000	40,000	44,000	**48,400**
Current Assets	202,027	203,750	217,037	266,140	256,995	345,882	**433,764**
Current Liabilities	127,608	155,479	138,608	173,222	161,037	238,884	**273,440**

Comparative Sales. Cost of Sales and Gross Profit

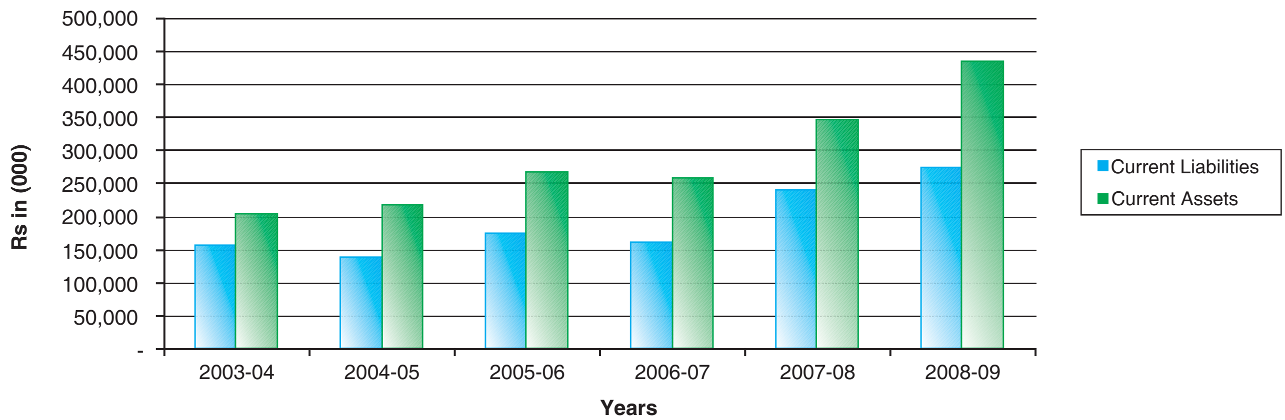


ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

Turnover And Average Capital Employed

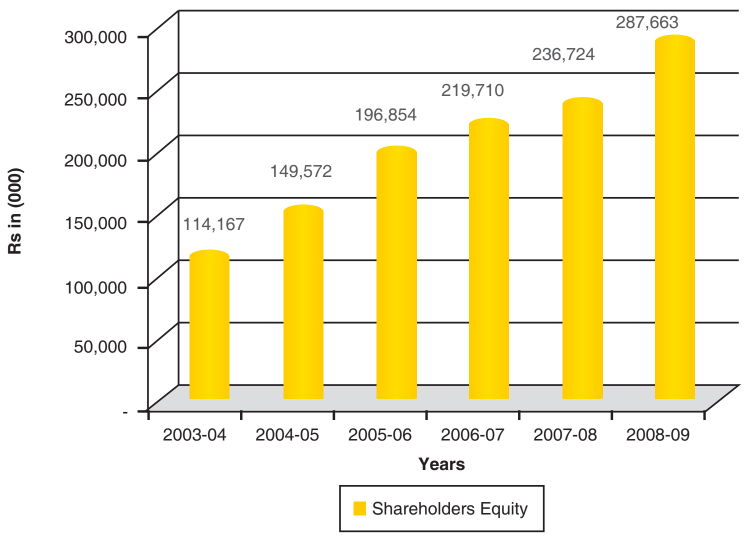


Current Ratio

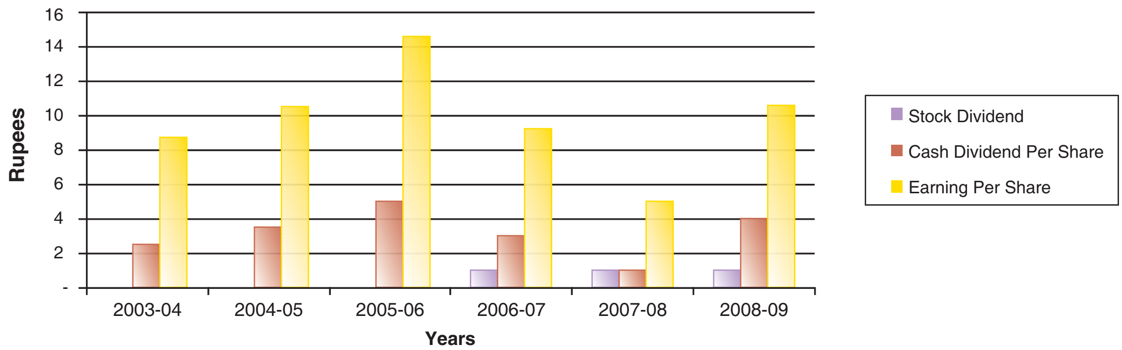


ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

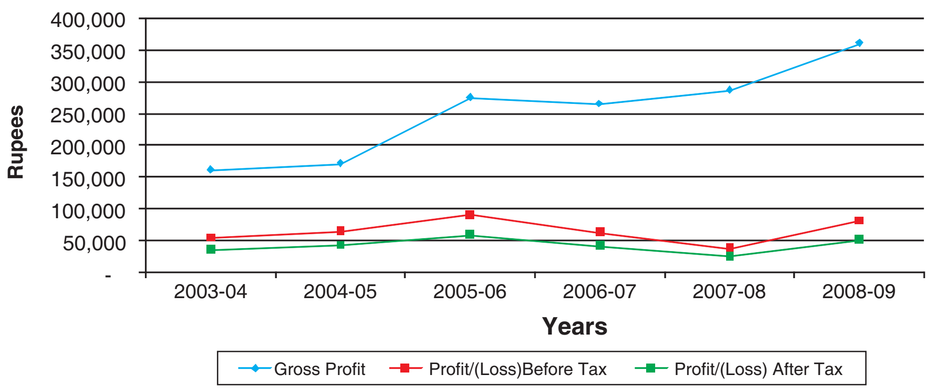
Shareholders Equity



Comparision of DPS and EPS



Gross Profit and Profit before and after tax



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 system 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.

