ZIL LIMITED

Annual Report 2010

Contents

Corporate Information

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman / Chief Executive Officer

Syed Yawar Ali
Director

Mr. Mujahid Hamid
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Zafar Ahmed Siddiqui
Director

Mr. Omer Ehtisham
Director

Mr. Kemal Shoaib
Director (Nominee NIT)

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

Company Secretary & Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

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
Bank Al-Habib Limited

Shares Registrars

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

ZIL LIMITED

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of ZIL Limited will be held on Friday, October 22, 2010 at 09:00 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 Monday, June 28, 2010.

2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended June 30, 2010 together with the directors' and auditors` report thereon.

3. To approve as recommended by the board of directors a final cash dividend @ **35%** i.e. **Rs. 3.50** per share for the year ended June 30, 2010.

4. To appoint Auditors of the company and fix their remuneration for the financial year 2010-11. The Directors have recommended to appoint KPMG Taseer Hadi & Co. Chartered Accountants who being eligible offer themselves for re-appointment.

By order of the Board

Ata-ur-Rehman Sheikh
Company Secretary

Karachi: September 24, 2010

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 16, 2010 to October 22, 2010 (both days inclusive).

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

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

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

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

Directors' Report

The Directors of the Company are pleased to present the financial results of the Company for the year ended 30 June 2010.

Election of Directors

An Extra-Ordinary General Meeting of the Company was held on 28 June 2010 and the following persons were elected as Directors of the Company for a three-year term commencing from 01 July 2010:

- Mrs. Feriel Ali Mehdi
- Mr. Mujahid Hamid
- Mr. Shahid Nazir Ahmed
- Mr. Kemal Shoaib - Nominee NIT
- Mr. Zafar Ahmed Siddiqui
- Mr. Omer Ehtisham
- Mr. Syed Maratib Ali
- Mr. Amir Zia- Nominee Treet Corporation Limited

Mr. Mujahid Hamid was elected new member of the Board of Directors. He has rich experience of over 30 years in leading FMCG companies, 23 of these with Unilever, culminating in the position of Chairman, Unilever HPC China.

The board would like to put on record the valuable contribution of the outgoing member Syed Tariq Ali as one of the long serving members of the board.

Following the election of the board, Mrs. Feriel Ali Mehdi was appointed Chairman and Chief Executive Officer of the company by the board of directors for the three-year period commencing from 01 July 2010.

Casual vacancy on the Board of Directors

In August 2010 Syed Maratib Ali resigned from the board, consequently, Syed Yawar Ali has been appointed Director.

Company Overview

The profit after tax of the Company has declined to Rs 31.086M as compared to Rs 51.244M last year mainly due to reduced consumer prices in 2009-10 as compared to 2008-09. A decrease of around 7.5% in sales volumes because of discontinuation of detergent business also contributed to the fact.

The business environment remained tough because of deteriorating law & order situation through out the country. The cost of doing business also increased because of severe shortages in the energy sector and inflation.

Raw material prices that saw an unprecedented dip in end of 2008-09 recovered in 2009-10 thus increasing company's import for the 12-month period.

Packaging costs experienced steep rise due to import restrictions in the paper and card board industry.

Financial Review

The Company achieved net sales revenue of Rs 1.29 bn as against Rs 1.35 bn last year. The decline was mainly due to reduced consumer prices in 2009-10 as compared to same period last year.

The cost of sales remained at 74% of net sales whereas gross profit touched 26% approx. The company also provided for the slow moving and obsolete stocks based on expected net realizable value in relation to its discontinued products and sizes.

The selling and distribution expenses increased by 9% mainly due to increase in advertising which was on the higher side because of 40th year celebrations of Capri in October 2009. The company introduced limited edition soap with pomegranate, elegant perfume and unique packaging in the Capri line-up to mark the occasion.

Effective and efficient fund management resulted in a remarkable decrease of around 90% in financial expenses, which remained at 0.7 million in 2009-10 as compared to 6.6 million in 2008-09.

Administrative expenses increased to 50M due to strategic changes that the company initiated this year with the induction of a whole time Director in the senior management.

Profit after tax of the company was 31.086million in 2009-10 as compared to 51.244million in 2008-09.

The liquidity position of the Company is sound as is evident from the current ratio of 1.63 : 1.

Operating Results

The Company has earned an operating profit of Rs 48.926M during the period under review. Profit and loss for the year ended 30 June 2010 is as follows:

	2010	2009
	(Rupees in '000)	
Profit before taxation	48,230	80,326
Provision for taxation	17,144	29,082
Profit after taxation	31,086	51,244
Un-appropriated profit	243,854	233,263

Earning per Share

Earning per share for the year under review is Rs 5.84 as compared to Rs 9.63 (restated) last year.

Dividend

The Directors are pleased to propose a final cash dividend of **Rs. 3.50** per share **(35%)** on the face value of shares.

Capital Structure

Shareholders' equity at the year end aggregated to Rs. 303.1M (2009: Rs. 287.7M). The increase is mainly due to retained profits & excludes the effect of recommended payment of dividend.

Information Technology Review

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

The ERP system being implemented in the Company is running parallel with the conventional system for most of the essential functions.

An agreement has been signed with a renowned vendor for the purchase and implementation of secondary sales software system. It's currently being implemented at a pilot site in Karachi. In the subsequent year it will be deployed in all area headquarter towns of the country. The system will assist enormously in secondary sales monitoring & control and checking of distributors' stock position.

Marketing Review

The year 2009-2010 has been a year of intense challenges and competition from both the macro and micro economic environment. Consumer buying pattern has been affected due to inflationary pressure and the deteriorating law and order situation. Though the buying pattern is showing an inclination towards value of money, demand is still strong for brands with clear propositions. Year 2009-10 was the fortieth year anniversary for our main brand Capri for which a limited edition was launched. It received a very good response from the consumers.

The challenges are expected to continue in the coming year, worsened by the recent unprecedented floods, the worst catastrophe Pakistan has faced since its existence. It has affected the country socially, politically and economically and has altered the thinking of Pakistani consumers.

Supply Chain

We have effectively focused on "supplier to customer efficiencies" that improved net operating cycle by 30% (from 75days to 58days). The raw material prices have gone up by 20% over the last year and the packaging cost has also increased by 25%.

Logistic cost has been maintained at less than 1.5% of gross sales value by utilizing maximum container capacities though the fuel (diesel) prices have increased significantly.

Human Resource

Our people are vital foundation for our growth strategy that is why we embarked on Change management in 2009-10. We believe in building our people's capacity by empowering them and giving them opportunity to deliver their best.

Some structural changes have been implanted to clear roles and responsibilities across the company, which will lead to improving the way we communicate and work with each other. This revolutionary change will bring improvements in leadership skills, communication, performance evaluation and most importantly better decision-making.

Future Outlook

Catastrophic and unprecedented floods hit Pakistan in August, displacing millions of people. ZIL's employees have already contributed one day's salary, towards the flood relief, matched equally by the company. Needless to say it will take the next few years to rehabilitate the victims.

Conscious of its role as a good corporate citizen the company has decided to contribute on a longer term basis and will engage itself with a reputable relief organization that will work towards rehabilitation and welfare, particularly of women.

The floods' economic impact is still being evaluated and will undoubtedly put more pressure on an already weak economy.

The company is cognizant of the precarious situation and is working towards maintaining its market position by focusing on reducing costs, and increasing consumer understanding that will ensure competitiveness.

Gratuity and Provident Fund

The Company is operating a funded Provident Fund and an approved Gratuity Scheme. The provident fund has been appropriately invested in the allowed securities and is audited annually by independent auditors. The value of investments of Provident Fund for the year ended 30 June 2010 is Rs. 76M.

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 2010-11.

❑ The following information is attached with this report:

- Statement in compliance of the Code of Corporate Governance
- Directors' statement
- Meetings of the Board of Directors
- Outstanding Statutory Payments
- Key operating and financial results for last seven years.
- Pattern of Shareholding

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
Chief Executive Officer

Karachi: September 24, 2010

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.
The Company has applied the principles contained in the Code in the following manner:

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 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 / appointment 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 February 11, 2010 was filled up by the director 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 The Board has approved the appointment of CFO / Company Secretary of the Company, including his remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of Internal Auditor during the year.

