ANNUAL REPORT 2012

ZIL LIMITED

BEAUTIFYING *Life*

Beauty is a manifestation of secret natural laws, which otherwise would have been hidden from us forever.

Johann Wolfgang von Goethe

Contents

Vision

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

Mission

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

Hence the key drivers will be:

- Train and motivate ZIL people to build a high performance culture
- Implement effective MIS to integrate business processes and speed-up decision making
- Assure Quality by design
- Optimize resources to ensure business competitiveness

Core Values

Integrity
We do what we say

Teamwork
Collaboration makes us stronger

Respect
For all individuals and diversities

Passion
Committment with hearts and minds

Leadership
Inspire towards a better future

Responsibility
Towards business as well as society

Excellence
Deliver the best

Learning
For continuous improvement

Code of Conduct

It is the fundamental policy of ZIL Limited to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards. The Company has adopted comprehensive Code of Conduct (herein after called 'Code') to provide guidance to foster a culture of uprightness, accountability and high standards of personal and professional veracity and to promote integrity for the Board, senior management and other employees.

The Company carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking corrective measures if and when required.

Persons to whom this Code applies

- All Directors, executives, officers and employees of ZIL Limited;
- All persons, whether or not employees, who are at any time acting as agents or affiliates, contractor or representatives of ZIL Limited who act for the Company countrywide, within all sectors, regions, areas and functions.

Persons responsible for Implementation

Board Responsibilities

This Code has been developed and approved by the Board of Directors of ZIL (the "Board"). The Board shall periodically review the adequacy and appropriateness of and compliance with this Code and implement any changes it believes are necessary or desirable in order to achieve its purposes.

Management Responsibilities

The Chief Executive Officer of ZIL is responsible for ensuring that ZIL conducts business in accordance with this Code. The Chief Executive Officer shall communicate the strong support of senior management for this Code and shall endeavor to foster a strong "culture of compliance".

General Principles

- Relationships amongst employees, at all levels, must be truthful, trustworthy and honest.
- Compliance with the law, regulations, statutory provisions and company's policies & procedures is a constant commitment and duty of all ZIL employees.
- The Company's business and activities have to be carried out in a transparent, honest and fair manner. Any discrimination because of race, color, religion, gender, age, nationality, marital status or physical disability is rejected.
- Employees must be committed to customer satisfaction and strive to provide quality in all business dealings.
- Employees must avoid any investment, arrangement or other association, whether their own, an immediate family or household member, which could give the appearance of, or actually interfere with, the independent exercise of sound business judgment in the best interests of the Company, or otherwise represents a real or apparent conflict of interest between the interests of the employee and those of the Company.

Business Ethics

The Company and each of its employees, wherever they may be located, must conduct their affairs with uncompromising honesty and integrity. Employees are expected to be honest and ethical in dealing with each other, with clients, suppliers and all other third parties.

Misconduct cannot be excused because it was directed or requested by another. Any illegal, dishonest or unethical act must immediately be reported to the competent authority for remedial and corrective action.

Compliance with Laws

General
It is the Company's policy to comply with all laws, rules and regulations that are applicable to business in Pakistan.

Corporate and Taxation Laws
It is the Company's policy to adhere with all applicable corporate, and taxation laws, rules, regulations and directives for the time being enforced.

Employment laws

It is the Company's policy to comply with applicable employment laws, including those governing working conditions, wages, benefits, and minimum age for employment.

Environmental Laws

It is the Company's policy to comply with all applicable laws and regulations for the protection of the environment.

Fair Competition and Antitrust Laws

The Company must comply with all fair competition and antitrust laws to ensure that businesses compete fairly and honestly and prohibit conduct seeking to reduce or restrain competition.

Conflicts of Interest

Employees must not engage in activities or transactions which may give rise, or which may be seen to have given rise, to conflict between their personal interests and the interest of the Company.

There is a likely conflict of interest if employees:

- Cause the Company to engage in business transactions with relatives or friends;
- Use nonpublic information of the Company, customer or supplier for personal gain by employees, relatives or friends (including securities transactions based on such information);
- Have more than a modest financial interest in the Company's suppliers, customers or competitors;
- Receive a loan, or guarantee of obligations, from the Company (other than as specifically allowed) or a third party as a result of position within the Company;
- Compete, or prepare to compete, with the Company while still employed by the Company; or
- Perform work (with or without compensation) for a competitor, governmental or regulatory entity, customer or supplier of the Company, or do any work for a third party that may adversely affect performance or judgment on the job or diminish ability to devote the necessary time and attention to the duties.

Gifts, Bribes and Kickbacks

Bribes, kickbacks or other payments, (other than received in the normal course of business including travel or entertainment) which are intended to influence a business decision or compromise independent judgment are strictly prohibited.

Accepting cash or cash equivalents, including cheques, money orders, vouchers, gift certificates, loans, stock or stock options that might place an employee under obligation is forbidden. Employees must politely but firmly decline any such offer.

Employee found guilty of paying or receiving bribes, gifts or kickbacks should be promptly reported to the appropriate authorities.

Financial Integrity

All financial books, records and accounts must accurately reflect transactions and events and conform to generally accepted accounting principles and to the Company's system of internal controls.

Information must not be falsified or concealed under any circumstances. Examples of unethical financial or accounting practices include:

- Making false entries that intentionally hide or disguise the true nature of any transaction;
- Improperly accelerating or deferring the recording of expenses or revenues to achieve financial results or goals;
- Maintaining any undisclosed or unrecorded funds or "off the book" assets;
- Establishing or maintaining improper, misleading, incomplete or fraudulent account documentation or financial reporting;
- Making any payment for purposes other than those described in documents supporting the payment; and

- Signing any documents believed to be inaccurate or untruthful.

Protection and Proper Use of the Company Property

Employees must safeguard the Company property from loss or theft, and should not take such property for unauthorized personal use. The Company property includes confidential information, software, computers, office equipment, and supplies.

Confidentiality of Information

Employees are expected to safeguard confidential information and must not, without authority, disclose such information about the Company's activities to the press, to any outside source or to employees who are not entitled to such information.

Record Retention

The company's business records shall be maintained for a period specified in the law and in accordance with specific policies.

Securities Trading

Trading in the securities of the Company by the employee, or any of his relatives or friends, while possessing "inside" information related to that company is strictly prohibited.

Political Affiliations

ZIL Limited is an independent organization free from any political affiliation. No funds or assets of the Company may be contributed to any political party or organization or any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

Reporting Ethical Violations

All matters of ethical / legal violations, accounting or auditing matters, fraud, misconduct or other instances of unauthorized behavior should be promptly reported to the competent authorities in the manner prescribed / laid down by such authorities. Confidentiality would be strictly maintained in all such reported cases. Protection will also be provided from any kind of retaliation / consequence for all reports made in good faith.

Workplace Safety

Every employee at work must take reasonable care for the health and safety of himself / herself and others who may be affected by his / her acts or omissions at work; and co-operate with the Company in its efforts to protect the health and safety of its employees and visitors.

It is the policy of the Company to promote a productive work environment and not to tolerate verbal or physical conduct by any employee that harasses, disrupts, or interferes with another's work performance or that creates an intimidating, humiliating, offensive or hostile environment.

Corporate Social Responsibility

Energy Conservation

Here at ZIL, we have incorporated internal strategies to reduce energy consumption.

- Employees are encouraged to minimize the use of air conditioning, switch off room or cubicle lights, printers, monitors and other electronics when not required.
- Fuel limits are regularly evaluated and amended in concurrence to contemporary needs.
- Additionally a number of initiatives have been taken in factories, depots and haulage to conserve energy.
- Power factor is improved and monitored for heavy machines.
- Inverters are being installed at high torque electric motors to reduce consumption.
- Effective load management on boiler operation and keeping the boiler shut down for 02 days a month.

Environment Protection Measures

- Sewerage and drain is ensured free of any acids or alkali and other chemicals used in soap making process as per EPA standard.
- Exhaust from boiler Chimney is maintained within standard limit of COX, SOX and temperature.

Consumer Protection Measures

At the heart of what we do at ZIL are our vauled customers. We have in place several measures to ensure our customers benefit from the highest standards of quality and that we engage in continuous dialogue with them.

- Our products are manufactured using mainly natural ingredients, which are disclosed on the packing of each item.
- At ZIL we follow ISO-9001 quality standard in order to enhance defective free products.
- Positive release criteria is defined and implemented at all process stages.
- The Company maintains an email address for any queries or complaints. These are evaluated and responded to with the proper care and attention.
- Consumers also contact the Company directly or via sales agents.
- Regular surveys and home visits are also conducted to gain the general response of the consumers at large.

Occupational Health and Safety

We at ZIL Limited recognize our legal and moral responsibility for Hygiene and Safety in work place and are committed to constantly improving and providing a well maintained healthy and safe environment to all employees, contractors and visitors. We also endeavor to ensure that our community and its members are not placed at risk by any of our operational activities.

A comprehensive and well maintained safety system under the supervision of General Manager of Research, Development, Quality, Assurance, Health and Safety is established. Safety committee and shift wise rescue teams are also established.

The program ensures that:

1. Dedicated people are resourced for safety program and organization.
2. People are aware of Emergency preparation and Risk management.
3. People are trained on key safety components, Permit to work system and PPE.
4. People are involved up to floor level.
5. Safety program results are properly tracked, reviewed and shared across the organization.
6. Reward and recognition program is applicable on safety achievements.

Business Ethics and Anti-Corruption Measures

ZIL has a number of preventive measures and frequent activities to ensure that the employees uphold the Code of Conduct of the company. These measures and activities are frequently re-evaluated and amended to modernize the existing ethical system. The Code of Conduct is scrupulously followed throughout the organization.

Corporate Philanthropy

In response to the worst national calamity Pakistan has ever seen, each of the company's employees contributed a day's salary for the flood victims, in addition to a general donation. A substantial amount of rations and medicines were donated via Pakistan Medical Association Karachi by means of the raised funds. The amount of the local employee contributions was matched by the company. These funds were shared among ZIL employees who were affected by the calamity.

Board of Directors

Mr. Mujahid Hamid
Director

Mrs. Feriel Ali Mehdi
Chairman

Syed Yawar Ali
Director

Mr. Shahid Nazir Ahmed
Director

Mr. Zafar Ahmed Siddiqui
Director

Mr. Amir Zia
Director

Mr. Kemal Shoaib
Director

Directors' Profile

Mrs. Feriel Ali-Mehdi

Mrs. Feriel Ali-Mehdi took over the reins of the company as CEO in November 1998. She is also acting as Chairman since July 2007. She has lead the turnaround of ZIL Limited by turning a constantly loss making business into a profitable entity and wiped out all accumulated losses within 3 years of becoming the CEO.

Mrs. Mehdi holds a Bachelors degree in Economics from Karachi University. She started her career at Wazir Ali Industries as a Marketing Trainee and rapidly climbed up the corporate ladder to become Brand Manager. She has had exposure on all the levels in Marketing and chiefly looked after the Cooking Oil category of the business.