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

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

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 ZIL Limited (formerly Zulfeqar Industries Limited) to comply with the Listing Regulations of Karachi and Lahore 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (xiii) of Listing Regulations No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Date: September 10, 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

We have audited the annexed balance sheet of **ZIL Limited (Formerly Zulfeqar Industries Limited)** ("the Company") as at 30 June 2009 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;

   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 2009 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: September 10, 2009

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet
As at 30 June 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

	Note	2009	2008
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipments	4	**267,995**	272,774
Intangible asset	5	**1,656**	2,187
Long term prepayment	6	**19,309**	19,729
Long term deposits	7	**3,830**	3,363
Long term loans to employees	8	**298**	277
Total non -current assets		**293,088**	298,330
CURRENT ASSETS			
Stores and spares	9	**6,906**	6,871
Stock-in-trade	10	**204,835**	258,767
Trade debts	11	**25,449**	10,633
Advances, prepayments and other receivables	12	**47,001**	35,450
Short term investments	13	**25,000**	-
Cash and bank balances	14	**124,573**	34,161
Total current assets		**433,764**	345,882
CURRENT LIABILITIES			
Trade and other payables	16	**227,303**	209,481
Taxation	17.3	**46,137**	29,403
Total current liabilities		**273,440**	238,884
NET CURRENT ASSETS		**160,324**	106,998
NET ASSETS		**453,412**	405,328
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2008: 5,000,000) ordinary shares of Rs. 10 each	18.1	**100,000**	50,000
Issued, subscribed and paid up capital	18.2	**48,400**	44,000
Reserves		**239,263**	192,724
		287,663	236,724
Surplus on revaluation of fixed assets- net of tax	19	**78,884**	82,979
NON-CURRENT LIABILITIES			
Long term deposits		**450**	450
Deferred staff liabilities	20	**56,271**	50,505
Deferred tax liability- net	21	**30,143**	34,670
Total non - current liabilities		**86,864**	85,625
		453,412	405,328
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes from 1 to 37 form an integral part of these financial statements.

Feriel Ali Mehdi	**Kemal Shoaib**
Chairman/Chief Executive	**Director**

Profit and Loss Account

For the year ended 30 June 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

	Note	2009	2008
		(Rupees in '000)	
Net sales	23	**1,350,144**	1,105,489
Cost of sales	24	**990,889**	819,745
Gross profit		**359,255**	285,744
Selling and distribution expenses	25	**223,607**	197,146
Administrative expenses	26	**38,897**	38,667
		262,504	235,813
		96,751	49,931
Other operating income	27	**6,751**	4,574
Other operating expenses	28	**16,494**	13,744
		87,008	40,761
Finance cost	29	**6,682**	3,882
Profit before taxation		**80,326**	36,879
Taxation	17.1	**29,082**	12,829
Profit for the year		**51,244**	24,050
		(Rupees in '000)	
			(Restated)
Earnings per share	30	**10.59**	4.97

The annexed notes from 1 to 37 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

Cash Flow Statement
For the year ended 30 June 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

	Note	2009	2008
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**80,326**	36,879
Adjustments for:			
Mark-up expense	29	**6,682**	3,882
Depreciation / amortisation	4.4	**26,653**	26,835
Provision for gratuity	20.3	**5,631**	4,072
Provision for staff retirement benefits	20.3	**2,177**	4,580
Loss on disposal of investments		**-**	89
Profit on bank deposits		**(1,200)**	(352)
Mark-up on short term investments		**(300)**	(713)
Dividend income		**-**	(129)
(Gain) / loss on disposal of fixed assets		**(1,553)**	(382)
		38,090	37,882
Operating profit before working capital changes		**118,416**	74,761
Decrease / (increase) in operating assets:			
Stores and spares		**(35)**	(991)
Stock-in-trade		**53,932**	(124,335)
Trade debts		**(14,816)**	(5,907)
Long term loans to employees		**(18)**	38
Long term advances and deposits		**(467)**	1
Advances, prepayments and other receivables		**(1,641)**	4,606
		36,955	(126,588)
Increase / (decrease) in operating liabilities:			
Trade and other payables		**19,357**	59,425
Cash generated from operations		**174,728**	7,598
Income tax paid		**(26,304)**	(15,376)
Gratuity paid	20.3	**(977)**	(4,950)
Retirement benefits paid	20.3	**(1,065)**	(4,771)
Profit received on investments		**917**	436
Profit received on short term deposits		**101**	713
Dividend received		**-**	178
Mark-up paid		**(8,270)**	(2,244)
		(35,598)	(26,014)
Net cash flows from operating activities		**139,130**	(18,416)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(23,258)**	(25,348)
Advance payment for computer software		**(157)**	-
Short term investments		**-**	28,255
Proceeds from disposal of fixed assets		**4,045**	2,543
Net cash flows from investing activities		**(19,370)**	5,450
CASH FLOWS FROM FINANCING ACTIVITIES - Dividend paid		**(4,348)**	(11,940)
Net increase/(decrease) in cash and cash equivalents		**115,412**	(24,906)
Cash and cash equivalents at beginning of the year		**34,161**	59,067
Cash and cash equivalents at end of the year		**149,573**	34,161
Cash and cash equivalent comprises:			
Cash and bank balances	14	**124,573**	34,161
Short term investments	13	**25,000**	-
		149,573	34,161

The annexed notes from 1 to 37 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

Statement of Changes in Equity
For the year ended 30 June 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

	Issued, subscribed and paid up capital	Revenue reserve: General reserve	Revenue reserve: Unappropriated profit	Total reserves	(Deficit) on revaluation of available-for-sale investment	Total
	----------------------------- (Rupees in '000) -----------------------------					
Balance as at 1 July 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 - incremental depreciation (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
Changes in equity for the year ended 30 June 2009						
Bonus shares issued for the year ended 30 June 2008	4,400	-	(4,400)	(4,400)	-	-
Final cash dividend paid for the year ended 30 June 2008	-	-	(4,400)	(4,400)	-	(4,400)
Profit for the year ended 30 June 2009	-	-	51,244	51,244	-	51,244
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognised directly in equity)	-	-	4,095	4,095	-	4,095
Total recognised income for the year	-	-	55,339	55,339	-	55,339
Balance as at 30 June 2009	**48,400**	**6,000**	**233,263**	**239,263**	**-**	**287,663**

The annexed notes from 1 to 37 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

1. STATUS AND NATURE OF BUSINESS

ZIL Limited [formerly 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. On 1st July 2009, the Company changed its name from Zulfeqar Industries Limited to ZIL Limited.

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 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, less accumulated depreciation and impairment, if any.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupee which is the Company's functional currency. All financial information presented in Pakistani rupee has been rounded to the nearest thousand.

2.4 Initial application of a standard or an interpretation

Following standards, amendments and interpretations became effective during the current year:

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not have any significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not have any effect on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not have any effect on the Company's financial statements.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation did not have any effect on Company's financial statements for the year ended 30 June 2009.

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

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

Revised IAS 1 - "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this standard is not likely to have an effect on the Company's financial statements.

IAS 27 - "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on the Company's financial statements.

IAS 27 - "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group losses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with gain or loss recognised in the profit or loss. The application of this standard is not likely to have an effect on the Company's financial statements.

Amendment to IAS 32 - "Financial Instruments: Presentation" and IAS 1 - "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) - Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendment is not likely to have an effect on the Company's financial statements.