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

12 The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.

13 The directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding. During the year, notifications were received for the gift of shares of the Company by Chief Executive and from another director to sell the shares of the Company, details of which was placed before the Board of Directors 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 10, 2009, October 16, 2009, February 22, 2010 and April 27, 2010. Following was the attendance of the directors:

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

On February 11, 2010 Mr. Khurshid Hadi resigned from the Board of the Company and Mr. Zafar Ahmed Siddiqui was appointed as Director in place of Mr. Khurshid Hadi.

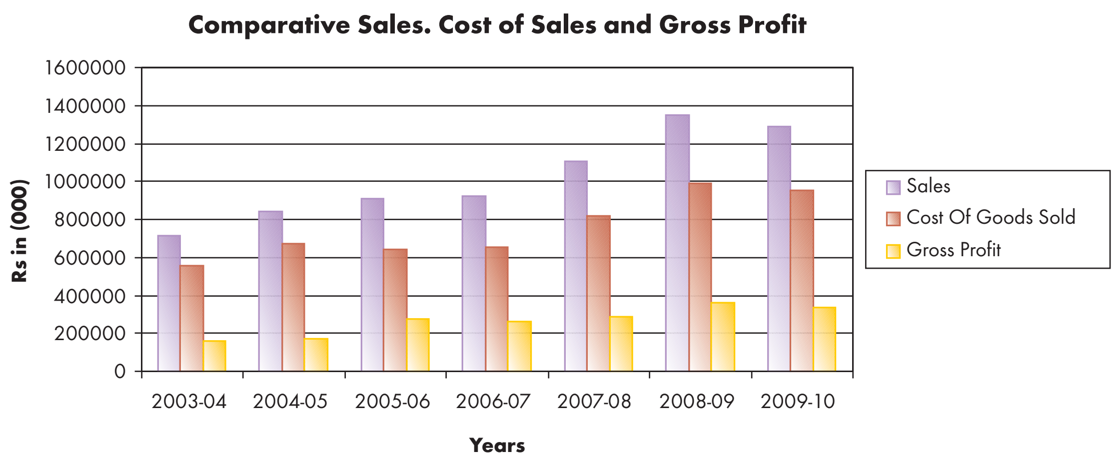
Outstanding Statutory Payments

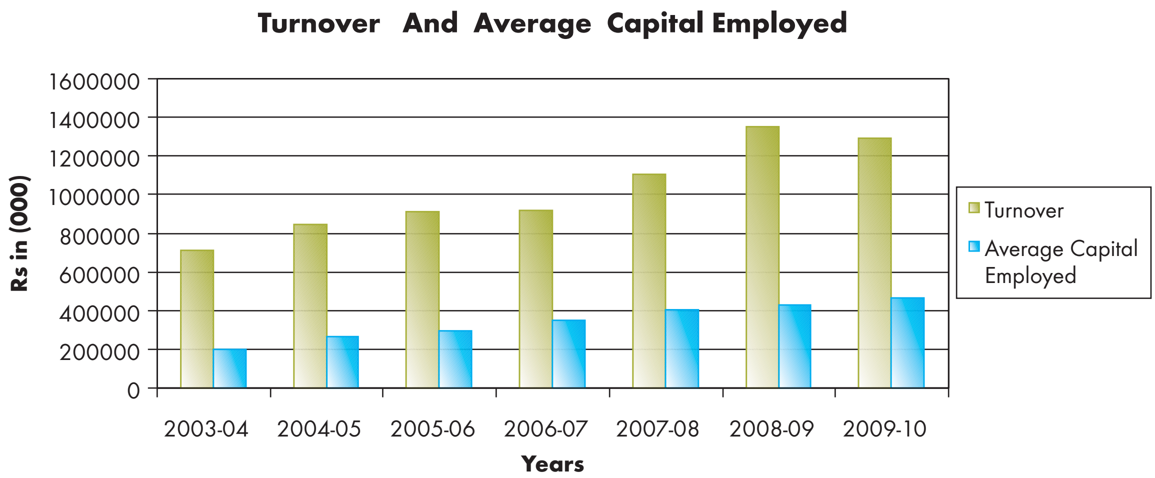
There are no outstanding statutory payments on account of taxes, duties, levies and charges except of a normal and routine nature.

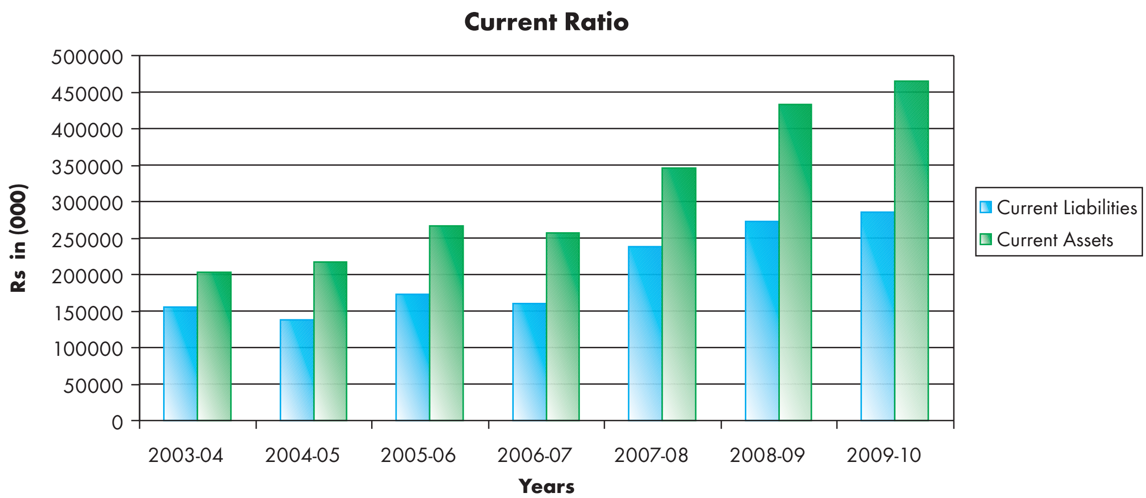
Key Operating & Financial Data

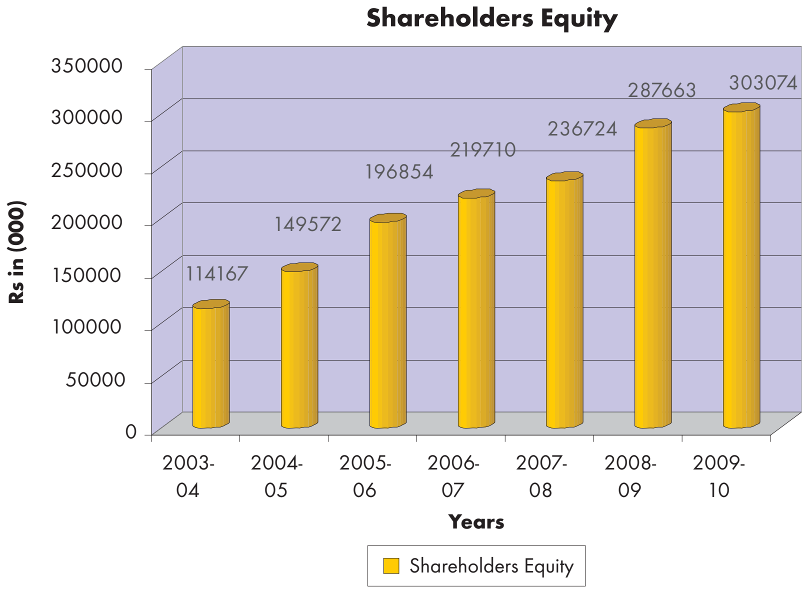
From 2003-04 to 2009-10
Rs. in (000)