In 1996, Mrs. Mehdi resigned from Wazir Ali to join ZIL Limited. She took over as the marketing manager looking after the entire range of the products and later excelled to the position of Director Marketing. She took over as Managing Director in 1998 and streamlined costs, processes and benchmarked various aspects of the business to make it more state-of-the-art. This resulted in lowering the losses and eventually with her team to turnaround the company by mid-2003. They grew the business from a Rs. 390mn net turnover in 1999 to a Rs. 1.6 bn by 2011. She has recently put into place a new team to invigorate, innovate and eventually grow the business into a more diverse and strong FMCG company.

She attended IMD's Orchestrating Winning Performance Program (OWP) in 2006 and gained intensive exposure to current thinking on today's key management issues. Mrs. Mehdi is also currently a Director at Treet Corp. Ltd.

Mr. Mujahid Hamid

Mr. Hamid is an internationally experienced business consultant who provides strategy consulting services to clients across a range of industries, including consumer products, media, entertainment, and health care. He holds a Masters in Business Administrating (Marketing) from IBA, Karachi.

Mr. Hamid has occupied various senior executive positions in Pakistan and the Far East, including serving as Chairman and CEO of Unilever HPC China from 1998 to 2000. He is currently a member of the Board of Governors of Shaukat Khanum Cancer Hospital and is also on the Board of Directors of Engro Foods Ltd.

Syed Yawar Ali

Syed Yawar Ali was educated at Aitchison College Lahore and got his Bachelor's degree in Chemical Engineering and Masters in Management Science from Stevens Institute of Technology. He joined the family business, Packages Limited and then became Managing Director of Milk Pak Ltd. After 3 years of the joint Venture with Nestle he was elevated to Chairman of the Board.

Syed Yawar Ali is currently Chairman of Nestle Pakistan Limited, Chairman, Wazir Ali Industries Limited and Pakistan Dairy Association. He is serving on many other Boards and has also been on the Board of Directors of State Bank of Pakistan, Pakistan International Airlines, Agricultural Development Bank of Pakistan and Lahore Electric Supply Company.

Currently he is Vice President of the India Pakistan Chamber of Commerce and Industry and is heading a committee to Promote Trade with India.

Mr. Kemal Shoaib

Mr. Kemal Shoaib holds an M.S. degree in Chemical Engineering from M.I.T., Cambridge, Massachusetts. He is currently a Consultant on the Capital Market and serves on the Board of several companies including International Steels Ltd, Century Paper & Board Mills Ltd. and International Advertising (Pvt.) Ltd. He has been associated with prestigious organizations such as Wyeth Laboratories (Pakistan) Ltd., Bank of Credit and Commerce Intl., S.A. London, Independence Bank, California, Commerce Bank Ltd., and Indus Bank Limited.

Mr. Shahid Nazir Ahmed

Commencing in 1965, Shahid N. Ahmed has had a long association with ZIL Ltd and its predecessor companies Wazir Ali Industries and Treet Corporation Ltd. As product Development Manager and Manager Marketing (1965 to 1979) he was part of a team which developed and launched Capri, New Capri and Sandaleen Soaps, Nova and Treet Platinum Razor Blades, Treet Shaving Cream. In the handling of FMCG, Shahid Nazir Ahmed was committed to honest research analysis, creative thinking and clear-cut projection.

Shahid Nazir Ahmed served as Director Marketing of ZIL and Wazir Ali Industries in 1998 and 1999 and has been on ZIL's Board since 2003.

Shahid Nazir Ahmed has also served Mohammad Farooq Textile Mill for 18 years (1980 to 1997) as Director Marketing and Director Planning and Development gaining rich experience in textile marketing in both domestic and foreign markets. He also looked after Production Planning and Product Development for the company and served on its Board. After leaving active service Shahid Nazir Ahmed has been functioning as a consultant

Mr. Zafar Ahmed Siddiqui

Mr. Siddiqui has an MBA degree from Institute of Business Administration. He also holds a degree of M.S. in Marketing Communications from Walter E. Heller College of Business Administration, Roosevelt University, Chicago USA, and has over 28 years of experience in Sales, Marketing and General Management.

He was associated with Gillette for 15 years in Pakistan and Overseas. His last assignment with Gillette was as Chief Executive for Gillette Pakistan (Pvt) Ltd., and Area Director for Afghanistan, Sri Lanka, Bangladesh, Nepal and Maldives. Mr. Siddiqui is also on the Board of Pakistan Society for Training and Development, Inbox Business Technologies (Pvt.) Ltd., Faysal Asset Management Ltd and Engro Foods Ltd.

Mr. Omer Ehtisham

Mr. Omer Ehtisham's expertise lies in Global Treasury Management. He is an expert assessor of regulatory changes and their impact on treasury infrastructure. Mr. Ehtisham holds a Bachelor's degree in Intellectual History and Economics from Brown University and currently offers consultancy services.

He has previously been associated with prestigious organizations in Pakistan and the United States, such as I-Cash Group Inc, Reval.com Inc, Derivative Portfolio LLC, Reval, Integrity Treasury Solutions, Credit Agricole Inodez and White Rock.

Mr. Amir Zia

Mr. Amir Zia is qualified from Chartered Institute of Management Accountants (CIMA-UK). He is Currently Chief Financial Officer of Treet Group of Companies. He has a vast experience and exposure towards strategic planning, industry analysis, financial/economic analysis & project evaluation, treasury management, international trade (import & export) and international trade finance. His expertise also lies in financial (and non-financial) reporting, tax management, stock (shares)/ fixed income securities analysis & trading; financial restructuring (including debt/equity restructuring/balance sheet repositioning & capital restructuring) financial engineering, and corporate affairs.

Management Committee

Standing from left to right

Mr. Ata-ur-Rehman Shaikh
GM Finance

Mr. Muhammad Raza Pribhai
GM Human Resource

Mr. Mujahid Hamid
Executive Director

Mrs. Feriel Ali Mehdi
Chairman/CEO

Syed Iftikharuddin Ahmed
GM R & D, QA, SHE

Mr. Mubashir Ansari
GM Marketing & Sales

Syed Shiblee Abdullah
GM Supply Chain

Board of Directors and Management Committees

Board Audit Committee

The Board Audit Committee assists the BOD in fulfilling its responsibilities, including reviewing the financial reporting process, the system of internal control over financial reporting, the risk management and internal audit process and the company's process for monitoring compliance with laws and regulations.

The Audit Committee comprises of following non-executive directors:

- Mr. Shahid Nazir Ahmed, Chairman
- Mr. Kemal Shoaib, Member
- Mr. Omer Ehtisham, Member

Human Resource & Remuneration Committee

The company has established the HR&R committee which comprises three Directors; two are non-executive Directors and one member is executive Director, whereas its Chairman is independent Director. All relevant issues of appointment & remuneration are fully disclosed, deliberated and decided at the meetings of the committee. The General Manager HR, M. Raza Pribhai, acts as the secretary of the committee.

The committee comprises of following Directors:

- Mr. Zafar Ahmed Siddiqui, Chairman
- Mrs. Feriel Ali Mehdi, Member
- Syed Yawar Ali, Member

Management Committee

The management committee provides direction and leadership to the organization by:

- Setting the strategic direction
- Formulating policies and implementing risk management and internal control procedures
- Ensuring effective management of resources
- Monitoring activities to ensure objectives are met in a transparent, ethical manner in line with the values of the organization.

The Management Committee Comprises of:

Mrs. Feriel Ali Mehdi	Chairman and Chief Executive Officer
Mr. Ata-ur-Rehman Shaikh	General Manager Finance
Muhammad Raza Pirbhai	General Manager Human Resource
Syed Shiblee Abdullah	General Manager Supply Chain
Mr. Mubashir Ansari	General Manager Marketing & Sales
Syed Iftikhar-ud-din Ahmed	General Manager R&D, QA & SHE

Meetings of the Board of Directors
July 2011 to June 2012

During the year four meetings of the Board of Directors of the Company were held on August 10, 2011, October 27, 2011, February 14, 2012 and April 24, 2012. Following was the attendance of the directors:

Name of Director	No. of meetings attended
Mrs. Feriel Ali Mehdi	4
Mr. Mujahid Hamid	3
Syed Yawar Ali	4
Mr. Shahid Nazir Ahmed	3
Mr. Zafar Ahmed Siddiqui	4
Mr. Omer Ehtisham	2
Mr. Kemal Shoaib (Nominee of N.I.T Ltd.)	3
Mr. Amir Zia (Nominee of Treet Corp. Ltd.)	2

Leave of absence was granted to the directors who could not attend the Board meetings.

Meetings of the Board Audit Committee
July 2011 to June 2012

During the year four meetings of the Board Audit Committee of the Company were held on August 9, 2011, October 14, 2011, February 14, 2012, and April 24, 2012. Following was the attendance of the members:

Name of Director	No. of meetings attended
Mr. Kemal Shoaib (Nominee of N.I.T Ltd.)	4
Mr. Shahid Nazir Ahmed	3
Mr. Omer Ehtisham	1

Leave of absence was granted to the Members who could not attend the meetings of the Audit Committee
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ZIL at a Glance

In the last two years ZIL Ltd has grown to establish itself among the leading beauty companies within Pakistan. With our culture fostering continuous innovation and our team's longsighted vision, ZIL is being organized as a Company that stands for change. It is committed to bringing solutions that will enable the women of Pakistan to look beautiful and feel cared for.


CAPRI
CAPRI
DEEP CLEANSING
CAPRI

ZIL stands for beauty, beauty for change. Through our brands and innovative efforts we intend to bring to the market ideas that make beauty real for every woman. With this approach the company aspires to be the first choice in beauty care for women nationwide. Capri is the flagship brand of ZIL; it's a representation of the company's origins and base.

ZIL encourages and harbors creativity within its offices. Team work is one of the fundamental values that drive ZIL's innovation. We provide every employee with equal opportunity to contribute efforts and ideas that would cater the achievement of our vision, long and short term objectives.

Our borderless open space policy encourages the free flow of information and creates synergy within the company. Our combined efforts at departmental level ensure effective management and accomplishment of goals and ultimately the corporate objectives of the company.

ZIL is a growing company, with our diverse team members and sight for the contemporary we aspire to develop into the only company that understands beauty perfectly.

ZIL Journey


Capri Relaunch 2011


Capri Relaunch 2011

Capri Pretty in Pink

Innovation Bash

Launch of Capri Face wash

Beauty awakens the soul to act.

Dante Alighieri

Honey & Aloe Vera

Our Portfolio

Capri Soap

Capri is our flagship brand, with a strong market presence and following. 2011 saw the brand reinvigorated and revamped, focusing on a more contemporary and effective line of communication, targeted towards the younger Pakistani woman. Capri's new image is in line with the mind set and ideals of women across Pakistan, while still retaining the integrity of our core values of inner beauty and skin care through the natural ingredients platform. ZIL has built on the legacy of Capri, going one step further in a successful journey. 2012 saw back to back SKU extensions with Capri small, Large and Bundle to complete the entire soap range.


CAPRI
handwash
CAPRI
handwash
REFRESHING
For fresh and hydrated skin
Water Lily and Sea Minerals

Capri Face Wash

Capri facewash is ZIL's entry into the skin care market, which, according to Euromonitor, is the star category till 2015. In October 2011, targeting the deep cleansing segment, a single variant of Capri Facewash was test marketed in Karachi. What followed was a series of insights and learnings, based on which the future variants will be developed.