Amendments to IAS 39 and IFRIC 9 - "Embedded derivatives" (effective for annual periods beginning on or after 1 January 2009): Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on the Company's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvement project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

Amendments to IAS 39 - "Financial Instruments: Recognition and measurement - Eligible hedged items" (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments are not likely to have an effect on the Company's financial statements.

IFRS 2 (Amendment) - "Share-based payment - Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendment is not likely to have an effect on the Company's financial statements.

Amendment to IFRS 2 - "Share-based Payment - Group Cash-settled Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010): Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendment resolves diversity in practice regarding attribution of cash-settled share-based payment transactions and requires an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements. The amendments are not likely to have an effect on the Company's financial statements.

Revised IFRS 3 - "Business Combinations" (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

IFRS 4 - "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires the entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Company's financial statements.

IFRS 5 (Amendment) - "Non-current assets held-for-sale and discontinued operations" (effective from 1 July 2009): The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The amendment is not likely to have an effect on the Company's financial statements.

Amendment to IFRS 7 - "Improving disclosures about Financial Instruments" (effective for annual periods beginning on or after 1 January 2009): These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. This amendment is not likely to have any effect on the Company's financial statements other than certain additional disclosure.

IFRS 8 - "Operating segments" (effective for annual periods beginning on or after 1 January 2009) introduces the management's approach to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Above IFRS is not likely to have any effect on the Company's financial statements.

IFRIC 15 - "Agreement for Construction of Real Estate" (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16 - "Hedge of Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

IFRIC 17 - "Distributions of Non-cash Assets to Owners" (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no effect on the Company's financial statements.

IFRIC 18 - "Transfers of Assets from Customers" (to be applied prospectively to transfers of assets from customers received on or after 1 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation is not relevant to the Company's operations.

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 20 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.

Trade and other debts

Impairment loss against doubtful trade and other debts is made on judgmental basis, for 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.

Stock in trade

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade with a corresponding affect on the profit and loss account of those 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

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

3.1 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 subsequent 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 deprecation and impairment losses, if any. Finance charge on lease obligations is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

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

ii) 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.

3.2 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.

3.3 Staff retirement benefits

a) Gratuity scheme - defined benefit plan

The Company operates an un-funded gratuity scheme for its eligible employees. The employees who have completed four years of services with the Company are eligible employees for this scheme. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 30 June 2009) 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 plan 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.

b) Retirement benefit scheme - defined benefit plan

In addition, the Company also operates an un-funded retirement benefit scheme for its eligible employees. The employees who were on Company's permanent payroll on or before 30 June 1999 and had completed ten years of services with the Company are eligible for benefits under this scheme. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 30 June 2009) 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 plan 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 its eligible employees. The Company and the employees make equal monthly contributions at ten percent of the basic salary.

3.4 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.

3.5 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

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.

The Company also recognises deferred tax liability on surplus on revaluation of fixed assets which is adjusted and the related surplus in accordance with the requirements of International Accounting Standard 12 'Income Taxes'.

3.6 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.

3.7 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost of raw materials, packing materials, work in process and finished goods is determined under average cost basis, except that in case of stock in transit, it is determined 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.

3.8 Investments

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

The Company currently has investment in the held to maturity category only.

These are investments with a fixed maturity where the Company has the positive intent and ability to hold to maturity. These 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.

3.9 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 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances (including term deposits) are subject to an insignificant risk of changes in value. Short term running finances that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.11 Revenue recognition

Revenue from sale of goods is measured at fair value of the consideration received or receivable. 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.

3.12 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.

3.13 Provisions

Provisions are 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.

3.14 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.

3.15 Financial assets

Financial assets include trade debts, other receivables, loans, advances and deposits. These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using effective interest rate method if applicable, less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The Company derecognises the financial assets when it ceases to be a party to the contractual provisions of such assets.

3.16 Financial liabilities

Financial liabilities include short-term borrowings, trade and other payables and mark-up accrued on bank borrowings. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest rate method, where applicable. The Company derecognises the financial liabilities when it ceases to be a party to the contractual provisions of such instruments.

3.17 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.

3.18 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.19 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 profit and loss account currently.

3.20 Dividend and appropriations

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

4. PROPERTY, PLANT AND EQUIPMENT - at cost less accumulated depreciation (tangible)

	Note	2009	2008
		(Rupees in '000)	
Operating assets	4.1	**255,653**	261,119
Capital work-in-progress	4.2	**12,342**	11,655
		267,995	272,774

4.1 Operating assets

30 June 2009

		COST			Rate	DEPRECIATION				Written down
		As at 1 July 2008	Addition/ (disposal)/	As at 30 June 2009	%	As at 1 July 2008	For the year	(Disposal)/	As at 30 June 2009	value as on 30 June 2009
Owned		-------------(Rupees in '000)-------------				------------------(Rupees in '000)------------------				
Freehold land	4.5	42,000	-	42,000	-	-	-	-	-	42,000
Building on freehold land	4.5	20,703	-	20,703	10	2,070	1,863	-	3,933	16,770
Leasehold improvements		3,068	-	3,068	10	622	245	-	867	2,201
Plant, machinery and equipment	4.5	197,352	8,592 (172)	205,772	10	32,563	17,097	(141)	49,519	156,253
Capital spares		8,162	817	8,979	10	1,465	700	-	2,165	6,814
Furniture and fixtures		11,055	170 (61)	11,164	10	2,976	806	(9)	3,773	7,391
Vehicles		29,208	12,188 (6,746)	34,650	20	12,738	4,072	(4,337)	12,473	22,177
Computers		5,748	804	6,552	30	3,743	762	-	4,505	2,047
		317,296	**22,571 (6,979)**	**332,888**		**56,177**	**25,545**	**(4,487)**	**77,235**	**255,653**

30 June 2008

	COST			Rate	DEPRECIATION				Written down
	As at 1 July 2007	Addition/ (disposal)/	As at 30 June 2008	%	As at 1 July 2007	For the year	(Disposal)/	As at 30 June 2008	value as on 30 June 2008
Owned	-------------(Rupees in '000)-------------				------------------(Rupees in '000)------------------				
Freehold land	42,000	-	42,000	-	-	-	-	-	42,000
Building on freehold land	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	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**

4.2 Capital work-in-progress

	2009	2008
	(Rupees in '000)	
Plant, machinery and equipments	**10,038**	9,875
Vehicle (advance payment)	**-**	1,775
Computers	**-**	5
Leasehold improvements	**2,304**	-
	12,342	11,655