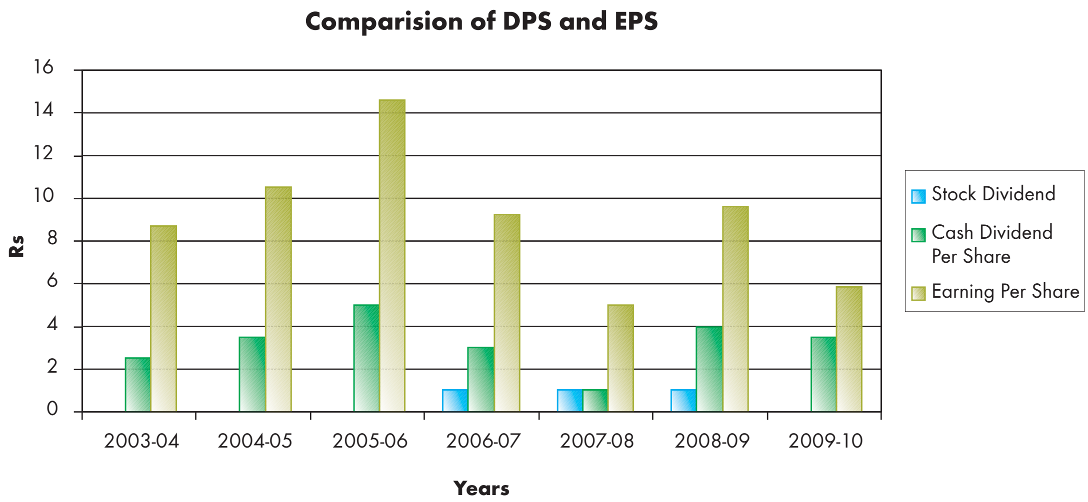
PERIODS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010
Net Sales Revenue	713,977	845,189	912,698	920,597	1,105,489	1,350,144	1,289,891
Cost Of Goods Sold	553,575	674,201	638,651	655,043	819,745	990,889	951,249
Gross Profit	160,402	170,988	274,047	265,554	285,744	359,255	338,642
Operating Profit & Loss	55,869	69,067	92,670	63,992	40,761	87,008	48,926
Profit/(Loss) Before Tax	53,571	63,897	89,512	62,122	36,879	80,326	48,230
Profit/(Loss) After Tax	34,767	42,132	58,337	40,619	24,050	51,244	31,086
Paid Up Capital	40,000	40,000	40,000	40,000	44,000	48,400	53,240
Current Assets	203,750	217,037	266,140	256,995	345,882	433,764	465,717
Current Liabilities	155,479	138,608	173,222	161,037	238,884	273,440	286,115




Turnover And Average Capital Employed
1600000
1400000
1200000
1000000
800000
600000
400000
200000
0
Rs in (000)
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
Years
Turnover
Average Capital Employed


Current Ratio
500000
450000
400000
350000
300000
250000
200000
150000
100000
50000
0
Rs in (000)
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
Years
Current Liabilities
Current Assets


Shareholders Equity
350000
300000
250000
200000
150000
100000
50000
0
Rs in (000)
114167
149572
196854
219710
236724
287663
303074
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
Years
Shareholders Equity


Comparision of DPS and EPS
16
14
12
10
8
6
4
2
0
Rs
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
Years
Stock Dividend
Cash Dividend Per Share
Earning Per Share

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

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 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-a) of Listing Regulations 35 notified by the stock exchanges in Pakistan requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions 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 as applicable to the Company for the year ended 30 June 2010.

Date: September 24, 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **ZIL Limited** ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 2.5 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows 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 2010 and of the profit, total comprehensive income, 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 24, 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

ZIL LIMITED

Balance Sheet
As at 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipments	4	**271,901**	267,995
Intangible asset	5	**1,423**	1,656
Long term prepayment	6	**19,384**	19,309
Long term deposits	7	**3,939**	3,830
Long term loans to employees	8	**296**	298
Total non-current assets		**296,943**	293,088
CURRENT ASSETS			
Stores and spares - net	9	**7,862**	6,906
Stock-in-trade - net	10	**282,281**	204,835
Trade debts - net	11	**21,280**	25,449
Advances, prepayments and other receivables	12	**46,048**	47,001
Short term investments	13	**5,000**	25,000
Cash and bank balances	14	**103,246**	124,573
Total current assets		**465,717**	433,764
CURRENT LIABILITIES			
Trade and other payables	16	**249,700**	227,303
Taxation	17.3	**36,415**	46,137
Total current liabilities		**286,115**	273,440
NET CURRENT ASSETS		**179,602**	160,324
NET ASSETS		**476,545**	453,412
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2009: 10,000,000) ordinary shares of Rs. 10 each		**100,000**	100,000
Issued, subscribed and paid up capital	18	**53,240**	48,400
Reserves		**249,834**	239,263
		303,074	287,663
Surplus on revaluation of fixed assets - net of tax	19	**83,307**	78,884
NON-CURRENT LIABILITIES			
Long term deposits		**450**	450
Deferred staff liabilities	20	**60,967**	56,271
Deferred tax liability - net	21	**28,747**	30,144
Total non-current liabilities		**90,164**	86,865
		476,545	453,412
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 2010

	Note	2010	2009
		(Rupees in '000)	
Net sales	23	**1,289,891**	1,350,144
Cost of sales	24	**951,249**	990,889
Gross profit		**338,642**	359,255
Selling and distribution expenses	25	**243,349**	223,607
Administrative expenses	26	**49,554**	38,897
		292,903	262,504
		45,739	96,751
Other operating income	27	**12,973**	6,751
Other operating expenses	28	**9,786**	16,494
		48,926	87,008
Financial expenses	29	**696**	6,682
Profit before taxation		**48,230**	80,326
Taxation	17.1	**17,144**	29,082
Profit for the year		**31,086**	51,244
		(Rupees)	
			(Restated)
Earnings per share	30	**5.84**	9.63

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 Comprehensive Income
For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Profit for the year		**31,086**	51,244
Other comprehensive income		-	-
Total comprehensive income for the year		**31,086**	51,244

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

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

ZIL LIMITED

Statement of Cash Flows
For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**48,230**	80,326
Adjustments for:			
Mark-up expense	29	**696**	6,682
Depreciation / amortisation	4.4	**26,310**	26,653
Provision for gratuity	20.3	**7,304**	5,631
Provision for staff retirement benefits	20.3	**2,491**	2,177
Provision for doubtful debts	11.2	**682**	-
Provision for slow moving stores and spares	9.1	**79**	-
Provision for slow moving stock	10.1	**9,442**	-
Provision against long term deposits	7	**78**	-
Provision for advance to suppliers	12.1	**791**	-
Return on bank deposits		**(3,433)**	(1,200)
Mark-up on short term investments		**(3,480)**	(300)
(Gain) / loss on disposal of fixed assets		**(1,171)**	(1,553)
		39,789	38,090
Operating profit before working capital changes		**88,019**	118,416
Decrease / (increase) in operating assets:			
Stores and spares		**(1,035)**	(35)
Stock-in-trade		**(86,888)**	53,932
Trade debts		**3,487**	(14,816)
Long term loans to employees		**4**	(18)
Long term advances and deposits		**(187)**	(467)
Advances, prepayments and other receivables		**294**	(1,641)
		(84,325)	36,955
Increase / (decrease) in operating liabilities:			
Trade and other payables		**22,363**	19,357
Cash generated from operations		**26,057**	174,728
Income tax paid		**(33,054)**	(26,304)
Gratuity paid	20.3	**(2,980)**	(977)
Retirement benefits paid	20.3	**(2,119)**	(1,065)
Profit received on investments		**3,576**	917
Profit received on short term deposits		**3,633**	101
Mark-up paid		**(765)**	(8,270)
		(31,714)	(35,598)
Net cash flows from operating activities		**(5,657)**	139,130
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(19,891)**	(23,258)
Advance payment for computer software		**(50)**	(157)
Short term investments		**(5,000)**	-
Proceeds from disposal of fixed assets		**3,529**	4,045
Net cash flows from investing activities		**(21,412)**	(19,370)
CASH FLOWS FROM FINANCING ACTIVITIES - Dividend paid		**(19,258)**	(4,348)
Net increase / (decrease) in cash and cash equivalents		**(46,327)**	115,412
Cash and cash equivalents at beginning of the year		**149,573**	34,161
Cash and cash equivalents at end of the year		**103,246**	149,573
Cash and cash equivalent comprises:			
Cash and bank balances	14	**103,246**	124,573
Short term investments	13	-	25,000
		103,246	149,573