Facewash is an urban phenomena, it is part of the premium market segment, a market where trends emerge, become habits and the trickle down effect takes place in some years to affect the other SECs of the society. This indicates that it is a growing market. Secondly, the product facewash is for the young females. These girls use facewash as a daily skin care routine, and it is something which is very close to the hearts of young women, which will help Capri become a younger brand.

Love, Capri.


CAPRI
handwash
MOISTURISING
For velvety soft and
Aloe Vera, Honey

Capri HandWash

Hand wash is a relatively new market that Capri has entered successfully. With the Capri name already well established, the next step in the evolution of the brand was to compete in the hand-wash category. Initially launched in two moisturizing variants Capri has recently added a "Refreshing range" with two more variants. Capri handwash is a great addition to the portfolio building further the image of the brand.

Palmy

Palmy, a multifaceted brand, has stood the test of time. It was launched in 1979 aiming to bridge the gap between cheap and premium soaps and launch the brand in the middle price segment where consumer was not satisfied with the quality of cheap soaps. Positioned as an affordable product, Palmy has given its consumers quality. The brand continues to attract new customers with its brand promise and positioning.

Opal

Opal is an affordable proposition, a cost effective solution for people who want to save, but desire quality. It is available in four colors and two variants - Opal Beauty for radiant and glowing skin and Opal plus for refreshing skin throughout the day. Opal is an established brand that has been acknowledged for many years by its loyal consumers.

Beauty is eternity gazing at itself in a mirror.

Khalil Gibran

Strawberry & Milk


ZIL
LIMITED

Company Information

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman/Chief Executive Officer

Mr. Mujahid Hamid
Executive Director

Syed Yawar Ali
Non-Executive Director

Mr. Shahid Nazir Ahmed
Independent, Non-Executive Director

Mr. Zafar Ahmed Siddiqui
Independent, Non-Executive Director

Mr. Omer Ehtisham
Independent, Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director (Nominee NIT)

Mr. Amir Zia
Non-Executive Director (Nominee TCL)

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

12th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block IV, Clifton, Karachi.
http://www.zil.com.pk

Factory

Link Hali Road, Hyderabad – 71000

Bankers

Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Standard Chartered Bank
Bank Al-Habib Limited
BankIslami Pakistan Limited
Bank Alfalah Limited

Shares Registrars

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

Net Profit of the Company increased by 49% signaling confidence of the Consumers in the Company and its Brands.

Directors' Report

The Directors of the Company are pleased to submit the Annual Report along with the audited financial statements for the year ended June 30, 2012.

Financial Performance

Despite the energy crises, rapid increase in electricity and gas tariffs, intense competitive activities, un-usual weather patterns, security situation and high inflation, the Company continued to consistently perform registering a net sales growth of 17%.

The turnover was driven by volume in the main brands supported by adjustments in retail prices. Better product mix management, emphasis on innovation and focused investment behind the brands have remained the key elements for growth achievement.

Inflationary pressures have continued to impact key commodities and input costs with an increase of 17% as compared to last year. However, ongoing cost saving initiatives coupled with reduction and elimination of Sales tax & Special excise duty respectively, helped improve gross profit from 22% in 2010-11 to 28% in 2011-12.

ZIL Limited remains committed to invest in its brands, evidenced by a substantial increase in advertising spend in the current year. Innovation and renovation remains an integral part of the Company's vision. New product launches during the fiscal year 2012 included Capri Hand wash and many new consumer relevant propositions within the main brands.

An increase in working capital requirement during the year led to additional borrowing resulting in higher financial costs. The same have been controlled and brought down to regular levels in the later part of the year.

The Net profit of the company increased by 49% to 30.47 million versus previous year signaling confidence of the consumers in the Company and its brands.

Summary Financial Performance

PKR Million	2012	2011
Net Sales	1,829	1,566
Gross Profit Margin	28%	22%
Net Profit	30.47	20.42
Earning Per share - Rs.	5.72	3.84

Dividend

Keeping in view the profitability of the company, the Board of Directors has recommended paying a final cash dividend of 30% for the year ended June 30, 2012 against 20% cash dividend last year.

The Company continued to consistently perform registering a net sales growth of **17%**

ZIL is commited to uphold high standards of good corporate governance

Share value appreciation

The ordinary share of Rs.10 each of the company is quoted at Rs. 104 as at June 30, 2012 signifying confidence of the shareholders on the company.

Capital Structure

Shareholders' equity at the year end aggregated to Rs. 333 Million. The increase is mainly due to retained profits & excludes the effect of recommended payment of dividend.

Business risk and challenges

The company relies on imported raw materials for manufacture of products. Tallow being a major constituent in the production of soap is one of the important inputs. During the period under review the price and availability of the commodity in the import market remained volatile thus causing strain on supply chain and production timelines. The company managed the issue by developing local and imported alternatives.

The deteriorating security situation has jolted the business environment in the country. In order to deal with this issue, among others, the company (since May 2011) has relocated its head office to a more secure area. Internal policies have also been adopted to adapt to the critical environment.

The company utilizes credit facilities provided by banks on various occasions and is thus exposed to this risk. Foreign exchange & mark up rate fluctuations and increased working capital requirements as a consequence of inflationary pressures compounded the risk to the company. Our adopted cash flow management policies helped mitigate this risk.

Contribution towards national exchequer

During the year the company paid over Rs. 443 million to the government and its various agencies on account of government levies including custom duty, income tax, sales tax, and workers welfare fund.

Contribution to the economy of the country

The company has made significant purchases from local vendors during the year, contributing to the increase in local production. A sizable contribution is also made to the creation of employment opportunities. The company has a large number of personnel at all its locations and factory.

Business ethics and Code of Conduct

ZIL has a number of preventive measures and frequent activities to ensure that employees uphold laws, ethics, and best business practices. These measures and activities are re-evaluated and amended to modernize the existing system. In line with the requirements of revised code of corporate governance, the board has approved The Code of Conduct which is followed throughout the organization. The Code is part of the Annual Report and also available on the company website.

Energy conservation

Internal strategies to reduce energy consumption have been rigorously implemented. A number of initiatives have been taken at the factory, which includes regular boiler shutdowns, installation of energy efficient boiler with economizer, and layout change of process water distribution system. This will result in substantial reduction of heating costs.
Additionally employees are encouraged to minimize use of lights, printers, monitors and other electronics. Company has also initiated centralized printing and usage of electronic means for communication.

Corporate governance

ZIL limited is committed to uphold high standards of good corporate governance without any exception.

The Directors are pleased to state that the company has adopted and is compliant with Code of Corporate Governance 2012 as required by SECP and formed as part of stock exchanges listing regulations.

The statement of compliance with the Code of Corporate governance is as under.

Statement of Compliance with Code of Corporate governance

The Directors confirm that:

a. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

b. Proper books of account of the company have been maintained;

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment;

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;

e. The system of internal control is sound in design and has been effectively implemented and monitored;

f. There are no significant doubts 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;

h. Code of Corporate Governance Leadership Skills training was arranged for the Chairman & CEO during the year; and

i. Statements regarding the following are annexed or disclosed separately in the annual report:

   a. Key financial data for last six years

   b. Pattern of Shareholding

   c. Trading in shares of the Company by its Directors, executives and their spouces and minor children.

   d. Meetings of the Board of Directors and Board Committees and attendance by each director.

Trading of shares

The Code of Corporate Governance requires all trades in the shares of the company carried out by its directors, executives and their spouses and minor children shall be disclosed. The Board of Directors has approved all such trading, which are also disclosed in the annual report. The BOD has approved the threshold for defining executives in terms of clause (xvi) of code of corporate governance, consequent to which all Heads of Departments are subject to additional regulatory requirements for trading and disclosing their transactions in company shares.

Board Audit Committee

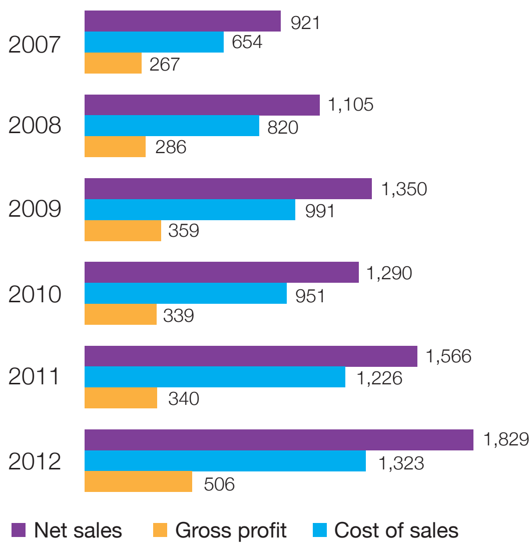
The Audit committee comprises three members including the chairman of the committee. All the three members are non-executive directors. In compliance with revised code of corporate governance 2012, during the year its chairmanship has been rotated to an independent director.

The audit committee held four meetings during the year. The Chief Financial Officer, Internal Auditors as well as External Auditors were invited to the meetings.

Human Resource & Remuneration Committee

The company has established the HR&R committee, which comprise three directors; two are non-executive directors and one member is executive director, whereas its chairman is an independent director. All relevant issues of appointment & remuneration are fully disclosed,

Sales, Cost of Sales & Gross Profit Rupees ('000)



deliberated and decided at the meetings of the committee. The General Manager HR acts as the secretary of the committee.

Role and Responsibilities of the Chairman and Chief Executive

As per Code of Corporate Governance, the positions of the Chairman and the Chief Executive should be segregated. The deadline for the same has been set at the date of next elections of the BOD which is June 2013; by which time the separation would have been implemented.

Internal Audit

The Company has outsourced its internal audit function to a Charted Accountants firm namely M. Yousuf Adil Saleem & Co. a member firm of Deloitte Touche Tohmatsu Limited. The BOD has also approved appointment of Head of Internal Audit as required by the Code of Corporate Governance, who acts as coordinator between firm providing internal audit services and the board.

External Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants are due to retire and being eligible, offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the guideline on the code of ethics of the International Federation of Accountants as adopted by ICAP.

As suggested by Board Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the company for the year 2012-13.

Gratuity and Provident Fund

The Company is operating a 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 2012 is Rs. 90.5 Million.

Human Resource

The Human Resource Department at ZIL continuously develops strategies to help its employees to grow. It is actively engaged in developing a healthy culture of innovation. ZIL has succeeded in enhancing the daily office experience through a new purpose-built office that has a balanced blend of contemporary design, color scheme and functionality. The no wall policy that has had distinctly positive effect of increasing coordination amongst employees has made a substantial difference in the way interaction is taking place. This in turn is resulting in an atmosphere in which employees are committed to the success of the enterprise. Briefly following initiatives were taken during the period:

- Right people at the Right place.
- Enhancing employee experience
- Effective employee communication through engagement

Information technology

ZIL Limited has continued with the policy of upgrading its IT infrastructure along with other necessary related improvements in the areas of networking, internet connectivity etc.

The ERP system has been the core of IT policy since 2011. It is running effectively in all the essential functions and providing valuable support in successful running of the business.

The Company expects to enhance its product development capabilities and further improve Consumer understanding on which all future innovation will be based.