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	Address
		------------------ (Rupees in '000) ------------------							
Furniture and fixtures									
Glass/Alum Front	2007	61	9	52	25	(27)	Scraped	Various	
Vehicles									
Suzuki Mehran	2008	380	94	286	390	104	Insurance claim	EFU General Insurance Limited	I. I. Chundrigar Road, Karachi
Suzuki Cultus	2005	602	333	269	269	-	Terms of employment	Mr. Imran Ata (employee)	Malir Cantt, Karachi
Suzuki Cultus	2004	641	403	238	238	-	Terms of employment	Mr. Tipu Shehzad (employee)	Block C , Latifabad, Hyderabad
Toyota Corolla	2003	889	665	224	656	432	Negotiation	M/s Pleasure Drive	151/L, P.E.C.H.S, Karachi
Suzuki Cultus	2004	609	407	202	202	-	Terms of employment	Mr. Ibrahim (employee)	H.No.1-262, Hyderabad
Suzuki Alto	2004	469	268	201	204	3	Terms of employment	Mr. Ata ur Rehman Sheikh (employee)	R-675/17, F.B Area, Karachi
Suzuki Mehran	2006	390	203	187	342	155	Negotiation	Shass Enterprises	DHA Phase II, Karachi
Suzuki Alto	2005	380	198	182	181	(1)	Terms of employment	Mr. Rana Shafique (ex - employee)	Vehari Road, Multan
Suzuki Alto	2004	377	198	179	179	-	Terms of employment	Mr. Fahim Wasiq (ex - employee)	Al noor society, F.B Area, Karachi
Suzuki Mehran	2004	392	231	161	161	-	Terms of employment	Mr. Wahid Ali (employee)	Satellite Town, Rawalpindi
Suzuki Mehran	2003	388	256	132	132	-	Terms of employment	Mr. Abdul Rehman (employee)	P-32, Satyana Road, Faisalabad
Suzuki Mehran	2001	354	292	62	181	119	Negotiation	Shass Enterprises	DHA Phase II, Karachi
Items of net book value below Rs. 50,000 each	Various	875	789	86	875	789	Negotiation	Various	
		6,746	4,337	2,409	4,010	1,601			
Plant, machinery and equipment									
Items of net book value below Rs. 50,000 each	1993	172	141	31	10	(21)	Scraped	Vendors	
		172	141	31	10	(21)			
2009		**6,979**	**4,487**	**2,492**	**4,045**	**1,553**			
2008		4,518	2,357	2,161	2,543	382			

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:

	Note	2009	2008
		(Rupees in '000)	
Depreciation for the year on property, plant and equipment	4.1	**25,545**	25,738
Amortisation of intangible asset for the year	5.1	**688**	677
Amortisation of long term prepayment	6	**420**	420
		26,653	26,835
Cost of sales	24	**19,721**	20,387
Selling and distribution expenses	25	**1,926**	1,642
Administrative expenses	26	**5,006**	4,806
		26,653	26,835

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 Iqbal 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**
	241,964

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 (Rupees in '000)	2003 - 04
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
	16,519	42,242	39,745

4.6 Had the freehold land, buildings and plant and machinery not been revalued, the total carrying values as at 30 June 2009 would have been as follows:

	(Rupees in '000)
Free hold land	**29**
Buildings on free hold land	**14,016**
Plant, machinery and equipment	**101,637**
	115,682

5. INTANGIBLE ASSET - Computer Softwares

	Note	2009	2008
		(Rupees in '000)	
Operating asset	5.1	**306**	994
Advance payment		**1,350**	1,193
		1,656	2,187

5.1 Operating asset

	2009	2008
Cost		
At 1 July	**2,293**	2,170
Additions	**-**	123
At 30 June	**2,293**	2,293
Amortization		
At 1 July	**1,299**	622
Charge for the year	**688**	677
At 30 June	**1,987**	1,299
Book value at 30 June	**306**	994

	Note	2009	2008
		(Rupees in '000)	

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.

	2009	2008
Total payment	**20,989**	20,989
Amortization		
- Opening balance	**1,260**	840
- For the year	**420**	420
	1,680	1,260
	19,309	19,729

7. LONG TERM DEPOSITS - considered good

	2009	2008
Deposits:		
- against letter of guarantee	**1,857**	1,538
- against trade deposits	**1,740**	1,691
- to Central Depository Company of Pakistan Limited	**12**	12
- others	**221**	122
	3,830	3,363

8. LONG TERM LOANS TO EMPLOYEES
Considered good - secured

	Note	2009	2008
Non-executive employees	8.1	**495**	477
Receivable within one year		**(197)**	(200)
		298	277

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 installments. This balance is secured against the employees provident fund balance.

9. STORES AND SPARES

	2009	2008
Stores	**7,740**	7,703
Spares	**666**	668
	8,406	8,371
Provision against slow moving stores and spares	**(1,500)**	(1,500)
	6,906	6,871

10. STOCK-IN-TRADE

	2009	2008
Raw material - in hand	**74,003**	80,259
- in transit	**64,922**	127,513
	138,925	207,772
Packing material	**11,915**	13,329
Work-in-process	**25,436**	27,126
Finished goods	**28,772**	12,783
	205,048	261,010
Provision against slow moving packing material	**(213)**	(2,243)
	204,835	258,767

	Note	2009	2008
		(Rupees in '000)	
11. TRADE DEBTS - unsecured			
Considered good	11.1	**25,449**	10,633
Considered doubtful		**4,952**	4,952
		30,401	15,585
Provision against impaired debts		**(4,952)**	(4,952)
		25,449	10,633

11.1 Trade debts include balance amounting to Rs. 0.402 million (2008: Rs. 0.139 million) due from Treet Corporation Limited (a related party).

12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
Advances - considered good:		
- to suppliers and contractors - net	**3,779**	2,057
- taxation	**41,835**	32,405
- to sales staff	**138**	68
Current maturity of loans to employees (refer note 8)	**197**	200
Mark-up / profit accrued on bank deposits / investments	**503**	20
Prepayments	**31**	344
Other receivables	**518**	356
	47,001	35,450

13. SHORT TERM INVESTMENTS

This represents investments in Musharaka Certificates classified as held to maturity carrying profit rates ranging from 11.00% to 11.50% per annum and will mature by September 2009.

14. CASH AND BANK BALANCES

	Note	2009	2008
Cash in hand		**51**	102
Cash at banks in - current accounts		**2,923**	11,098
- profit and loss sharing accounts	14.1	**51,599**	22,961
- term deposit receipts	14.2	**70,000**	-
		124,522	34,059
		124,573	34,161

14.1 These carry interest / mark-up rate ranging from 6.50% to 7.00% per annum (2008: 5.50 % to 6.50 % per annum).

14.2 These carry mark-up rate ranging from 11.00% to 12.50% per annum (2008: Nil) and will mature by July 2009.

15. UNUTILISED CREDIT FACILITIES

15.1 At 30 June 2009, unutilised facilities for running finance under mark-up arrangements available from certain banks aggregated to Rs. 254 million (2008: Rs. 264 million). The rate of mark-up on running facilities ranges between 1 month KIBOR + 1.25% per annum to 1 month KIBOR + 3% per annum (2008: 1 month KIBOR + 0.6% per annum to 1 month KIBOR + 3% per annum).