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

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

ZIL LIMITED

Statement of Changes in Equity
For the year ended 30 June 2010

	Issued, subscribed and paid up capital	Revenue reserve: General reserve	Revenue reserve: Unappropriated profit	Total reserves	Total
	(Rupees in '000)				
Balance as at 1 July 2008	44,000	6,000	186,724	192,724	236,724
Total comprehensive income for the year - Profit for the year ended 30 June 2009	-	-	51,244	51,244	51,244
Transactions with owners recorded directly in equity - distributions					
- 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)
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognised directly in equity)	-	-	4,095	4,095	4,095
Balance as at 30 June 2009	48,400	6,000	233,263	239,263	287,663
Total comprehensive income for the year - Profit for the year ended 30 June 2010	-	-	31,086	31,086	31,086
Transactions with owners recorded directly in equity - distributions					
- Bonus shares issued for the year ended 30 June 2009	4,840	-	(4,840)	(4,840)	-
- Final cash dividend paid for the year ended 30 June 2009	-	-	(19,360)	(19,360)	(19,360)
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognised directly in equity)	-	-	3,685	3,685	3,685
Balance as at 30 June 2010	**53,240**	**6,000**	**243,834**	**249,834**	**303,074**

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

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

Notes to the financial statements
For the year ended 30 June 2010

1. STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a public limited company in November 1986. Its shares are listed on the Karachi and Lahore Stock Exchanges. The principal activity of the Company is the manufacture and sale of home and personal care products.

The registered office of the company is situated at 3rd Floor, Kandawala Building, M.A. Jinnah Road, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the following:

- certain class of assets included in property plant and equipment are stated at revalued amounts as referred to in note 4; and

- investment classified as held for trading are measured at fair value in accordance with the requirements of IAS - 39 'Financial Instruments: Recognition and Measurement' as referred to in note 13.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

In the process of applying the Company's accounting polices, management has made the following accounting estimates and judgments which are significant to the financial statements:

2.4.1 Income taxes

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

Notes to the financial statements
For the year ended 30 June 2010

2.4.2 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.

2.4.3 Stock-in-trade and stores and spares

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.

2.4.4 Trade and other debts

The Company reviews its doubtful debts at each reporting dates to access whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

2.4.5 Property, plant and equipment

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

2.4.6 Investment stated at fair value

Management has determined fair value of certain investment by using quotation from active market. Fair value estimates are made at a specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgment (e.g. valuation etc.) and therefore cannot be determined with precision.

2.5 Changes in accounting policies

Starting 1 July 2009, the Company has changed its accounting policies in the following areas:

- "Revised IAS 1 Presentation of Financial Statements (2007)" became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Company has opted to present two statements; a profit and loss account and a statement of comprehensive income.

- IFRS 8 - Operating Segments (effective from January 1, 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker, that is, the organisation's function which allocates resources to and assesses performance of its operating segments. Management has determined that the Company has a single reportable segment and therefore the adoption of the said IFRS has only resulted in some entity wide disclosures as described in note 35.

Notes to the financial statements
For the year ended 30 June 2010

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policies only affect presentation / disclosures of financial statements, there is no impact on profit for the year and earnings per share.

2.6 Other accounting developments

Disclosures pertaining to fair values for financial instruments

The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 32.

2.7 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

Notes to the financial statements
For the year ended 30 June 2010

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- 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). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Company's operations.

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

Notes to the financial statements
For the year ended 30 June 2010

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result inprepayments of contributions in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Company's operations.

Notes to the financial statements
For the year ended 30 June 2010

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Company's operation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements except as explained to in note 2.5.

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

Freehold land is stated at revalued amount. Building on freehold land and plant, machinery and equipments are measured at revalued amounts, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses, if any. Other operating fixed assets (including capital spares) are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation on operating 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 in which 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 operating fixed assets, if any, are taken to profit and loss account currently. When revalued assets are sold, the relevant remaining surplus is transferred directly by the Company to its profit and loss account.

Normal repairs and maintenance is charged to the profit and loss account during the financial period in which they are incurred, 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.

Notes to the financial statements
For the year ended 30 June 2010

3.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost (less impairment losses, if any) and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for 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.

In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

3.3 Staff retirement benefits

a) Gratuity scheme - defined benefit plan

The Company operates an un-funded gratuity scheme for its eligible employees. The permanent 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.

ZIL LIMITED

Notes to the financial statements
For the year ended 30 June 2010

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, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

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 moving average cost and net realizable value less impairment losses, if any, except items in transit which are stated at invoice value plus other charges incurred thereon. Provision is made for slow moving items where necessary and is recognised in the profit and loss account.

Net realizable value is the estimated selling price in the ordinary course of the business less estimated costs necessary to make a sale.

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 cost associated with the investment, except in case of he ld for trading investments, in which case the transaction costs are charged off to the profit and loss account.

Notes to the financial statements
For the year ended 30 June 2010

Held for trading

The Company currently maintains held for trading category of investments only. These represent investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking.

After initial recognition, above investments are remeasured at fair value determined with reference to the quoted rates. In case of open end funds, these are determined with reference to the redemption / repurchase price per unit prevailing as at the balance sheet date (as declared by the respective funds). Gains or losses on investments on remeasurement of these investments are recognised in income.

Held to maturity

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.

All regular way of purchases and sales of investments are recognized on the trade date i.e. the date the Company commits to purchase / sell the investments.

3.9 Trade debts and other receivables

These are stated at cost less impairment losses, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivable are written off when considered irrecoverable.

3.10 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash / demand draft in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include bank overdrafts and form an integral part of the Company's cash management.

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 instruments and term deposits with banks are recognised using the effective yield method on a time proportion basis.

- Dividend income on equity instruments is recognised when a right to receive the dividend is established.

- Gain or loss on sale of mutual fund units / certificates is accounted for in the period in which it arises.

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.

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Notes to the financial statements

For the year ended 30 June 2010

3.13 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.14 Foreign currency translation

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account.

3.15 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.16 Off-setting of financial assets and financial liabilities

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

3.17 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. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the financial statements
For the year ended 30 June 2010

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.18 Mark-up bearing borrowings

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

Borrowing costs are charged to profit and loss account currently.

3.19 Dividend and appropriations

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

3.20 Earning per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

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

		2010	2009
		(Rupees in '000)	
Operating assets	4.1	**262,987**	255,653
Capital work-in-progress	4.2	**8,914**	12,342
		271,901	267,995

Notes to the financial statements
For the year ended 30 June 2010

4.1 Operating assets

2010

		COST				Rate	DEPRECIATION				Written down
		As at 1 July 2009	Addition / *Revaluation	(Disposal)	As at 30 June 2010	%	As at 1 July 2009	For the year	(Disposal) / *(Release on revaluation)	As at 30 June 2010	value as on 30 June 2010
		(Rupees in '000)					(Rupees in '000)				
Freehold land	4.5	42,000	-	-	42,000	-	-	-	-	-	42,000
Building on freehold land	4.5	20,703	785 * 5,935	-	27,423	10	3,933	1,721	- * (5,654)	-	27,423
Leasehold improvements		3,068	-	-	3,068	10	867	220	-	1,087	1,981
Plant, machinery and equipment	4.5	205,772	12,515	-	218,287	10	49,519	16,596	- * (885)	65,230	153,057
Capital spares		8,979	-	-	8,979	10	2,165	681	-	2,846	6,133
Furniture and fixtures		11,164	1,330	-	12,494	10	3,773	759	-	4,532	7,962
Vehicles		34,650	5,595	(4,496)	35,749	20	12,473	4,823	(2,183)	15,113	20,636
Computers		6,552	2,594	(359)	8,787	30	4,505	801	(314)	4,992	3,795
		332,888	**22,819** *** 5,935**	**(4,855)**	**356,787**		**77,235**	**25,601**	**(2,497)** *** (6,539)**	**93,800**	**262,987**

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
	(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	1,863	-	3,933	16,770
Leasehold improvements	3,068	-	-	3,068	10	622	245	-	867	2,201
Plant, machinery and equipment	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**

Notes to the financial statements
For the year ended 30 June 2010

4.2 Capital work-in-progress

	COST			
	As at 1 July 2009	Addition	(Transfers to operating assets)	As at 30 June 2010
	(Rupees in '000)			
Building on freehold land	222	563	(785)	**-**
Plant, machinery and equipments	9,816	9,437	(12,515)	**6,738**
Leasehold improvements	2,304	-	(500)*	**1,804**
Furniture and fixtures	-	1363	(1,330)	**33**
Vehicles	-	5595	(5,595)	**-**
Computers	-	2933	(2,594)	**339**
	12,342	19,891	(23,319)	**8,914**

* Transfer to Long term prepayment.