Sale & Distribution System (SnD) which was implemented last year has assisted enormously in all facets of Sales operations and is fast becoming essential in all planning operations across the Company

Marketing Review

Capri's new mix and campaign has met with success in the year 2011-12. This has been visibly translated into sales growth in most towns of the country. New users came in through the pink variant, whose contribution to sales has gone up considerably. Aggressive visibility at trade level has also been achieved.
New variants were also successfully launched along with brand extensions of Hand wash.

Future Outlook

The Company expects to enhance its product development capabilities and further improve Consumer understanding on which all future innovation will be based.

The management is hopeful that economic and political prospects of the country will improve bringing their positive effects on the business of the Company.

ZIL Limited is committed to Pakistan and to bringing products of highest quality that delight consumers.

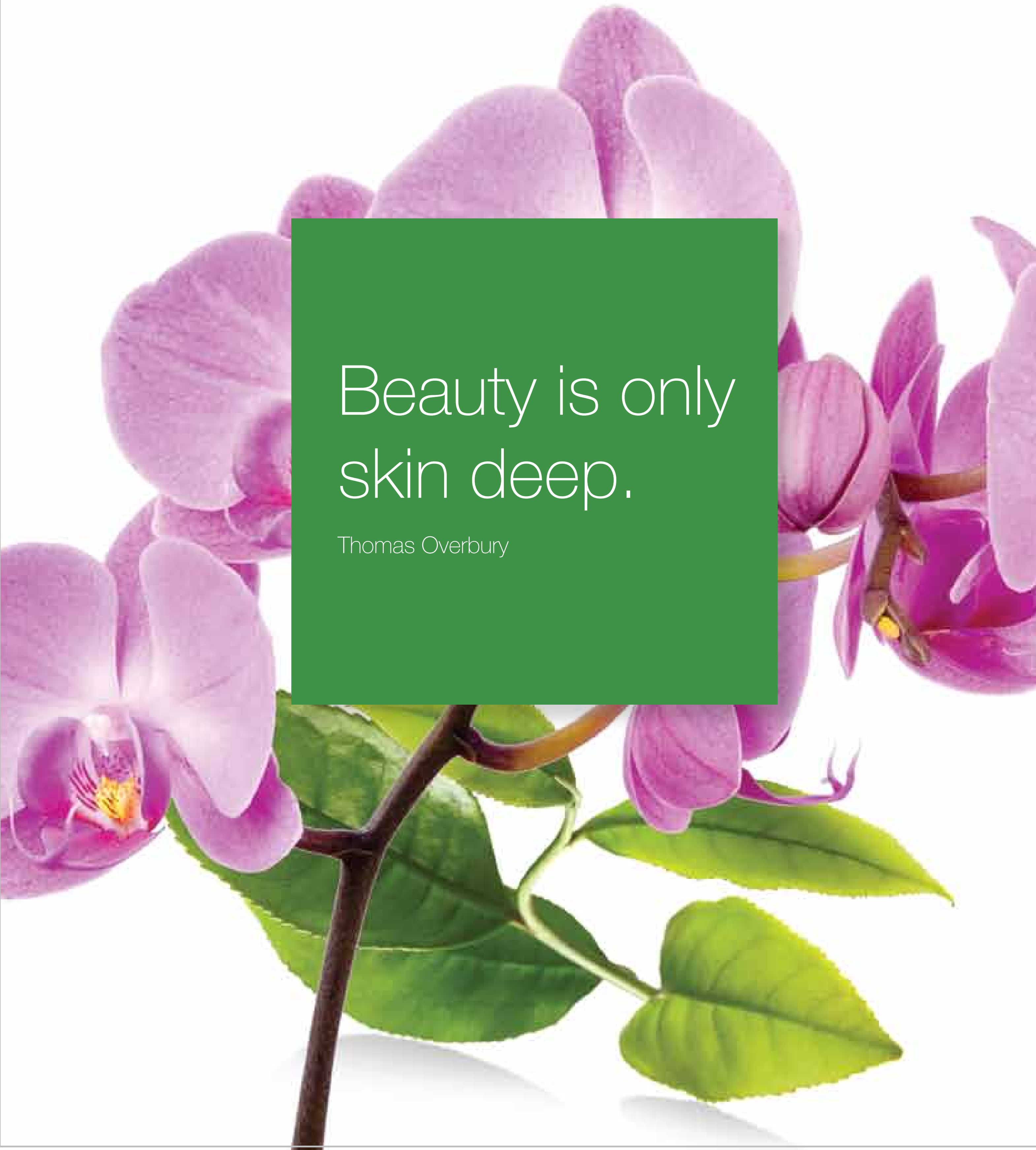
Acknowledgements:

The Directors would like to thank consumers who have trust in products of the company and continue to support the progress of the Company. The company is immensely proud of its employees for their passion, commitment and devotion. The company greatly values the support and cooperation received from suppliers, distributors, bankers and all stakeholders who are contributing towards the continued growth of the Company.

For and on behalf of the Board

Mrs. Feriel Ali Mehdi
Chief Executive Officer

Karachi:
September 17, 2012



Beauty is only skin deep.

Thomas Overbury

Tea & Wild Orchid

Vertical Analysis of Financial Statements

Statement of Financial Position

Balance Sheet	2012 Rs. In '000	2012 %	2011 Rs. In '000	2011 %
Non-Current Assets	374,026	38.47	349,202	40.34
Current Assets	598,182	61.53	516,410	59.66
Total Assets	972,208	100	865,612	100
Equity	422,908	43.50	403,089	46.57
Non-Current Liabilities	96,853	9.96	103,122	11.91
Current Liabilities	452,447	46.54	359,401	41.52
Total Equity and Liabilities	972,208	100	865,612	100

Profit and Loss Account

	2012 Rs. In '000	2012 %	2011 Rs. In '000	2011 %
Net sales	1,829,255	100.00	1,566,091	100.00
Cost of sales	(1,323,117)	(72.33)	(1,226,184)	(78.30)
Gross Profit	506,138	27.67	339,907	21.70
Selling and distribution expenses	(332,027)	(18.15)	(224,017)	(14.30)
Administrative expenses	(102,195)	(5.59)	(77,149)	(4.93)
	71,916	3.93	38,741	2.47
Other operating income	8,361	0.46	4,440	0.28
Other operating expense	(9,773)	(0.53)	(5,388)	(0.34)
	70,505	3.85	37,793	2.41
Financial expenses	(23,002)	(1.26)	(4,715)	(0.30)
Profit before tax	47,503	2.60	33,078	2.11
Taxation	(17,035)	(0.93)	(12,655)	(0.81)
Profit for the year	30,468	1.67	20,423	1.30

2010		2009		2008		2007	
Rs. In '000	%	Rs. In '000	%	Rs. In '000	%	Rs. In '000	%
296,943	38.94	293,088	40.32	298,330	46.31	302,011	54.03
465,717	61.06	433,764	59.68	345,882	53.69	256,995	45.97
762,660	100	726,852	100	644,212	100	559,006	100
386,381	50.66	366,547	50.43	319,703	49.63	307,239	54.96
90,164	11.82	86,865	11.95	85,625	13.29	90,730	16.23
286,115	37.52	273,440	37.62	238,884	37.08	161,037	28.81
762,660	100	726,852	100	644,212	100	559,006	100

2010		2009		2008		2007	
Rs. In '000	%	Rs. In '000	%	Rs. In '000	%	Rs. In '000	%
1,289,891	100.00	1,350,144	100.00	1,105,489	100.00	920,597	100.00
(951,249)	(73.75)	(990,889)	(73.39)	(819,745)	(74.15)	(654,019)	(71.04)
338,642	26.25	359,255	26.61	285,744	25.85	266,578	28.96
(243,349)	(18.87)	(223,607)	(16.56)	(197,146)	(17.83)	(169,875)	(18.45)
(49,554)	(3.84)	(38,897)	(2.88)	(38,667)	(3.50)	(34,294)	(3.73)
45,739	3.55	96,751	7.17	49,931	4.52	62,409	6.78
12,973	1.01	6,751	0.50	4,574	0.41	6,604	0.72
(9,786)	(0.76)	(16,494)	(1.22)	(13,744)	(1.24)	(5,021)	(0.55)
48,926	3.79	87,008	6.44	40,761	3.69	63,992	6.95
(696)	(0.05)	(6,682)	(0.49)	(3,882)	(0.35)	(1,870)	(0.20)
48,230	3.74	80,326	5.95	36,879	3.34	62,122	6.75
(17,144)	(1.33)	(29,082)	(2.15)	(12,829)	(1.16)	(21,503)	(2.34)
31,086	2.41	51,244	3.80	24,050	2.18	40,619	4.41

Horizontal Analysis of Financial Statements

Statement of Financial Position

Balance Sheet	2012 Rs. In '000	2011 Rs. In '000	2010 Rs. In '000	2009 Rs. In '000
Non-Current Assets	374,026	349,202	296,943	293,088
Current Assets	598,182	516,410	465,717	433,764
Total Assets	972,208	865,612	762,660	726,852
Equity	422,908	403,089	386,381	366,547
Non-Current Liabilities	96,853	103,122	90,164	86,865
Current Liabilities	452,447	359,401	286,115	273,440
Total Equity and Liabilities	972,208	865,612	762,660	726,852
Profit and Loss Account				
Net sales	1,829,255	1,566,091	1,289,891	1,350,144
Cost of sales	(1,323,117)	(1,226,184)	(951,249)	(990,889)
Gross Profit	506,138	339,907	338,642	359,255
Selling and distribution expenses	(332,027)	(224,017)	(243,349)	(223,607)
Administrative expenses	(102,195)	(77,149)	(49,554)	(38,897)
	71,916	38,741	45,739	96,751
Other operating income	8,361	4,440	12,973	6,751
Other operating expense	(9,773)	(5,388)	(9,786)	(16,494)
	70,505	37,793	48,926	87,008
Financial expenses	(23,002)	(4,715)	(696)	(6,682)
Profit before tax	47,503	33,078	48,230	80,326
Taxation	(17,035)	(12,655)	(17,144)	(29,082)
Profit for the year	30,468	20,423	31,086	51,244

SUMMARY OF CASH FLOWS	2012 Rs. In '000	2011 Rs. In '000	2010 Rs. In '000	2009 Rs. In '000
Net cash flows from operating activities	18,603	(67,768)	(5,657)	139,130
Net cash flows from investing activities	(57,566)	(51,666)	(21,412)	(19,370)
Net cash flows from financing activities	39,352	61,487	(19,258)	(4,348)
Net change in cash and cash equivalents	389	(57,947)	(46,327)	115,412