These are secured against stock-in-trade items, booked debts and plant and machinery of the Company and are valid up to 31 March 2010.

15.2 At 30 June 2009, unutilised letter of credit facilities from certain banks amounted to Rs. 259.141 million (2008: Rs. 485.961 million). These are secured against the import bills of the Company.

Total facilities sanctioned to the Company amounted to Rs. 330 million (2008: Rs. 551 million).

	Note	2009	2008
		(Rupees in '000)	
16. TRADE AND OTHER PAYABLES			
Trade credit liability		**108,897**	105,064
Accrued expenses		**80,569**	69,301
Advances from customers		**6,878**	14,519
Due to associated companies		**-**	1,477
Sales tax payable	16.1	**15,400**	8,159
Special excise duty payable	16.1	**1,107**	772
Worker's Welfare Fund		**2,609**	1,692
Worker's Profit Participation Fund	16.2	**4,328**	699
Accrued mark-up liability		**102**	1,689
Other liabilities		**7,022**	5,770
Dividend payable		**368**	69
Unclaimed dividend		**23**	270
		227,303	209,481

16.1 These amounts were subsequently paid by the Company.

16.2 Workers' Profit Participation Fund

	Note	2009	2008
Balance as on 1 July		**699**	3,285
Mark-up on Workers' Profit Participation Fund	29	**64**	97
Contribution during the year	28	**4,327**	1,999
Payments during the year		**(762)**	(4,682)
Balance as at 30 June		**4,328**	699

17. TAXATION

17.1 Details of tax charge for the year

	Note	2009	2008
Current			
- for the year		**32,602**	16,865
- for prior year		**1,007**	-
		33,609	16,865
Deferred	21	**(4,527)**	(4,036)
		29,082	12,829

17.2 Relationship between income tax expense and accounting profit

	2009	2008
Profit before tax	**80,326**	36,879
Tax at the applicable tax rate of 35% (2008: 35%)	**28,114**	12,923
Effect of lower tax rate on dividend income	**-**	(32)
Tax effect of expenses that are not allowable in determining the taxable income	**249**	232
Prior year	**1,007**	-
Others	**(288)**	(294)
Tax expense	**29,082**	12,829

17.3 The income tax returns of the Company have been finalised up to and including the financial year ended 30 June 2002, while returns for subsequent years up to the financial year ended 30 June 2008 have been filed and are deemed to be assessed (except for the financial year ended 30 June 2007 as discussed below), under the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities (for the financial years ended from 30 June 2004 onwards) .

Return for financial year ended 30 June 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order was passed in which certain disallowances were made by the taxation authorities (tax effect of which amounts to Rs. 2.8 million). The Company has filed an appeal against the subject order before the appellate commissioner of Income Tax which is still pending. The Company and its tax advisor is confident that the decision of the appellate authorities will be in the Company's favour.

18. SHARE CAPITAL

18.1 AUTHORIZED CAPITAL

The Company in its extra ordinary general meeting held on 12 June 2009 had resolved to increase its authorised capital from Rs. 50 million to Rs.100 million.

18.2 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009	2008
(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
1,240,000	800,000	Fully paid ordinary shares of Rs.10 each issued as bonus shares	**12,400**	8,000
4,840,000	4,400,000		**48,400**	44,000

At 30 June 2009, 869,191 (2008: 933,308) shares of the company were held by an associated company.

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

	2009	2008
Balance as on 1 July	**105,028**	112,028
Transferred to accumulated profit in respect of incremental depreciation charged during the year	**(4,095)**	(4,550)
Related deferred tax liability	**(2,205)**	(2,450)
	98,728	105,028
Less:		
Related deferred tax liability at beginning of the year	**22,049**	24,499
On incremental depreciation for the year	**(2,205)**	(2,450)
	19,844	22,049
Balance as on 30 June	**78,884**	82,979

20. DEFERRED STAFF LIABILITIES

20.1 Gratuity and staff retirement benefit schemes

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

- Death
- Retirement
- Early retirement or resignation

The latest actuarial valuations of the above retirement benefit schemes were carried out as at 30 June 2009 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	
	2009 %	2008 %	**2009 %**	2008 %
	-----------------------(Rupees in '000)-----------------------			
Valuation discount rate	**13**	12	**13**	12
Salary increase rate	**13**	12	**13**	12

20.2 Payable to defined benefit schemes

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2009	2008	**2009**	2008	**2009**	2008
	-----------------------(Rupees in '000)-----------------------					
Present value of defined benefit obligations	**35,832**	31,178	**20,462**	19,361	**56,294**	50,539
Unrecognised past service cost	**-**	-	**(23)**	(34)	**(23)**	(34)
Net payable recognised as at the year-end	**35,832**	31,178	**20,439**	19,327	**56,271**	50,505

20.3 Movement in balance payable

Opening balance	**31,178**	32,056	**19,327**	19,518	**50,505**	51,574
Expense recognised	**5,631**	4,072	**2,177**	4,580	**7,808**	8,652
Benefits paid	**(977)**	(4,950)	**(1,065)**	(4,771)	**(2,042)**	(9,721)
Closing balance	**35,832**	31,178	**20,439**	19,327	**56,271**	50,505

20.4 Reconciliation of the present value of the defined benefit obligations

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2009	2008	**2009**	2008	**2009**	2008
	-----------------------(Rupees in '000)-----------------------					
Present value of obligation as at July 01	**31,178**	32,056	**19,327**	19,518	**50,505**	51,574
Current service cost	**2,180**	2,206	**647**	707	**2,827**	2,913
Interest cost	**3,741**	3,206	**2,324**	1,956	**6,065**	5,162
Benefits paid	**(977)**	(4,950)	**(1,065)**	(4,771)	**(2,042)**	(9,721)
Past service cost - vested	**-**	-	**11**	11	**11**	11
Actuarial (gains) / losses	**(290)**	(1,340)	**(805)**	1,906	**(1,095)**	566
Present value of obligation as at 30 June	**35,832**	31,178	**20,439**	19,327	**56,271**	50,505