4.3 Disposal of fixed assets

	Year of purchase	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Sold to	Address
Vehicles	(Rupees in '000)								
Suzuki Mehran	2005	390	243	147	275	128	Negotiation	Mr. Amir Mansoor	G-68, Rimpa Plaza, M. A. Jinnah Road, Karachi
Suzuki Cultus	2006	590	308	282	305	23	Negotiation	Mr. Javed Sharif	E-5, Imtiaz Square, Block 6, Gulshan-e-Iqbal, Karachi
Honda CD-70	2009	63	12	51	58	7	Insurance claim		
Suzuki Mehran	2005	390	253	137	235	98	Negotiation	Venus Agencies	E/15, Salima Square, Block 7, Gulshan-e-Iqbal, Karachi
Suzuki Mehran	2006	390	192	198	310	112	Negotiation	Nameera Autos	Shop #: 21-22, Sunny Arcade, Block # 7, Opp: Regency Heights, Gulshan-e-Iqbal, Karachi
Suzuki Mehran	2006	390	237	153	280	127	Negotiation	Mr. Zaheer Akhtar	287-C Peoples Colony No. 2, Quadri Chock, Faisalabad
Suzuki Mehran	2006	395	246	149	260	111	Negotiation	Venus Agencies	E/15, Salima Square, Block 7, Gulshan-e-Iqbal, Karachi
Suzuki Alto	2006	499	305	194	428	234	Negotiation	Ali Traders	G-68, Rimpa Plaza, M. A. Jinnah Road, Karachi
Toyota Corolla	2008	1,389	387	1,002	1,326	324	Negotiation	Mr. Mohd. Rizwan	Quarter #: 18/1, Clinton Quarter, Jahangir Road, Karachi
		4,496	2,183	2,313	3,477	1,164			
Computers									
CRT Monitors	Various	359	314	45	52	6	Negotiation	Various Outsiders and Employees	
2010		**4,855**	**2,497**	**2,358**	**3,529**	**1,171**			
2009		6,979	4,487	2,492	4,045	1,553			

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Notes to the financial statements
For the year ended 30 June 2010

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	2010	2009
		(Rupees in '000)	
Depreciation for the year on property, plant and equipment	4.1	**25,601**	25,545
Amortisation of intangible asset for the year	5.1	**283**	688
Amortisation of long term prepayment	6	**425**	420
		26,310	26,653
Cost of sales	24	**19,024**	19,721
Selling and distribution expenses	25	**2,630**	1,926
Administrative expenses	26	**4,656**	5,006
		26,310	26,653

4.5 Free hold land, building on free hold land, plant and machinery and equipment of the Company were revalued as of 30 June 2010 by an independent valuer M/s Iqbal A. Nanjee & Co., on the basis of market value. This valuation has been incorporated in the financial statements as of 30 June 2010 and has resulted in a surplus of Rs.12.474 million before tax for that year (Rs.11.58 million on building and Rs. 0.885 million on plant, machinery and equipment). The details of revalued amounts as of 30 June 2010 are as follows:

	(Rupees in '000)
Free hold land	**42,000**
Buildings on free hold land	**27,423**
Plant, machinery and equipment	**153,057**
	222,480

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

	1981 - 82	1999 - 2000	2003 - 04	2007 - 08
	(Rupees in '000)			
Free hold land	580	7,009	13,440	21,000
Buildings on free hold land	765	10,582	5,781	8,678
Plant, machinery and equipment	15,174	24,651	20,524	24,616
	16,519	42,242	39,745	54,294

4.6 Had the freehold land, buildings and plant and machinery not been revalued, the total carrying values as at 30 June 2010 would have been as follows:

	2010
	(Rupees in '000)
Free hold land	**29**
Buildings on free hold land	**2,710**
Plant, machinery and equipment	**113,596**
	116,334

5. INTANGIBLE ASSETS

	Note	2010	2009
		(Rupees in '000)	
Operating assets	5.1	**23**	306
Advance payment	5.2	**1,400**	1,350
		1,423	1,656

Notes to the financial statements
For the year ended 30 June 2010

5.1 Operating assets

	2010							
	COST			**Rate %**	**AMORTIZATION**			**Written down value as on 30 June 2010**
	As at 1 July 2009	**Addition/ (disposal)**	**As at 30 June 2010**		**As at 1 July 2009**	**For the year**	**As at 30 June 2010**	
Computer software and licenses	**2,293**	**-**	**2,293**	**30**	**1,987**	**283**	**2,270**	**23**

	2009							
	COST			Rate %	AMORTIZATION			Written down value as on 30 June 2009
	As at 1 July 2008	Addition/ (disposal)	As at 30 June 2009		As at 1 July 2008	For the year	As at 30 June 2009	
Computer software and licenses	2,293	-	2,293	30	1,299	688	1,987	306

5.2 This represents advance payment made in respect of acquisition of new computer software (Entity Resource Planning - ERP) which is under implementation stage.

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.

	Note	**2010**	2009
		(Rupees in '000)	
Payment as of 1 July		**20,989**	20,989
Add: payment made during the year	6.1	**500**	-
		21,489	20,989
Amortization			
- Opening balance		**1,680**	1,260
- For the year		**425**	420
		2,105	1,680
		19,384	19,309

6.1 On 24 December 2009, further leasehold land of 1 Acre in the same location was leased from Port Qasim Authority for a period of 50 years against payment of Rs. 0.5 million.

7. LONG TERM DEPOSITS - considered good

	2010	2009
Deposits:		
- against letter of guarantee	**2,106**	1,857
- against trade deposits	**1,666**	1,740
- to Central Depository Company of Pakistan Limited	**12**	12
- others	**233**	221
	4,017	3,830
Provision held	**78**	-
	3,939	3,830

Notes to the financial statements
For the year ended 30 June 2010

8. LONG TERM LOANS TO EMPLOYEES
- Considered good - secured

	Note	2010	2009
		(Rupees in '000)	
Non-executive employees	8.1	**491**	495
Receivable within one year		**(195)**	(197)
		296	298

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 57 equal monthly instalments. This balance is secured against the employees provident fund balance.

9. STORES AND SPARES

Stores		**8,461**	7,740
Spares		**980**	666
		9,441	8,406
Provision against slow moving stores and spares	9.1	**(1,579)**	(1,500)
		7,862	6,906

9.1 Provision against slow moving stores and spares

Balance as at 1 July	**1,500**	1,500
Charge for the year	**79**	-
Balance as at 30 June	**1,579**	1,500

10. STOCK-IN-TRADE

Raw material - in hand		**72,653**	74,003
- in transit		**143,121**	64,922
		215,774	138,925
Packing material		**16,806**	11,915
Work-in-process		**28,743**	25,436
Finished goods		**30,613**	28,772
		291,936	205,048
Provision against slow moving and obsolete stock	10.1	**(9,655)**	(213)
		282,281	204,835

Above provision of slow moving stock includes aggregating Rs. 3.697 million (2009: nil) stated at their net realizable values as against their cost of Rs. 8.896 million (2009: Rs. nil).