	2008 Rs. In '000	2007 Rs. In '000	% increase/ (decrease) over preceding year 2012	2011	2010	2009	2008	2007
	298,330	302,011	7.11	17.60	1.32	(1.76)	(1.22)	40.35
	345,882	256,995	15.83	10.88	7.37	25.41	34.59	(3.44)
	644,212	559,006	12.31	13.50	4.93	12.83	15.24	16.14
	319,703	307,239	4.92	4.32	5.41	14.65	4.06	25.72
	85,625	90,730	(6.08)	14.37	3.80	1.45	(5.63)	42.40
	238,884	161,037	25.89	25.61	4.64	14.47	48.34	(7.03)
	644,212	559,006	12.31	13.50	4.93	12.83	15.24	16.14
	1,105,489	920,597	16.80	21.41	(4.46)	22.13	20.08	0.87
	(819,745)	(654,019)	7.91	28.90	(4.00)	20.88	25.34	2.41
	285,744	266,578	48.90	0.37	(5.74)	25.73	7.19	(2.73)
	(197,146)	(169,875)	48.22	(7.94)	8.83	13.42	16.05	11.95
	(38,667)	(34,294)	32.46	55.69	27.40	0.59	12.75	14.15
	49,931	62,409	85.63	(15.30)	(52.73)	93.77	(19.99)	(32.36)
	4,574	6,604	88.31	(65.77)	92.16	47.60	(30.74)	(1.42)
	(13,744)	(5,021)	81.38	(44.94)	(40.67)	20.01	173.73	(20.23)
	40,761	63,992	86.55	(22.75)	(43.77)	113.46	(36.30)	(30.95)
	(3,882)	(1,870)	387.85	577.44	(89.58)	72.13	107.59	(40.79)
	36,879	62,122	43.61	(31.42)	(39.96)	117.81	(40.63)	(30.60)
	(12,829)	(21,503)	34.61	(26.18)	(41.05)	126.69	(40.34)	(31.02)
	24,050	40,619	49.18	(34.30)	(39.34)	113.07	(40.79)	(30.37)

	2008 Rs. In '000	2007 Rs. In '000	% increase/ (decrease) over preceding year 2012	2011	2010	2009	2008	2007
	(18,416)	88,088	(127)	1,098	(104)	(855)	(121)	(22)
	5,450	(35,634)	11	141	11	(455)	(115)	(38)
	(11,940)	(41,124)	(36)	(419)	343	(64)	(71)	31
	(24,906)	11,330	(101)	25	(140)	(563)	(320)	(53)

Stakeholder Information

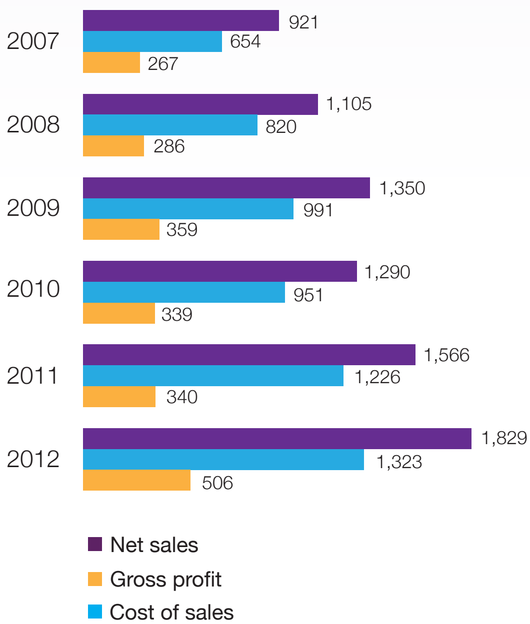
Financial Ratios

	Unit	2012
Rate of return		
Return on assets	%	3.13
Return on equity	%	7.20
Return on capital employed	%	13.56
Interest cover	Times	3.07
Profitability		
Gross profit margin	%	27.67
Net profit to sales	%	1.67
EBITDA	Rs.	105,688
EBITDA Margin to sales	%	5.78
Liquidity		
Current ratio		1.32
Quick ratio		0.40
Financial gearing		
Debt-Equity ratio	Times	1.30
Debt to Assets	%	56.50
Capital Efficiency		
Debtor turnover/ No. of days in receivables	Days	11
Inventory turnover/ No. of days in inventory	Days	115
Creditor turnover/ No. of days in payables	Days	38
Operating cycle	Days	88
Fixed assets turnover ratio	Times	5.09
Total asset turnover	Times	1.88
Investment measures per ordinary share		
Earnings	Rs.	5.72
Price earning ratio	Times	18.18
Cash dividend	Rs.	3.00
Dividend yield	%	2.88
Dividend payout	%	52.45
Dividend cover	Times	1.91
Breakup value including surplus on revaluation	Rs.	79.43
Breakup value excluding surplus on revaluation	Rs.	62.54
Market value - year end	Rs.	104.0
Market value - high	Rs.	104.0
Market value - low	Rs.	31.48
Market value - average	Rs.	53.37

2011	2010	2009	2008	2007
2.36	4.08	7.05	3.73	7.27
5.07	12.48	21.91	11.54	20.22
7.47	10.27	19.19	10.06	16.08
8.02	70.30	13.02	10.50	34.22
21.70	26.25	26.61	25.85	28.96
1.30	2.41	3.80	2.18	4.41
67,131	75,236	113,661	67,596	87,548
4.29	5.83	8.42	6.11	9.51
1.44	1.63	1.59	1.45	1.60
0.40	0.64	0.84	0.59	0.76
1.15	0.97	0.98	1.02	0.82
53.43	49.34	49.57	50.37	45.04
7	6	7	4	2
110	108	75	115	75
33	53	40	47	36
85	61	42	72	41
4.70	4.74	5.04	4.04	3.33
1.81	1.69	1.86	1.72	1.65
3.84	5.84	9.63	5.47	9.23
15.41	6.87	6.57	27.42	16.25
2.00	3.50	4.00	1.00	3.00
3.38	8.72	6.32	0.67	2.00
52.08	59.93	41.54	18.28	32.50
1.92	1.67	2.65	5.47	3.38
75.71	72.57	75.73	72.66	76.81
58.07	56.93	59.43	53.80	54.93
59.19	40.13	63.30	150.00	150.00
68.07	76.59	153.00	160.10	150.00
35.19	40.13	63.30	134.55	105.00
52.82	57.80	116.82	146.81	138.78

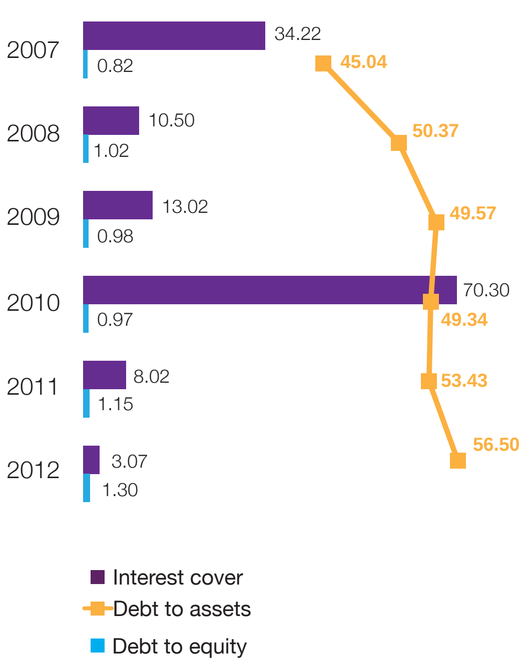
Graphical Presentation

Sales, Cost of Sales & Gross Profit Rupees ('000)

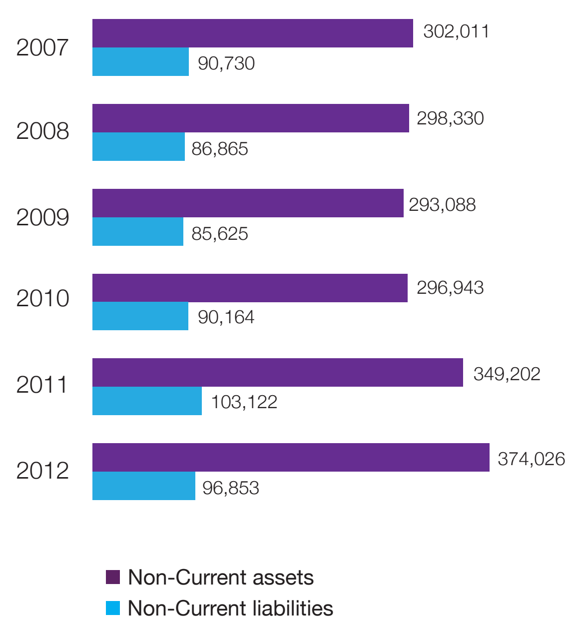


Profitablitity (%)

Debt Management Times (%)

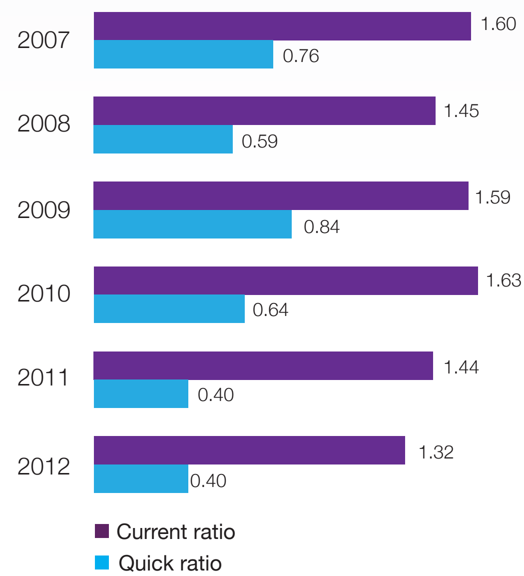


Non-Current Assets & Liabilites Rupees ('000)

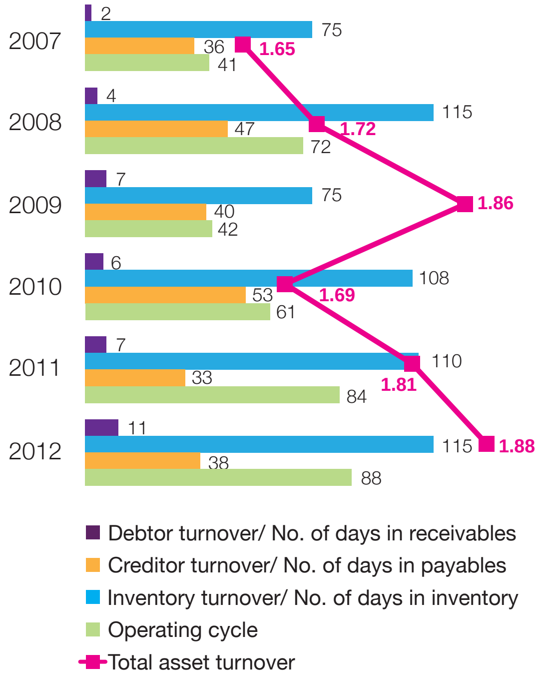


Rate of Return (%)

Liquidity Rupees ('000)



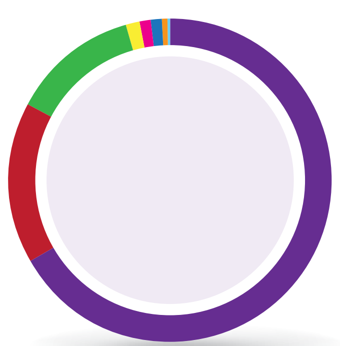
Asset Management Days (%)