20.5 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	
	2009	2008	**2009**	2008	**2009**	2008
	-----(Rupees in '000)-----					
Current service cost	**2,180**	2,206	**647**	707	**2,827**	2,913
Interest cost	**3,741**	3,206	**2,324**	1,956	**6,065**	5,162
Net actuarial (gains)/ loss recognised	**(290)**	(1,340)	**(805)**	1,906	**(1,095)**	566
Recognised past service cost	**-**	-	**11**	11	**11**	11
	5,631	4,072	**2,177**	4,580	**7,808**	8,652

20.6 Expected accrual of expenses in respect of gratuity scheme and retirement benefit scheme in the next financial year on the advice of the actuary are as follows:

	(Rupees in '000)
Gratuity Scheme	**6,947**
Staff retirement benefits scheme	**3,311**

20.7 Historical information of obligation

	Gratuity Scheme				
	2009	2008	2007	2006	2005
	-----(Rupees in '000)-----				
Present value of obligation	**35,832**	31,178	32,056	26,609	24,735
Actuarial gains / (loss) on obligation	**290**	1,340	(556)	(182)	(2,002)

	Staff retirement benefits scheme				
	2009	2008	2007	2006	2005
	-----(Rupees in '000)-----				
Present value of obligation	**20,462**	19,361	19,563	17,222	20,733
Actuarial gains / (loss) on obligation	**805**	(1,906)	(603)	(575)	(542)

21. DEFERRED TAX LIABILITY -net

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

	Balance as at 1 July 2007	Recognized in Profit and loss	Balance at 30 June 2008	Recognized in Profit and loss	Balance at 30 June 2009
	-----(Rupees in '000)-----				
Taxable temporary difference					
-on accelerated tax depreciation	35,301	(1,960)	33,341	(1,014)	32,327
-on surplus on revaluation of fixed assets	24,499	(2,450)	22,049	(2,205)	19,844
Deductible temporary differences:					
-on provision for gratuity and retirement benefits	18,051	374	17,677	(2,018)	19,695
-on provision against slow moving stock and doubtful debts	3,043	-	3,043	710	2,333
Net deferred tax liability	**38,706**	**(4,036)**	**34,670**	**(4,527)**	**30,143**

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs. 7.02 million (2008: Rs. 7.02 million).

22.1.2 Post dated cheques of Rs. 23.118 million (2008: Rs. 49.067 million) have been issued to Collector of Customs against partial exemption of import levies.

22.2 Commitments

22.2.1 Commitments under letters of credit for the import of stock in trade items at 30 June 2009 amounted to Rs. 29.512 million (2008: Rs. 1.095 million).

22.2.2 Aggregate commitments for capital expenditure as at 30 June 2009 amounted to Rs. 2.626 million (2008: Rs. 1.001 million).

23. NET SALES

	Note	**2009**	2008
		(Rupees in '000)	
Gross sales		**1,720,526**	1,391,181
Sales tax		**(261,059)**	(199,552)
Trade promotion discount		**(94,579)**	(74,286)
Special excise duty		**(14,459)**	(11,809)
Rebate and sales return		**(285)**	(45)
		(370,382)	(285,692)
		1,350,144	1,105,489

24. COST OF SALES

	Note	**2009**	2008
Raw and packing material consumed	24.1	**850,223**	684,884
Stores and spares consumed		**4,917**	5,069
Salaries, wages and other benefits	24.2	**67,471**	67,760
Contribution to the provident fund		**1,418**	1,352
Repairs and maintenance		**1,325**	1,655
Fuel and power		**47,238**	36,227
Rent, rates and taxes		**382**	384
Insurance		**2,568**	2,171
Product research and development		**198**	641
Travelling and conveyance		**1,636**	1,797
Printing and stationery		**328**	372
Postage, telegrams and telephones		**410**	496
Legal charges		**36**	24
Professional fee		**104**	79
Entertainment		**168**	98
Subscription		**42**	33
Depreciation / amortisation	4.4	**19,721**	20,387
Freight and handling material		**3,896**	2,969
Other expenses		**3,107**	1,322
		1,005,188	827,720
Opening stock of work-in-process		**27,126**	18,503
Closing stock of work-in-process		**(25,436)**	(27,126)
Cost of good manufactured		**1,006,878**	819,097
Opening stock of finished goods		**12,783**	13,431
Closing stock of finished goods		**(28,772)**	(12,783)
		990,889	819,745

	Note	2009	2008
24.1 Raw and packing material consumed		**(Rupees in '000)**	
Opening stock		**91,345**	58,041
Purchases		**844,583**	718,188
		935,928	776,229
Closing stock		**(85,705)**	(91,345)
		850,223	684,884

24.2 Salaries, wages and other benefits include Rs. 5.890 million (2008: Rs. 7.262 million) in respect of the accrual for defined benefit obligations of the Company.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2009	2008
Salaries, wages and other benefits	25.1	**38,485**	36,781
Utilities		**206**	159
Contribution to the provident fund		**948**	878
Repairs and maintenance		**1,256**	1,123
Rent, rates and taxes		**1,068**	844
Depreciation / amortisation	4.4	**1,926**	1,642
Professional fee		**138**	278
Postage and telegram		**1,732**	1,849
Printing and stationery		**1,133**	1,220
Travelling and conveyance		**8,072**	8,770
Insurance		**2,886**	2,365
Advertising		**128,964**	109,284
Freight, distribution and handling		**32,273**	27,091
Product research and development		**3,990**	3,317
Other expenses		**530**	1,545
		223,607	197,146

25.1 These include Rs. 1.214 million (2008: Rs. 0.717 million) in respect of the accrual for defined benefit obligations of the Company.

26. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, wages and other benefits	26.1	**21,771**	21,429
Contribution to the provident fund		**669**	631
Fuel and power		**999**	1,151
Repairs and maintenance		**618**	808
Rent, rates and taxes		**1,951**	1,675
Depreciation / amortisation	4.4	**5,006**	4,806
Legal charges		**121**	75
Professional fee		**2,533**	2,277
Charity and donation	26.2	**145**	10
Auditors' remuneration	26.3	**395**	336
Postage, telegrams and telephones		**1,207**	1,537
Printing and stationery		**687**	803
Travelling and conveyance		**1,312**	1,471
Computer expenses		**56**	68
Insurance		**396**	413
General advertisement		**391**	332
Trainings and seminars		**170**	445
Directors' fee		**83**	120
Other expenses		**387**	280
		38,897	38,667

26.1 These include Rs. 0.704 million (2008: Rs. 0.673 million) in respect of the accrual for defined benefit obligations of the Company.

26.2 Charity and donation includes donation amounting Rs. 0.09 million (2008: nil) given to the Duke of Edinburgh's Award Pakistan (at ZVM Rangoonwala Community Centre, Dhoraji Colony, Karachi) in which Chief Executive (Mrs. Feriel Ali Mehdi) of the Company is a trustee.