10.1 Provision against slow moving and obsolete stock

Balance as at 1 July	**213**	213
Charge for the year	**9,442**	-
Balance as at 30 June	**9,655**	213

11. TRADE DEBTS - unsecured

Considered good	11.1	**21,280**	25,449
Considered doubtful		**1,133**	4,952
		22,413	30,401
Provision against impaired debts	11.2	**(1,133)**	(4,952)
		21,280	25,449

Notes to the financial statements
For the year ended 30 June 2010

11.1 Trade debts include balance amounting to Rs. 0.347 million (2009: Rs. 0.402 million) due from Treet Corporation Limited (a related party).

11.2 Provision against impaired debts

	Note	2010	2009
		(Rupees in '000)	
Balance as at 1 July		**4,952**	4,952
Charge for the year		**682**	-
Writes off during the year		**(4,501)**	-
Balance as at 30 June		**1,133**	4,952

12. ADVANCES, PREPAYMENT AND OTHER RECEIVABLES

	Note	2010	2009
Advances - considered good:			
- taxation		**42,264**	41,835
- to suppliers and contractors		**3,252**	3,791
Less: Provision held	12.1	**(803)**	(12)
		2,449	3,779
- to sales staff		**146**	138
Mark-up / profit accrued on bank deposits / investments		**207**	503
Current maturity of loans to employees (refer note 8)		**195**	197
Prepayments		**300**	31
Other receivables		**487**	518
		46,048	47,001

12.1 Provision against advances to suppliers and contractors

	Note	2010	2009
Balance as at 1 July		**12**	12
Charge for the year		**791**	-
Balance as at 30 June		**803**	12

13. SHORT TERM INVESTMENTS

	Note	2010	2009
Musharaka certificates - held to maturity		**-**	25,000
Open end mutual fund - held for trading	13.1	**5,000**	-
		5,000	25,000

13.1 This represents investments in 48,585 class C units of UBL Liquidity Plus Fund.

14. CASH AND BANK BALANCES

	Note	2010	2009
Cash in hand		**61**	51
Demand drafts in hand		**13,394**	42,063
Cash at banks in - current accounts		**898**	2,923
- profit and loss sharing accounts	14.1	**33,893**	9,536
- term deposit receipts	14.2	**55,000**	70,000
		89,791	82,459
		103,246	124,573

14.1 These carry interest / mark-up rate ranging from 6% to 6.31% per annum (2009: 6.50% to 7% per annum).

14.2 These carry mark-up rate ranging from 10.50% to 11.40% (2009: 11.00% to 12.50%) per annum with maturity of less than one month.

Notes to the financial statements
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15. UNUTILISED CREDIT FACILITIES

15.1 At 30 June 2010, unutilised facilities for running finance under mark-up arrangements available from certain banks aggregated to Rs. 254 million (2009: Rs. 254 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 (2009: 1 month KIBOR + 1.25% 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 2011.

15.2 At 30 June 2010, unutilised letter of credit facilities from certain banks amounted to Rs. 278.39 million (2009: Rs. 259.141 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 455 million (2009: Rs. 330 million).

16. TRADE AND OTHER PAYABLES

	Note	2010	2009
		(Rupees in '000)	
Trade credit liability		**138,544**	108,897
Accrued expenses		**62,924**	80,569
Advances from customers		**27,712**	6,878
Sales tax payable	16.1	**8,617**	15,400
Special excise duty payable	16.1	**682**	1,107
Worker's Profit Participation Fund	16.2	**2,611**	4,328
Worker's Welfare Fund		**2,064**	2,609
Accrued mark-up liability		**34**	102
Other liabilities		**6,019**	7,022
Dividend payable		**470**	368
Unclaimed dividend		**23**	23
		249,700	227,303

16.1 These amounts were subsequently paid by the Company.

16.2 Workers' Profit Participation Fund

	Note	2010	2009
Balance as on 1 July		**4,328**	699
Mark-up on Workers' Profit Participation Fund	29	**137**	64
Contribution during the year	28	**2,612**	4,327
Payments during the year		**(4,466)**	(762)
Balance as at 30 June		**2,611**	4,328

17. TAXATION

17.1 Details of tax charge for the year

	Note	2010	2009
Current			
- for the year		**22,877**	32,602
- for prior year		**30**	1,007
		22,907	33,609
Deferred	21	**(5,763)**	(4,527)
		17,144	29,082

Notes to the financial statements
For the year ended 30 June 2010

17.2 Relationship between income tax expense and accounting profit

	Note	2010	2009
		(Rupees in '000)	
Profit before tax		**48,230**	80,326
Tax at the applicable tax rate of 35% (2009: 35%)		**16,881**	28,114
Tax effect of expenses that are not allowable in determining the taxable income		**149**	249
Prior year		**30**	1,007
Others		**84**	(288)
Tax expense		**17,144**	29,082

17.3 The returns of income have been filed up to and including tax year 2009 (corresponding to financial year ended 30 June 2009), while the income tax assessments have been finalized up to and including tax year 2004. The return of income for tax year 2005 to 2009 have been filed under the Universal Self Assessment Scheme and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001 unless selected for audit by the taxation authorities.

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. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(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
1,724,000	1,240,000	Fully paid ordinary shares of Rs.10 each issued as bonus shares	**17,240**	12,400
5,324,000	4,840,000		**53,240**	48,400

At 30 June 2010, 956,110 (2009: 869,191) shares of the company were held by an associated company.

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

	Note	2010	2009
		(Rupees in '000)	
Balance as on 1 July		**98,728**	105,028
Surplus arising due to revaluation on 30 June 2010	4.5	**12,474**	-
Transferred to accumulated profit in respect of incremental depreciation charged during the year		**(3,685)**	(4,095)
Related deferred tax liability		**(1,985)**	(2,205)
		105,532	98,728
Less:			
Related deferred tax liability at beginning of the year		**19,844**	22,049
On revaluation carried out during the year		**4,366**	-
On incremental depreciation for the year		**(1,985)**	(2,205)
		22,225	19,844
Balance as on 30 June		**83,307**	78,884

20. DEFERRED STAFF LIABILITIES

20.1 Gratuity and staff retirement benefit schemes

The Company operates two unfunded define benefit plans namely gratuity scheme and staff retirement benefit scheme for its permanent eligible employees. Gratuity / retirement benefit is payable under the scheme to employees on cessation of employment on the following grounds:

- Death
- Retirement
- Resignation

The latest actuarial valuations of the above gratuity / retirement benefit schemes were carried out as at 30 June 2010 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	
	2010 (%)	2009 (%)	**2010 (%)**	2009 (%)
	(Rupees in '000)			
Valuation discount rate	**14**	13	**14**	13
Salary increase rate	**14**	13	**14**	13

20.2 Payable to defined benefit schemes

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)					
Present value of defined benefit obligations	**40,156**	35,832	**20,823**	20,462	**60,979**	56,294
Unrecognised past service cost	**-**	-	**(12)**	(23)	**(12)**	(23)
Net payable recognised as at the year-end	**40,156**	35,832	**20,811**	20,439	**60,967**	56,271

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Notes to the financial statements
For the year ended 30 June 2010

20.3 Movement in balance payable

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)					
Opening balance	**35,832**	31,178	**20,439**	19,327	**56,271**	50,505
Expense recognised	**7,304**	5,631	**2,491**	2,177	**9,795**	7,808
Benefits paid	**(2,980)**	(977)	**(2,119)**	(1,065)	**(5,099)**	(2,042)
Closing balance	**40,156**	35,832	**20,811**	20,439	**60,967**	56,271

20.4 Reconciliation of the present value of the defined benefit obligations

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)					
Present value of obligation as at July 01	**35,832**	31,178	**20,439**	19,327	**56,271**	50,505
Current service cost	**2,399**	2,180	**640**	647	**3,039**	2,827
Interest cost	**4,762**	3,741	**2,473**	2,324	**7,235**	6,065
Benefits paid	**(2,980)**	(977)	**(2,119)**	(1,065)	**(5,099)**	(2,042)
Past service cost - vested	**-**	-	**11**	11	**11**	11
Actuarial (gains) / losses	**143**	(290)	**(633)**	(805)	**(490)**	(1,095)
Present value of obligation as at 30 June	**40,156**	35,832	**20,811**	20,439	**60,967**	56,271