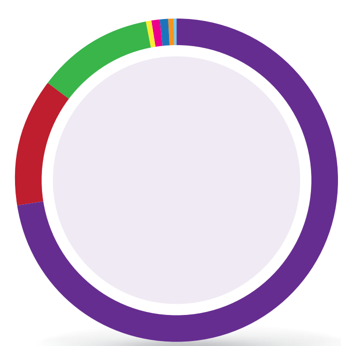
Statement of Value Additions

	2012		2011	
	Rs. In '000	%	Rs. In '000	%
Wealth Generated				
Net sales	1,829,255	99.54	1,566,091	99.72
Other operating income	8,361	0.46	4,440	0.28
	1,837,617	100	1,570,531	100
Distribution of Wealth				
Cost of sales and services (excluding employees remuneration and other duties)	1,227,052	66.77	1,139,974	72.59
Selling, distribution and administrative expenses (excluding employees remuneration and other duties)	298,020	16.20	202,727	12.91
Employees remuneration	232,267	12.64	182,386	11.61
Finance costs including exchange loss	28,804	1.57	7,635	0.49
Government taxes and levies {income tax, WPPF and WWF}	21,006	1.14	15,123	0.96
Dividend to shareholders	15,972	0.87	10,648	0.68
Retained for future growth	14,496	0.79	9,775	0.62
Charity and donation	371	0.02	2,263	0.14
	1,837,617	100	1,570,531	100

Distribution of Wealth 2012



Distribution of Wealth 2011



Shareholders Information

Registered Office

12th Floor, Executive Tower, Dolmen City,
Marine Drive, Block IV, Clifton,
Karachi-Pakistan.
Tel: +92 21 35297570-77
Fax: +92 2135297585

Shares Registrar

M/s THK Associates (Pvt) Limited,
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi 75530.
UAN: +92 21 111-000-322 Fax: +92 21 35655595

Listing on Stock Exchanges

ZIL Limited equity shares are listed on Karachi and Lahore Stock Exchanges.

Listing Fees

The annual listing fee for the financial 2012-13 has been paid to all the two stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of ZIL Limited at Karachi and Lahore Stock Exchanges is ZIL.

Shares Registrar

ZILLimited shares department is operated by THK Associates (Pvt) Limited. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the registration functions.

The share registrar has online connectivity with Central Depository company of Pakistan Limited. It undertakes activities pertaining to dematerialized of shares, shares transfers, transmissions, issued of duplicate/revalidated dividend warrants, issue of duplicate / replaced share certificates, change of address and other related matters. For assistance, shareholders may contact either the Registered Office or the shares Registrar.

Statutory Compliance

During the year, the company has complied with all applicable provisions, filed all returns/forms and furnished the all relevant particulars as required under The Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) regulations and the listing requirements.

Dividend Announcement

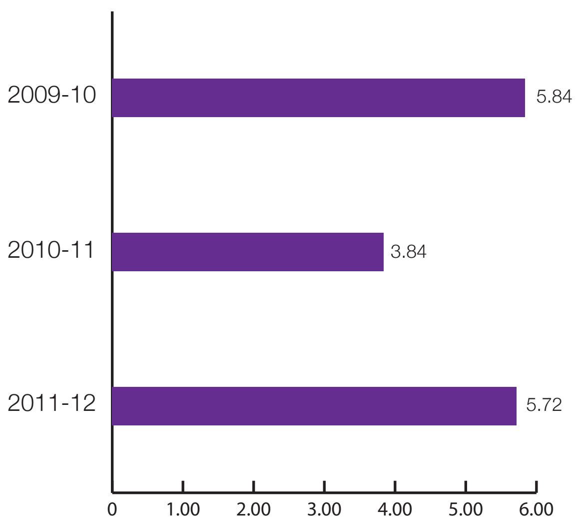
The board of Directors of the Company has recommended for the financial year ended June 30, 2012 a cash dividend to the ordinary shareholders at the rate of 30% (Rs.3.00 per ordinary share of Rs.10.00) subject to approval by the shareholders of the Company at the Annual General Meeting.

Earnings Per Share

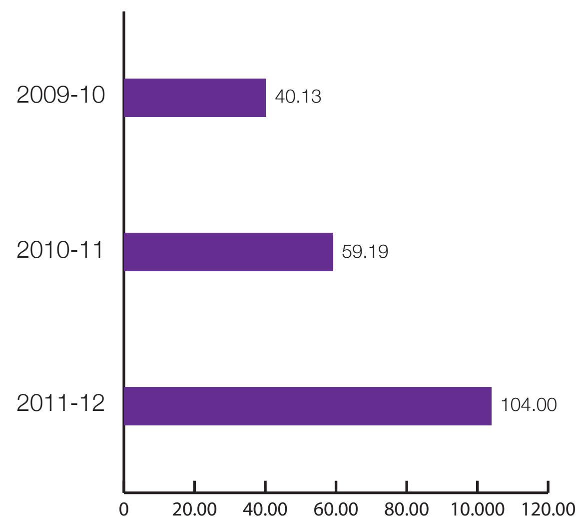
Earnings per share for the year Rs. 5.72 (2011: 3.84)

Shareholders Information

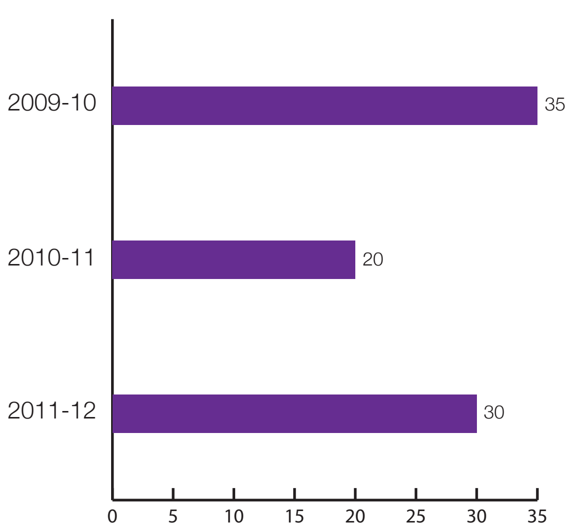
Earning Per Share (Rupees)



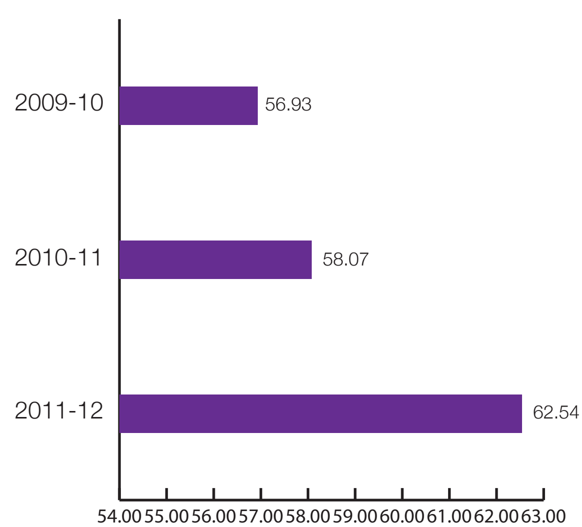
Year Closing Stock
Price (As at 30 June) (Rupees)



Dividend History (%)



Break-Up Value Per Share (Rupees)



Shareholders Information

Annual General Meeting

The annual shareholders' meeting will be held on Tuesday, October 23, 2012 at 9:00 am. at The Royal Rodale, Plot No. Tc-V, 34th Street, Khayaban-e-Sehar, Phase -V Ext., DHA, Karachi, Pakistan Shareholders as of October 23, 2012 are encouraged to participate.

Book Closure Dates

The Share Transfer Books of the Company will remain closed from October 17, 2012 to October 23, 2012 (both days inclusive).

Dividend Remittances

Dividend declared and approved at the Annual General Meeting will be paid within the statutory time limit of 30 days:

i) For shares held in physical form: to shareholders whose names appear in the register of Members of the Company appear in the Register of Members of the Company after entertaining all request for transfer of shares lodged with the Company on or before the book closure date.

ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on the book closure date.

Withholding of Tax & Zakat on Ordinary Dividend

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the prevailing rate wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the Face value of the share, other than corporate holders or individuals who have provided undertaking or declaration under the Zakat & Ushr Ordinance 1981 for non-deduction.

Dividend Warrants

Cash dividend is paid through dividend warrants addressed to the shareholders whose names appear in the register of Shareholders at the date of book closure. The shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the Company to clear the unclaimed dividend account.

Shareholder's Grievances

To date none of the shareholders has filed any letter of complaint against any service provided by the company to its shareholders.

Shareholders Information

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of shares.

General Meeting & Voting Rights.

Pursuant to section 158 of the Companies Ordinance, 1984, ZIL Limited holds a General Meeting of shareholders at least once a year. Every shareholders has right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi and Lahore.

Shareholders having holding of at least 10% of voting rights may also apply to the Board of directors to call for meeting of shareholders, and if Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally , matters at te general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of the “One Member-one Vote”. If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a Company is “One share-One Vote”, voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholders of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his/her proxy to attend and vote instead of him/her.

Every notice calling a General meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the company not less then forty-eight hours before the meeting.

Web Presence

Update information regarding the company can be accessed at ZIL Limited website, www.zil.com.pk. The website contains the latest financial results of the company together with Company's profile, the corporate philosophy and major products.

Shareholders Information

Quarterly Reports

The Company publishes interim reports for the first, second and third quarters of the financial year. The interim reports for the preceding year can be accessed at ZIL's website www.zil.com.pk or printed copies can be obtained by writing to the Company Secretary.

Annual Report

The Annual Report of the Company summarizes the Company's performance during the year and provides an outlook for the future.

The Annual report may be downloaded from the Company's website: www.zil.com.pk or printed copies obtained by writing to:

The Company Secretary
ZIL Limited
12th Floor, Executive Tower, Dolmen City, Marine Drive,
Block IV, Clifton, Karachi-Pakistan.


CAPRI

The cost of sales remained at 72% of net whereas gross profit touched 28% approx.

Statement of Compliance with the Code of Corporate Governance
Year ending June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 35 of 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 CCG 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:

Category	Names
Independent Directors	Mr. Shahid Nazir Ahmed, Mr. Zafar Ahmed Siddiqui and Mr. Omer Ehtisham
Executive Directors	Mrs. Feriel Ali Mehdi and Mr. Mujahid Hamid
Non- Executive Directors	Syed Yawar Ali, Mr. Kemal Shoaib and Mr. Amir Zia

   The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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

4. No casual vacancy occurred on the board during the year.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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 CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in her absence, by a director 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 board arranged Code of Corporate Governance Leadership Skills (CGLS) training programs for its Chairman & Chief Executive Officer during the year.

10. No new appointment of Chief Financial Officer and Company Secretary were made during the period, however remunerations including terms and conditions have duly ratified by the board. The board has also approved the appointment of Head of Internal Audit including his remuneration and terms & conditions of employment.

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

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

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

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is executive and two are non-executive directors and the chairman of the committee is an independent director.