26.3 Auditors' remuneration

	Note	2009	2008
		(Rupees in '000)	
Audit fee		**200**	170
Fee for half yearly review		**75**	50
Fee for the review of Code of Corporate Governance		**30**	30
Fee for other certifications		**30**	30
Out of pocket expenses		**60**	56
		395	336

27. OTHER OPERATING INCOME

	Note	2009	2008
Income / return on financial assets			
Profit on bank deposits		**1,200**	352
Loss on disposal of investments		**-**	(89)
Profit on short term investments		**300**	713
Dividend income		**-**	129
Income from non-financial assets			
Gain on disposal of fixed assets	4.3	**1,553**	382
Scrap sales - net		**3,435**	3,087
Insurance claim		**263**	-
		6,751	4,574

28. OTHER OPERATING EXPENSES

	Note	2009	2008
Workers' Welfare Fund		**1,899**	963
Workers' Profit Participation Fund	16.2	**4,327**	1,999
Foreign exchange loss		**10,268**	10,782
		16,494	13,744

29. FINANCE COST

	Note	2009	2008
Mark-up on:			
- Running / demand finance		**6,002**	3,363
- Worker's Profit Participation Fund	16.2	**64**	97
Bank charges and commission		**616**	422
		6,682	3,882

	Note	2009	2008
		(Rupees in '000)	
30. EARNINGS PER SHARE			
Profit for the year		**51,244**	24,050
		(Number of Shares)	
			(Restated)
Weighted average number of ordinary shares	18.2 & 30.1	**4,840,000**	4,840,000
		(Rupees)	
			(Restated)
Earnings per share	30.1	**10.59**	4.97

30.1 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.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Executives: Key Management Personnel		Executives: Others	
	2009	2008	**2009**	2008	**2009**	2008
	(Rupees in '000)					
Remuneration	**2,004**	2,004	**4,362**	3,834	**2,189**	-
Provident fund	**200**	200	**424**	362	**220**	-
Special pay	**947**	947	**2,933**	2,567	**1,471**	-
Housing and utilities	**1,136**	1,122	**2,398**	2,330	**1,444**	-
Medical	**200**	200	**208**	123	**124**	-
Incentive	**249**	249	**304**	305	**254**	-
Gratuity	**2,171**	2,004	**2,640**	3,569	**2,227**	
	6,907	6,726	**10,629**	13,090	**7,929**	-
Number of persons	**1**	1	**5**	5	**4**	-

The chief executive and certain executives of the Company are provided with free use of cars. The chief executive and certain executives are also provided with medical facilities in accordance with their entitlements.

31.2 Remuneration to non-executive directors

In addition to the above, aggregate amount charged in these financial statements for director's fee paid to non-executive directors was Rs. 0.083 million (2008: Rs. 0.12 million).

31.3 Key management personnel of the Company comprises of Chief Executive, non-executive directors and five executives.

32. FINANCIAL INSTRUMENTS

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

32.1 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. 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.

Credit risk of the Company arises principally from trade debts, loans and advances, trade deposits, bank balances, investment in musharaka certificates and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery (and also obtains security / advance payments, wherever considered necessary). Cash is held only with reputable banks with high quality credit worthiness. Investment in musharaka certificates has been made with a Modaraba having credit rating of AA+ .

The maximum exposure to credit risk at the reporting date is as follows:

	2009	2008
	(Rupees in '000)	
Long term deposits	**3,830**	3,363
Loans to employees	**495**	477
Trade debts	**25,449**	10,633
Other receivables	**1,218**	576
Investment in musharaka certificates (with a Modaraba - financial institution)	**25,000**	-
Bank balances	**124,522**	34,059
	180,514	49,108

All the above exposure relates to domestic customers / entities or individuals only.

The maximum exposure to credit risk of the above financial assets at the balance sheet date by type of customer / entity, etc is as follows:

Distributors / retailers	**23,628**	9,455
End-user customers	**1,821**	1,178
Non-Banking Financial Institution	**25,112**	-
Banks	**126,770**	35,617
Others	**3,183**	2,858
	180,514	49,108

As at the year end the Company's most significant trade debts customers included a distributor / retailer from whom Rs. 8.738 million was due (2008: Rs. 2.044 million) and an end-user from whom Rs. 1.557 million was due (2008: Rs. 0.873 million) as at 30 June 2009.

Impairment losses and past due balances

The age analysis of trade debts at the balance sheet date was as follows:

	2009		2008	
	Gross	**Impairment loss**	Gross	Impairment loss
	-----------------------(Rupees in '000)-----------------------			
Past due 1-60 days	**25,329**	**-**	10,993	360
Past due 61 days -1 year	**562**	**442**	99	99
More than one year	**4,510**	**4,510**	4,493	4,493
Total	**30,401**	**4,952**	15,585	4,952

None of the other financial assets are past due or impaired.

32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2009			
	Carrying amount	**Contractual cash flows**	**Six months or less**	**More than six months**
	-----------------------(Rupees in '000)-----------------------			
Non-Derivative Financial Liabilities				
Long term deposits	**450**	**450**	**-**	**450**
Trade and other payables	**196,981**	**196,981**	**196,981**	**-**
	197,431	**197,431**	**196,981**	**450**

	2008			
	Carrying amount	Contractual cash flows	Six months or less	More than six months
	-----------------------(Rupees in '000)-----------------------			
Non-Derivative Financial Liabilities				
Long term deposits	450	450	-	450
Trade and other payables	196,981	196,981	196,981	-
	197,431	197,431	196,981	450

ZIL LIMITED
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32.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and

liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

32.3.1 Currency risk

Foreign currency risk is the risk that the value of financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company is exposed to currency risk on trade credit liability that is denominated in a foreign currency (primarily U.S. Dollar). The Company's exposure to foreign currency risk is as follows:

	2009		2008	
	Rupees In '000	**US Dollars**	Rupees In '000	US Dollars
	-----------------------(Rupees in '000)-----------------------			
Trade credit liability	**70,859**	**871,574**	105,064	1,540,528
Gross balance sheet exposure	**70,859**	**871,574**	105,064	1,540,528
Estimated committed purchases as at the year end	**29,512**	**363,001**	1,095	16,056
Gross exposure	**100,371**	**1,234,576**	106,159	1,556,584

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtains forward cover against the net exposure.

The following significant exchange rates applied during the year:

	Average rates		**Balance sheet date rate**	
	2009	2008	**2009**	2008
	-----------------------(Rupees in '000)-----------------------			
Rupees/US Dollars	**79.730**	63.350	**81.300**	68.200

Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against US Dollar at 30 June would have increased / (decreased) equity and profit and loss account by Rs. 5.019 million (2008: Rs. 5.308 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2008.