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	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)					
Current service cost	**2,399**	2,180	**640**	647	**3,039**	2,827
Interest cost	**4,762**	3,741	**2,473**	2,324	**7,235**	6,065
Net actuarial (gains) / losses recognised	**143**	(290)	**(633)**	(805)	**(490)**	(1,095)
Recognised past service cost	**-**	-	**11**	11	**11**	11
	7,304	5,631	**2,491**	2,177	**9,795**	7,808

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:

	2010
	(Rupees in '000)
Gratuity scheme	**8,587**
Staff retirement benefits scheme	**3,666**

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Notes to the financial statements
For the year ended 30 June 2010

20.7 Historical information of obligation

	Gratuity Scheme				
	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of obligation	**40,156**	35,832	31,178	32,056	26,609
Actuarial gains / (losses) on obligation	**(143)**	290	1,340	(556)	(182)

	Staff retirement benefits scheme				
	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of obligation	**20,823**	20,462	19,361	19,563	17,222
Actuarial gains / (losses) on obligation	**633**	805	(1,906)	(603)	(575)

21. DEFERRED TAX LIABILITY - net

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

	Balance as at 1 July 2008	Recognized in Profit and loss	Balance at 30 June 2009	Recognized in Profit and loss	Revaluation Surplus	Balance at 30 June 2010
	(Rupees in '000)					
Taxable temporary difference:						
-on accelerated tax depreciation	33,341	(1,014)	32,327	165	-	32,492
-on surplus on revaluation of fixed assets	22,050	(2,205)	19,845	(1,985)	4,366	22,226
Deductible temporary differences:						
-on provision for gratuity and retirement benefits	17,677	(2,018)	19,695	(1,644)	-	21,339
-on provision against slow moving stock and doubtful debts	3,043	710	2,333	(2,299)	-	4,632
Net deferred tax liability	**34,671**	**(4,527)**	**30,144**	**(5,763)**	**4,366**	**28,747**

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 (2009: Rs. 7.02 million).

22.1.2 Post dated cheques of Rs. 70.221 million (2009: Rs. 23.118 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 2010 amounted to Rs. 64.834 million (2009: Rs. 29.512 million).

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Notes to the financial statements
For the year ended 30 June 2010

23. NET SALES

	Note	2010	2009
		(Rupees in '000)	
Gross sales		**1,627,773**	1,720,526
Sales tax		**(246,636)**	(261,059)
Trade promotion discount		**(77,615)**	(94,579)
Special excise duty		**(13,627)**	(14,459)
Rebate and sales return		**(4)**	(285)
		(337,882)	(370,382)
		1,289,891	1,350,144

24. COST OF SALES

	Note	2010	2009
Raw and packing material consumed	24.1	**782,496**	850,223
Salaries, wages and other benefits	24.2	**71,503**	67,471
Fuel and power		**51,305**	47,238
Depreciation / amortisation	4.4	**19,024**	19,721
Provision for slow moving and obsolete stock		**9,442**	-
Stores and spares consumed		**5,319**	4,917
Freight and handling material		**3,141**	3,896
Rent, rates and taxes		**2,476**	382
Travelling and conveyance		**2,304**	1,636
Insurance		**2,239**	2,568
Contribution to the provident fund		**1,530**	1,418
Repairs and maintenance		**1,418**	1,325
Postage, telegrams and telephones		**433**	410
Printing and stationery		**390**	328
Subscription		**310**	42
Product research and development		**268**	198
Entertainment		**129**	168
Legal charges		**87**	36
Provision for slow moving stores and spares	9.1	**79**	-
Professional fee		**20**	104
Other expenses		**2,483**	3,107
		956,397	1,005,188
Opening stock of work-in-process		**25,436**	27,126
Closing stock of work-in-process		**(28,743)**	(25,436)
Cost of good manufactured		**953,090**	1,006,878
Opening stock of finished goods		**28,772**	12,783
Closing stock of finished goods		**(30,613)**	(28,772)
		951,249	990,889

24.1 Raw and packing material consumed

	2010	2009
Opening stock	**85,705**	91,345
Purchases	**776,595**	844,583
	862,300	935,928
Closing stock	**(79,804)**	(85,705)
	782,496	850,223

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Notes to the financial statements
For the year ended 30 June 2010

24.2 Salaries, wages and other benefits include Rs. 7.347 million (2009: Rs. 5.890 million) in respect of the accrual for defined benefit obligations of the Company.

25. SELLING AND DISTRIBUTION EXPENSES

		2010	2009
		(Rupees in '000)	
Advertising		**136,497**	128,964
Salaries, wages and other benefits	25.1	**42,724**	38,485
Freight, distribution and handling		**34,450**	32,273
Travelling and conveyance		**8,073**	8,072
Product research and development		**7,717**	3,990
Insurance		**2,811**	2,886
Depreciation / amortisation	4.4	**2,630**	1,926
Postage and telegram		**1,661**	1,732
Rent, rates and taxes		**1,595**	1,068
Repairs and maintenance		**1,108**	1,256
Printing and stationery		**1,051**	1,133
Contribution to the provident fund		**960**	948
Provision for doubtful debts - net		**682**	-
Legal charges		**258**	138
Utilities		**207**	206
Other expenses		**925**	530
		243,349	223,607

25.1 These include Rs. 1.238 million (2009: Rs. 1.214 million) in respect of the accrual for defined benefit obligations of the Company.

26. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	26.1	**28,342**	21,771
Depreciation / amortisation	4.4	**4,656**	5,006
Professional fee		**3,864**	2,533
Rent, rates and taxes		**2,000**	1,951
Fuel and power		**1,572**	999
Printing and stationery		**1,266**	687
Travelling and conveyance		**1,201**	1,312
Repairs and maintenance		**1,142**	618
Postage, telegrams and telephones		**1,056**	1,207
Contribution to the provident fund		**687**	669
Trainings and seminars		**675**	170
Insurance		**465**	396
Auditors' remuneration	26.3	**422**	395
General advertisement		**124**	391
Directors' fee		**123**	83
Legal charges		**117**	121
Charity and donation	26.2	**90**	145
Computer expenses		**79**	56
Provision against advances		**791**	-
Provision against long term deposits		**78**	-
Other expenses		**804**	387
		49,554	38,897

Notes to the financial statements
For the year ended 30 June 2010

26.1 These include Rs. 1.210 million (2009: Rs. 0.704 million) in respect of the accrual for defined benefit obligations of the Company.

26.2 Charity and donation includes donation amounting Rs.0.07 million (2009: 0.09 million) 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.

	Note	**2010**	2009
26.3 Auditors' remuneration		**(Rupees in '000)**	
Audit fee		**235**	200
Fee for half yearly review		**85**	75
Fee for the review of Code of Corporate Governance		**35**	30
Fee for other certifications		**10**	30
Out of pocket expenses		**57**	60
		422	395
27. OTHER OPERATING INCOME			
Return / income on financial assets			
Return on bank deposits		**3,433**	1,200
Return on short term investments		**3,480**	300
Income from non-financial assets			
Gain on disposal of fixed assets	4.3	**1,171**	1,553
Scrap sales - net		**3,175**	3,435
Insurance claim		**1,714**	263
		12,973	6,751
28. OTHER OPERATING EXPENSES			
Workers' Welfare Fund		**1,409**	1,899
Workers' Profit Participation Fund	16.2	**2,612**	4,327
Foreign exchange loss		**5,765**	10,268
		9,786	16,494
29. FINANCIAL EXPENSES			
Mark-up on:			
- Running / demand finance		**34**	6,002
- Worker's Profit Participation Fund	16.2	**137**	64
Bank charges and commission		**525**	616
		696	6,682
30. EARNINGS PER SHARE			
Profit for the year		**31,086**	51,244
		(Number of shares)	
			(Restated)
Weighted average number of ordinary shares	30.1	**5,324,000**	5,324,000
		(Rupees)	
			(Restated)
Earnings per share	30.1	**5.84**	9.63

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.