18. 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.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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 the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated amongst all the market participants at once through the Stock Exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Mrs. Feriel Ali Mehdi
Chairman/CEO

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 ("Statement of Compliance") prepared by the Board of Directors of ZIL Limited ("the Company") to comply with the Listing Regulations of the respective 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, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

Date: 17 September 2012
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 30th June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting 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;

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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30 2012 and of the profit, cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: 17 September 2012
Karachi

KPMG Taseer Haadi & Co.
Chartered Accountants
Mazhar Saleem

Financial Statements

For the year ended June 30, 2012

Water Lily & Sea Mineral

Balance Sheet As at 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	4	359,668	333,541
Intangible assets	5	6,858	7,906
Long term deposits	6	6,835	6,805
Long term loans to employees	7	665	950
Total non-current assets		374,026	349,202
CURRENT ASSETS			
Stores and spares - net	8	12,416	8,600
Stock-in-trade - net	9	418,567	370,943
Trade debts - net	10	54,219	29,780
Advances, prepayments and other receivables	11	67,292	61,788
Cash and bank balances	12	45,688	45,299
Total current assets		598,182	516,410
CURRENT LIABILITIES			
Trade and other payables	13	284,895	254,491
Short term borrowing	14	130,000	80,000
Taxation	16.3	37,552	24,910
Total current liabilities		452,447	359,401
NET CURRENT ASSETS		145,735	157,009
NET ASSETS		519,761	506,211
FINANCED BY			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2011: 10,000,000) ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital	17	53,240	53,240
Reserves		279,733	255,901
		332,973	309,141
Surplus on revaluation of fixed assets - net of tax	18	89,935	93,948
NON-CURRENT LIABILITIES			
Long term deposits		450	450
Deferred staff liabilities	19	71,824	65,214
Deferred tax liability- net	20	24,579	37,458
Total non-current liabilities		96,853	103,122
		519,761	506,211
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 36 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Mujahid Hamid
Director

Profit and Loss Account
For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Net sales	22	1,829,255	1,566,091
Cost of sales	23	(1,323,117)	(1,226,184)
Gross profit		506,138	339,907
Selling and distribution expenses	24	(332,027)	(224,017)
Administrative expenses	25	(102,195)	(77,149)
		(434,222)	(301,166)
		71,916	38,741
Other operating income	26	8,361	4,440
Other operating expenses	27	(9,773)	(5,388)
		70,504	37,793
Financial expenses	28	(23,002)	(4,715)
Profit before taxation		47,502	33,078
Taxation	16.1	(17,035)	(12,655)
Profit for the year		30,468	20,423
		(Rupees)	
Earnings per share	29	5.72	3.84

The annexed notes from 1 to 36 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Mujahid Hamid
Director

Statement of Comprehensive Income
For the year ended 30 June 2012

	2012	2011
	---------------(Rupees in '000)---------------	
Profit for the year	30,468	20,423
Other comprehensive income	-	-
Total comprehensive income for the year	30,468	20,423

The annexed notes from 1 to 36 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Mujahid Hamid
Director

Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**47,502**	33,078
Adjustments for:			
Mark-up expense	28	**23,002**	4,715
Depreciation and amortization	4.4	**35,184**	28,390
Provision for gratuity	19.5	**8,551**	9,753
Provision for staff retirement benefits	19.5	**3,662**	4,128
Provision for slow moving stores and spares	8.1	**574**	574
Provision for slow moving stock	9.2	**3,767**	(5,928)
Write off slow moving stock	9.2	**-**	601
Return on bank deposits	26	**(433)**	(2,682)
(Gain) / loss on disposal of fixed assets	26	**(2,704)**	2,457
		71,603	42,008
Operating profit before working capital changes		**119,105**	75,086
Decrease / (increase) in operating assets:			
Stores and spares		**(4,391)**	(1,313)
Stock-in-trade		**(51,398)**	(83,337)
Trade debts		**(24,439)**	(8,500)
Long term loans to employees		**1**	(676)
Long term advances and deposits		**(30)**	(2,866)
Advances, prepayments and other receivables		**4,870**	(9,812)
		(75,387)	(106,504)
Increase / (decrease) in operating liabilities:			
Trade and other payables		**31,342**	1,683
Cash generated from operations		**75,060**	(29,735)
Income tax paid		**(27,350)**	(29,389)
Gratuity paid	19.3	**(4,094)**	(6,647)
Retirement benefits paid	19.3	**(1,509)**	(2,987)
Profit received on short term deposits	26	**433**	2,682
Mark-up paid		**(23,937)**	(1,692)
		(56,457)	(38,033)
Net cash flows from / (used in) operating activities		**18,603**	(67,768)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(64,518)**	(65,200)
Short term investments		**-**	5,000
Proceeds from disposal of fixed assets	4.3	**6,952**	8,534
Net cash flows used in investing activities		**(57,566)**	(51,666)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(10,648)**	(18,513)
Short term loan		**50,000**	80,000
		39,352	61,487
Net increase / (decrease) in cash and cash equivalents		**389**	(57,947)
Cash and cash equivalents at beginning of the year		**45,299**	103,246
Cash and cash equivalents at end of the year		**45,688**	45,299

The annexed notes from 1 to 36 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Mujahid Hamid
Director

Statement of Changes in Equity
For the year ended 30 June 2012

	Issued, subscribed and paid up capital	Revenue reserves		Total reserves	Total
		General reserve	Unappropriated profit		
	(Rupees in '000)				
Balance as at 1 July 2010	53,240	6,000	243,834	249,834	303,074
Total comprehensive income for the year - Profit for the year ended 30 June 2011	-	-	20,423	20,423	20,423
Transactions with owners recorded directly in equity - distributions					
- Bonus shares issued for the year ended 30 June 2010 (dividend)	-	-	-	-	-
- Final cash dividend paid for the year ended 30 June 2010		-	(18,634)	(18,634)	(18,634)
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognised directly in equity)	-	-	4,277	4,277	4,277
Balance as at 30 June 2011	53,240	6,000	249,901	255,901	309,141
Total comprehensive income for the year - Profit for the year ended 30 June 2012	-	-	30,468	30,468	30,468
Transactions with owners recorded directly in equity - distributions					
- Final cash dividend paid for the year ended 30 June 2011	-	-	(10,648)	(10,648)	(10,648)
Transferred from surplus on revaluation of fixed assets - incremental depreciation (recognised directly in equity)	-	-	4,013	4,013	4,013
Balance as at 30 June 2012	53,240	6,000	273,733	279,733	332,973

The annexed notes from 1 to 36 form an integral part of these financial statements.

Feriel Ali Mehdi
Chairman / Chief Executive

Mujahid Hamid
Director

Notes to the Financial Statements
For the year ended 30 June 2012

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 12th Floor, Executive Tower, Dolmen City, Marine Drive, Block - 4, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention. Except that certain class of property, plant and equipment (i.e. Land, Building and plant and machinery) have been included at revalued amount.

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 from these estimates.

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

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.

2.4.2 Staff gratuity and retirement benefits

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

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 assess 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.

2.5 Standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

Owned

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 in 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 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.

Leased

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are stated at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, less accumulated depreciation and impairment losses, if any.

Leased assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 2012) 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 2012) using the Projected Unit Credit Method. Actuarial gains / losses are recognised as income or expense in the year in which they arise.

Past service cost resulting from changes to defined plan to the extent the benefits are already vested is recognized immediately and remaining unrecognized past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

c) Provident fund - defined contribution plan

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

3.4 Compensated absences

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

3.5 Taxation

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

i) Current

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

3.9 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.

3.10 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.

3.11 Trade and other payables

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

3.12 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, 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.

3.13 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.

3.14 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 derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.15 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.

3.16 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).

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.

3.17 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 recognised 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.

3.18 Dividend and appropriations

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

3.19 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

	Note	2012	2011
		(Rupees in '000)	
Operating assets	4.1	326,788	328,213
Capital work-in-progress	4.2	32,880	5,328
		359,668	333,541

Notes to the Financial Statements

For the year ended 30 June 2012

4.1 Operating assets

2012

		Cost				Rate %	DEPRECIATION				Written down value as on 31 June 2012
		As at 1 July 2011	Addition	(Disposal)	As at 30 June 12		As at 1 July 2011	For the year	(Disposal)	As at 30 June 12	
		------------------(Rupees in '000)------------------					------------------(Rupees in '000)------------------				
Freehold land - owned	4.5	42,000	-	-	42,000	-	-	-	-	-	42,000
Leasehold land	4.5	42,140	-	-	42,140	2	465	843	-	1,308	40,832
Building on freehold land	4.5	28,944	260	-	29,204	10	2,811	2,633	-	5,444	23,760
Building on leasehold land		2,069	-	-	2,069	10	17	205	-	222	1,847
Lease hold improvements		3,068	-	-	3,068	10	1,285	177	-	1,462	1,606
Plant, machinery and equipment	4.5	235,393	5,194	(1,001)	239,586	10	80,381	15,735	(928)	95,188	144,398
Capital spares		8,979	897	-	9,876	10	3,459	595	-	4,054	5,822
Furniture and fixtures		19,435	5,219	-	24,654	10	1,323	2,169	-	3,492	21,162
Vehicles		45,587	21,726	(7,205)	60,108	20	16,442	7,512	(3,031)	20,923	39,185
Computers		13,026	1,716	-	14,742	30	6,271	2,313	-	8,584	6,158
Professional books		31	-	-	31	30	5	8	-	13	18
		440,672	35,012 -	(8,206)	467,478		112,459	32,190	(3,959) -	140,690	326,788

2011

		Cost				Rate %	DEPRECIATION				Written down value as on 30 June 2011
		As at 1 July 2010	Addition / *Revaluation	(Disposal)	As at 30 June 2011		As at 1 July 2010	For the year	(Disposal) / (Release on revaluation)	As at 30 June 2011	
		------------------(Rupees in '000)------------------					------------------(Rupees in '000)------------------				
Freehold land - owned	4.5	42,000	-	-	42,000	-	-	-	-	-	42,000
Leasehold land		21,489 *	- 20,651	-	42,140	2	2,105	659	- (2,299)	465	41,675
Building on freehold land	4.5	27,423	1,521	- -	28,944	10	-	2,811	- -	2,811	26,133
Building on leasehold land		-	2,069	-	2,069	10	-	17	-	17	2,052
Lease hold improvements		3,068	-	-	3,068	10	1,087	198	-	1,285	1,783
Plant, machinery and equipment		218,287	18,778	(1,672)	235,393	10	65,230	15,769	(618)	80,381	155,012
Capital spares		8,979	-	-	8,979	10	2,846	613	-	3,459	5,520
Furniture and fixtures		12,494	16,439	(9,498)	19,435	10	4,532	898	(4,107)	1,323	18,112
Vehicles		35,749	17,776	(7,938)	45,587	20	15,113	4,834	(3,505)	16,442	29,145
Computers		8,787	4,818	(579)	13,026	30	4,992	1,745	(466)	6,271	6,755
Professional books		-	31	-	31	30	-	5	-	5	26
		378,276	61,432 * 20,651	(19,687)	440,672		95,905	27,549	(8,696) * (2,299)	112,459	328,213

4.2 Capital work-in-progress

	COST			
	As at 1 July 2011	Additions	(Transfers to operating assets)	As at 30 June 2012
	(Rupees in '000)			
Building on freehold land	244	16	(260)	-
Plant, machinery and equipments	2,004	34,611	(5,194)	31,422
Furniture and fixtures	901	4,319	(5,219)	-
Vehicles	1,524	20,202	(21,726)	-
Intangibles	-	1,357	-	1,357
Computers	655	1,162	(1,716)	101
	5,328	61,667	(34,115)	32,880