32.3.2 Interest rate risk

	Carrying amount	
	2009	2008
	(Rupees in '000)	

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will1 fluctuate because of changes in market interest rates. Company's interest rate exposure arises on deposits with banks and investment in musharaka certificates. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument was as follows:

	2009	2008
Fixed rate instruments		
Financial assets	**95,000**	-
Variable rate instruments		
Financial assets	**51,599**	22,961

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and the equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would not have a material impact on equity and profit for the year ended 30 June 2009 and 30 June 2008.

32.4 Fair value of financial assets and liabilities

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. Consequently differences can arise between carrying values and the fair value estimates.

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

32.5 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 to the shareholders or issue bonus / new shares.

The Company is not subject to externally imposed capital requirements.

33. PLANT CAPACITY AND PRODUCTION

	2009	2008
Soap	**(Metric Tons)**	
Assessed / rated	**10,500**	10,500
Actual production	**8,157**	9,095

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

34. TRANSACTIONS WITH RELATED PARTIES

During the year, the Company had related party relationship with Treet Corporation Limited, Wazir Ali Industries Limited, International General Insurance Company of Pakistan Limited (associated undertakings), Employees Provident Fund, directors and key management personnel. Details of transactions with related parties, are as follows:

	Note	2009	2008
		(Rupees in '000)	
Associated Companies			
Sale of goods		**312**	516
Services rendered		**962**	829
Purchase of goods		**688**	1,429
Services received		**534**	2,545
Insurance premium paid		**-**	969
Dividend paid		**790**	3,394
Bonus shares issued		**790**	848
Other related parties			
Contribution to the employees' provident fund	34.1	**3,035**	2,861
Dividend payments to the Directors		**772**	6,640
Bonus shares issued to the Directors		**772**	1,660

Detail of balance with a related party is disclosed in note 11.1 to these financial statements.

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

34.2 Details of remuneration of key management personnel in accordance with their terms of employment, etc are given in note 31.

34.3 Other transactions with related parties are at agreed terms and dividend payment and bonus issues are at the rates approved by the shareholders.

35. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 10 September 2009 has proposed a cash dividend of Rs. 4 per share (2008: Re. 1 per share) amounting to Rs. 19.36 million (2008: Rs. 4.40 million) and bonus share issue in the proportion of 1 share for every 10 shares held amounting to 4.84 million (2008: Rs. 4.40 million) for approval by the members of the company in forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2009 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 2010.

36. RECLASSIFICATIONS

Following corresponding figures have been reclassified for better presentation.

	From	To	(Rupees in '000)
Advance payment	Property, plant and equipment	Intangible asset - Computer Softwares	1,193
Sales tax witheld by government entities	Other receivables	Trade and other payables	141

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on September 10, 2009.

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

Pattern of Shareholding
As of 30 June 2009

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

Number of shareholders	Share Holding From	To	Total shares held	Percentage
831	1	100	15,539	0.3211
186	101	500	42,240	0.8727
35	501	1000	24,073	0.4974
38	1001	5000	84,839	1.7529
8	5001	10000	55,075	1.1379
5	10001	15000	62,597	1.2933
1	15001	20000	19,005	0.3927
3	20001	25000	67,537	1.3954
2	25001	30000	55,321	1.1430
1	105001	110000	107,811	2.2275
1	115001	120000	118,000	2.4380
1	125001	130000	125,268	2.5882
1	135100	139015	139,015	2.8722
1	155001	160000	157,447	3.2530
1	205001	210000	209,165	4.3216
1	305001	310000	309,872	6.4023
1	315001	320000	319,194	6.5949
1	325001	330000	329,358	6.8049
1	415001	420000	420,000	8.6777
1	445001	450000	449,191	9.2808
1	465001	470000	467,335	9.6557
1	535001	540000	536,118	11.0768
1	725001	730000	726,000	15.0000
1123			**4,840,000**	**100.0000**

Categories of Shareholders
As of 30 June 2009

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Mrs. Feriel Ali Mehdi - Chairman / CEO	2	454,626	9.3931
Syed Tariq Ali - Director	9	389,853	8.0548
Mr. Shahid Nazir Ahmed - Director	1	605	0.0125
Mr. Khurshid Hadi - Director	1	605	0.0125
Mr. Omer Ehtisham - Director	1	605	0.0125
Syed Maratib Ali - Director	1	1,290	0.0267
ASSOCIATED COMPANY			
Treet Corporation Ltd	2	869,191	17.9585
N.B.P - TRUSTEE DEPTT. (NIT)	2	629,066	12.9972
BANK, FUNDS & INSURANCE COMPANY	6	217,720	4.4983
JOINT STOCK COMPANIES	12	257,467	5.3196
SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY			
Mrs. Fekhre Jehan Begum	1	536,118	11.0768
Syed Yawar Ali	4	744,081	15.3736
INDIVIDUALS	1080	738,574	15.2595
OTHERS	1	199	0.0041
	1123	4,840,000	100.0000

Abstract

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

September 10, 2009

To All Shareholders

Remuneration of Chief Executive Officer

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

The remuneration of Mrs. Feriel Ali Mehdi Chief Executive Officer, would be Rs. 4,890,927/- with effect from 1st July 2009 to 30th June 2010 with the provision of Company Maintained Car, Tel / Cell Phone, Hospitalization, Provident Fund, Gratuity, Leave, Incentives and other benefits incidental or relating to her office in accordance with Company's rules for the time being in force and enforced from time to time and appointment letter.

Breakup (Annually):

Basic	2,298,732
Housing	1,034,424
Utilities	229,872
Special Pay	1,098,027
Medical	229,872
Total Gross	**4,890,927**

Naveed Ehtesham
Company Secretary

Form of Proxy

ZIL LIMITED
(formerly Zulfeqar Industries Ltd.)

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

I/We...

of............................being a member of ZIL Limited and holding.......................... ordinary shares as per Share Register Folio No. and / or CDC Participant I.D. No.......................... and Sub-Account No.........................hereby appoint... of ....or failing him...of ....as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Tuesday, 27 October 2009 at 08:30 Am. at The Royal Rodale, Plot No. Tc-V, 34th Street, Khayaban-e-Sehar, Phase-V Ext., DHA, Karachi, Pakistan and at any adjournment thereof.

Signed this ....day of October 2009

Witnesses:

1. Signature: ____________
   Name: ____________
   Address: ____________

CNIC or Passport No. ☐☐☐☐☐-☐☐☐☐☐☐☐-☐

2. Signature: ____________
   Name: ____________
   Address: ____________

CNIC or Passport No. ☐☐☐☐☐-☐☐☐☐☐☐☐-☐

Signature on Rupees Five Revenue Stamp

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

Signature of Proxy

Notes:

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

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

ZIL
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