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Notes to the financial statements
For the year ended 30 June 2010

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Executives - Key Management Personnel		Executives - Others	
	2010	2009	**2010**	2009	**2010**	2009
	(Rupees in '000)					
Remuneration	**2,300**	2,004	**8,710**	4,362	**1,231**	2,189
Provident fund	**230**	200	**470**	424	**105**	220
Special pay	**1,097**	947	**3,324**	2,933	**827**	1,471
Housing and utilities	**1,294**	1,136	**2,781**	2,398	**732**	1,444
Medical	**230**	200	**249**	208	**77**	124
Incentive	**317**	249	**737**	304	**141**	254
Gratuity	**192**	167	**395**	364	**103**	182
	5,660	4,903	**16,666**	10,993	**3,216**	5,884
Number of persons	**1**	1	**7**	5	**3**	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.

31.1 Remuneration of 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. 0.123 million (2009: Rs. 0.083 million).

31.2 Key management personnel of the Company comprises of Chief Executive and seven 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

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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Notes to the financial statements
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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.

Exposure to credit risk

Credit risk of the Company arises principally from trade debts, loans and advances, trade deposits, bank balances, investment in open mutual funds, musharaka certificates and other receivables. The carrying amount of financial assets represents the maximum credit exposure.

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

	2010	2009
	(Rupees in '000)	
Long term deposits	**3,939**	3,830
Loans to employees	**491**	495
Trade debts	**21,280**	25,449
Other receivables	**487**	518
Investment in units of open end mutual fund (2009: Certificates of a Musharaka)	**5,000**	25,000
Bank balances (including accrued profit)	**103,392**	125,025
	134,589	180,317

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	**19,448**	23,628
End-user customers	**1,832**	1,821
Non-Banking Financial Institution	**5,000**	25,112
Banks (including margin deposit with bank)	**105,498**	126,882
Others	**2,811**	2,874
	134,589	180,317

As at the year end the Company's most significant trade debts customers included a distributor / retailer from whom Rs. 8.204 million was due (2009: Rs. 8.738 million) and an end-user from whom Rs. 1.561 million was due (2009: Rs. 1.557 million) as at 30 June 2010.

Management of credit risk

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 open end mutual funds are monitored based on the credit ratings assigned by PACRA and JCR-VIS.

Impairment losses and past due balances

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

Notes to the financial statements
For the year ended 30 June 2010

	2010		2009	
	Gross	**Impairment loss**	Gross	Impairment loss
	(Rupees in '000)			
Past due 1-60 days	**18,092**	**-**	25,329	-
Past due 61 days -1 year	**3,866**	**679**	562	442
More than one year	**454**	**454**	4,510	4,510
Total	**22,412**	**1,133**	30,401	4,952

Based on the past experience, consideration of financial position, past tracks records and recoveries, the Company believes that trade debts past due do not require any impairment except as provided in these financial statements. None of the other financial assets are past due or impaired. Movement of provision against trade debts is disclosed in note 11.2.

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:

	2010			
	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	**208,014**	**208,014**	**208,014**	**-**
	208,464	**208,464**	**208,014**	**450**

	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

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.

Notes to the financial statements
For the year ended 30 June 2010

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 in 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:

	2010		2009	
	Rupees In '000	**US Dollars**	Rupees In '000	US Dollars
Trade credit liability	**111,767**	**1,305,691**	70,859	871,574
Gross balance sheet exposure	**111,767**	**1,305,691**	70,859	871,574
Estimated committed purchases as at the year end	**64,834**	**757,411**	29,512	363,001
Gross exposure	**176,602**	**2,063,102**	100,371	1,234,576

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**	
	2010	2009	**2010**	2009
Rupees / US Dollars	**83.740**	79.730	**85.600**	81.300

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. 5.588 million (2009: Rs. 3.543 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2009.

32.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will 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:

	Carrying amount	
	2010	2009
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	**55,000**	95,000
Variable rate instruments		
Financial assets	**33,893**	9,536

Notes to the financial statements
For the year ended 30 June 2010

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 2010 and 30 June 2009.

32.4 Fair value of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3.1.3.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2010, all investments were categorised in level 1.

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

	2010	2009
	(Metric Tons)	
Soap		
Assessed / rated	**10,500**	10,500
Actual production	**7,813**	8,157

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

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Notes to the financial statements
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34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Treet Corporation Limited, Employees Provident Fund, directors and key management personnel. Details of transactions with related parties, are as follows:

	Note	2010	2009
		(Rupees in '000)	
Associated Companies			
Sale of goods		**124**	312
Services rendered		**1,019**	962
Purchase of goods		**-**	688
Services received		**-**	534
Dividend paid		**3,477**	790
Bonus shares issued		**869**	790
Other related parties			
Contribution to the employees' provident fund	34.1	**3,177**	3,035
Dividend payments to the Directors		**3,138**	772
Bonus shares issued to the Directors		**784**	772

Detail of a 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. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the year.

The Company is domiciled in Pakistan. The Company's revenue is generated substantially from the sale of home and personal care products.

All non-current assets of the Company at 30 June 2010 are located in Pakistan.

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Notes to the financial statements
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36. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 24 September 2010 has proposed a cash dividend of Rs 3.50 per share (2009: Rs. 4 per share) amounting to Rs. 18.634 million (2009: Rs. 19.36 million) for approval by the members of the company in forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2010 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending 30 June 2011.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on September 24, 2010.

Feriel Ali Mehdi
Chairman/Chief Executive

Kemal Shoaib
Director

ZIL LIMITED

Pattern of Shareholding
As of 30 June 2010

Number of shareholders	Share Holding From	To	Total shares held	Percentage
908	1	100	17,037	0.3200
268	101	500	69,624	1.3077
57	501	1000	42,745	0.8029
83	1001	5000	183,566	3.4479
15	5001	10000	99,022	1.8599
7	10001	15000	89,259	1.6765
1	15001	20000	15,808	0.2969
3	20001	25000	64,561	1.2126
2	25001	30000	51,910	0.9750
2	30001	35000	60,853	1.1430
1	50001	55000	54,442	1.0226
1	70001	75000	72,937	1.3700
1	95001	100000	100,000	1.8783
2	100001	105000	205,501	3.8599
1	115001	120000	118,592	2.2275
1	135001	140000	137,794	2.5882
1	170001	175000	173,191	3.2530
1	205001	210000	206,148	3.8721
1	260001	265000	262,293	4.9266
1	340001	345000	340,859	6.4023
1	415001	420000	420,000	7.8888
1	510001	515000	513,419	9.6435
1	535001	540000	536,110	10.0697
1	685001	690000	689,729	12.9551
1	795001	800000	798,600	15.0000
1362			5,324,000	100.0000

Categories of Shareholders
As of 30 June 2010

Categories of Shareholders	Number of Shareholders	Shares held	Percentage
DIRECTORS & FAMILY			
Mrs. Feriel Ali Mehdi - Chairman / CEO	2	400,087	7.5148
Syed Tariq Ali - Director	7	259,316	4.8707
Mr. Shahid Nazir Ahmed - Director	1	665	0.0125
Mr. Zafar Ahmed Siddqui - Director	1	500	0.0094
Mr. Omer Ehtisham - Director	1	665	0.0125
Syed Maratib Ali - Director	1	1,419	0.0267
ASSOCIATED COMPANY			
Treet Corporation Ltd	2	956,110	17.9585
N.B.P - TRUSTEE DEPTT. NI(U)T FUND	1	340,859	6.4023
BANK, FUNDS & INSURANCE COMPANY	6	567,571	10.6606
SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY			
Mrs. Fekhre Jehan Begum	1	689,729	12.9551
Syed Yawar Ali	4	818,487	15.3735
INDIVIDUALS	1311	1,140,963	21.4306
OTHERS	24	147,629	2.7729
	1362	5,324,000	100.0000

Form of Proxy

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 Friday, October 22, 2010 at 09:00 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 2010

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
LIMITED

3rd Floor Kandawala Building, M.A. Jinnah Road, Karachi - 74400, Pakistan.
Tel: [illegible] Fax: [illegible] Website: zil.com.pk