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
		(Rupees in '000)							
Vehicles									
Suzuki Cultus	2010	958	254	704	800	95	Negotiation	Mukhtar Hussain	House # 221,Block D, Unit #09 ,Latifabad, Hyderabad
Honda City	2008	995	510	485	910	425	Negotiation	Haji Ali Motors	Shop # 8, Al-Madina Apartments, 58 Muslimabad, new M.A Jinnah Road Karachi
Honda City	2009	879	397	482	925	444	Negotiation	Haji Ali Motors	Shop # 8, Al-Madina Apartments, 58 Muslimabad, new M.A Jinnah Road Karachi
Suzuki Alto	2009	653	276	377	560	183	Negotiation	Haji Ali Motors	Shop # 8, Al-Madina Apartments, 58 Muslimabad, new M.A Jinnah Road Karachi
Suzuki Alto	2008	524	292	232	475	243	Negotiation	Haji Ali Motors	Shop # 8, Al-Madina Apartments, 58 Muslimabad, new M.A Jinnah Road Karachi
Honda CD 70	2011	66	5	61	60	(1)	Insurance Claim	IGI Insurance Limited and EFU General Insurance	D-32, Block-2, Kehkashan Clifton,Karachi-75600 and EFU House, M.A. Jinnah Road, P.O. Box 5005 Karachi-74000
Suzuki Alto	2008	524	303	221	475	254	Negotiation	Haji Ali Motors	Shop # 8, Al-Madina Apartments, 58 Muslimabad, new M.A Jinnah Road Karachi
Suzuki Alto	2008	524	304	220	450	230	Negotiation	Abdul Rehman	House # P 32,Street # 2, Haseeb Shaheed colony, Satyana Road, Faisalabad
Toyota Corolla	2011	1,482	285	1,197	1,400	203	Negotiation	Raza Abbas	House # P 32, Street 2 Bashir street, Karamabad ,Wahadat Road, Lahore
Suzuki Cultus	2006	600	405	195	197	2	As per policy	Anwar Hussain Shakir	171-C , Commercial Area, Latifabad # 10, Hyderabad
		7,205	3,031	4,174	6,252	2,078			
Equipment									
Water Boiler	1987	1,001	928	74	700	626	Negotiation	Mubin Shaikh	Islamabad Chowk, Mohalah Millat, Purana power house Road Hyderabad.
2012		8,206	3,959	4,248	6,952	2,704			
2011		19,687	8,696	10,991	8,534	(2,457)			

4.4 Depreciation on property, plant and equipment and amortization of intangible asset (note 5) for the year has been allocated as follows:

	Note	2012	2011
		(Rupees in '000)	
Depreciation for the year on property, plant and equipment	4.1	32,190	27,549
Amortization of intangible asset for the year	5	2,994	841
		35,184	28,390
Cost of sales	23	21,750	18,955
Selling and distribution expenses	24	5,648	3,289
Administrative expenses	25	7,786	6,146
		35,184	28,390

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.12.465 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

Leasehold land of the Company was revalued as of 31 December 2010 by an independent valuer Aman Ullah Associates , on the basis of market value. This valuation has been incorporated in the financial statements as of 30 June 2011 and has resulted in a surplus of Rs.22.950 million before tax for that year.

In addition to the above revaluation, the company had also arranged the revaluation of its 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, lease hold land, buildings on free hold land and plant and machinery not been revalued, the total carrying values as at 30 June 2012 would have been as follows:

	(Rupees in '000)
Free hold land	29
Lease hold land	18,613
Buildings on free hold land	3,937
Plant, machinery and equipment	113,360
	135,939

5. INTANGIBLE ASSETS

2012

	COST			Rate	AMORTIZATION			
	As at 1 July 2011	Addition/ (disposal)	As at 30 June 2012	%	As at 1 July 2011	For the year	As at 30 June 2012	Written down value as on 31 June 2012
Computer software and licenses	11,017	1,946	12,963	30	3,111	2,994	6,105	6,858

2011

	COST			Rate	AMORTIZATION			
	As at 1 July 2010	Addition/ (disposal)	As at 30 June 2011	%	As at 1 July 2010	For the year	As at 30 June 2011	Written down value as on 31 June 2011
Computer software and licenses	2,293	8,724	11,017	30	2,270	841	3,111	7,906

	Note	2012	2011
		--------------(Rupees in '000)--------------	
6. LONG TERM DEPOSITS - considered good			
Deposits:			
- against letter of guarantee		2,106	2,106
- against office premises		1,705	1,705
- to Central Depository Company of Pakistan Limited		13	13
- others		3,089	3,059
		6,913	6,883
Provision held		(78)	(78)
		6,835	6,805
7. LONG TERM LOANS TO EMPLOYEES - Considered good - secured			
Non-executive employees	7.1	839	552
Non executive employees - sales staff	7.2	328	615
Receivable within one year		(502)	(217)
		665	950

7.1 These mark-up free loans have been given to the non-executive employees for purchase ofmotorcycles as per Company's Motor Cycle loan policy. These are recoverable in 36 to 57 equal monthly installments and are secured against the employees' provident fund balance.

7.2 These mark-up free loans have been given to the non-executive employees of sales staff as per Company's Float Money policy. These are recoverable with in one year from the date of disbursement and are secured against the employees' provident fund balance.

	Note	2012	2011
		(Rupees in '000)	
8. STORES AND SPARES			
Stores		12,223	8,207
Spares		2,920	2,546
		15,143	10,753
Provision against slow moving stores and spares	8.1	(2,727)	(2,153)
		12,416	8,600
8.1 Provision against slow moving stores and spares			
Balance as at 1 July		2,153	1,579
Charge for the year		574	574
Balance as at 30 June		2,727	2,153
9. STOCK-IN-TRADE			
Raw material - in hand		126,593	114,779
- in transit		139,548	171,750
		266,141	286,529
Packing material		20,507	22,708
Work-in-process		55,331	40,947
Finished goods		84,082	24,486
		426,061	374,670
Provision against slow moving and obsolete stock	9.2	(7,494)	(3,727)
		418,567	370,943

9.1 This includes stocks aggregating Rs. 0.77 million (2011: Rs. 2.335 million) stated at their net realizable values as against their cost of Rs. 2.58 million (2011: Rs. 4.787 million).

	2012	2011
	(Rupees in '000)	
9.2 Provision against slow moving and obsolete stock		
Balance as at 1 July	3,727	9,655
Charge for the year	3,767	-
Reversal during the year	-	(5,928)
Balance as at 30 June	7,494	3,727

	Note	2012	2011
		(Rupees in '000)	
10. TRADE DEBTS - unsecured			
Considered good	10.1	54,219	29,780
Considered doubtful		1,133	1,133
		55,352	30,913
Provision against impaired debts	10.2	(1,133)	(1,133)
		54,219	29,780

10.1 Trade debts include balance amounting to Rs. 0.354 million (2011: Rs. 0.08 million) due from Treet Corporation Limited and Wazir Ali Industries (related parties).

	Note	2012	2011
		(Rupees in '000)	
10.2 Provision against impaired debts			
Balance as at 1 July		1,133	1,133
Charge for the year		-	-
Write off during the year		-	-
Balance as at 30 June		1,133	1,133
11. ADVANCES, PREPAYMENT AND OTHER RECEIVABLES			
Advances - considered good:			
- taxation		58,255	48,168
- to suppliers and contractors		4,670	4,315
Less: Provision held	11.1	(803)	(803)
		3,867	3,512
- to sales staff		508	508
Current maturity of loans to employees (refer note 7)		502	217
Special Excise Duty receivable		206	-
Prepayments		2,230	5,428
Other receivables		1,724	3,955
		67,292	61,788
11.1 Provision against advances to suppliers and contractors			
Balance as at 1 July		803	803
Charge for the year		-	
Balance as at 30 June		803	803

Notes to the Financial Statements
For the year ended 30 June 2012

	Note	2012	2011
		--------------(Rupees in '000)--------------	
12. CASH AND BANK BALANCES			
Cash in hand		201	134
Demand drafts in hand		24,782	37,557
Cash at banks in - current accounts		6,930	1,670
- collection accounts		13,250	-
- profit and loss sharing accounts	12.1	525	5,938
		20,705	7,608
		45,688	45,299

12.1 These carry interest / mark-up rate ranging from 6% to 6.5% per annum (2011: 6.3% to 6.42% per annum).

13. TRADE AND OTHER PAYABLES

	Note	2012	2011
Trade creditors		138,290	110,090
Accrued expenses		93,424	84,388
Advances from customers		9,900	20,242
Sales tax payable	13.1	30,970	23,750
Special excise duty payable		-	4,424
Worker's Profit Participation Fund	13.2	183	580
Worker's Welfare Fund		2,126	1,408
Accrued mark-up liability		2,118	3,056
Other liabilities		7,270	5,939
Dividend payable		-	591
Unclaimed dividend		614	23
		284,895	254,491

13.1 This was paid by the Company subsequent to 30 June 2012.

13.2 Workers' profit participation fund

	Note	2012	2011
Balance as on 1 July		580	2,611
Mark-up on Workers' Profit Participation Fund	28	12	39
Contribution during the year	27	2,574	1,778
Payments during the year		(2,983)	(3,848)
Balance as at 30 June		183	580

14. SHORT TERM BORROWING

	Note	2012	2011
Short Term Financing		130,000	80,000

During the year the Company availed Short term loan and Murabaha facilities from certain banks for the purpose of raw material and store and spares procurement. The outstanding amount of Rs. 130 million represents outstanding as at 30 June 2012 in respect of Murabaha facility (2011: Rs.80 million represents Short term loan) and is repayable on 24 August 2012. The Short term loan carries markup rate of 3 month KIBOR + 0.95%. In the case of Murabaha, relevant KIBOR + 0.5% is applied on a period for which the loan is outstanding. These facilities are secured against Company's stock and book debts.

15. UNUTILISED CREDIT FACILITIES

15.1 At 30 June 2012, unutilised facilities for running finance under mark-up arrangements available from certain banks aggregated to Rs. 520 million (2011: Rs. 244 million). The rate of mark-up on running finance facilities ranges between 1 month KIBOR + 0.5% per annum to 1 month KIBOR + 1.25% per annum (2011: 1 month KIBOR + 1.25% per annum to 1 month KIBOR + 1.5% per annum). These are secured against stock-in-trade, book debts and plant and machinery of the Company and are valid up to 31 March 2013.

15.2 At 30 June 2012, unutilised letter of credit facilities from certain banks amounted to Rs.610.453 million (2011: Rs. 567.929 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs.750 million (2011: Rs. 670 million).

16. TAXATION

	Note	2012	2011
		--------------(Rupees in '000)--------------	
16.1 Details of tax charge for the year			
Current			
- for the year		24,014	11,364
- for prior year		5,900	612
		29,914	11,976
Deferred	20	(12,879)	679
		17,035	12,655
16.2 Relationship between income tax expense and accounting profit			
Profit before tax		47,502	33,078
Tax at the applicable tax rate of 35% (2011: 35%)		16,626	11,577
Effect of lower tax rate on insurance commission		157	66
Tax effect of expenses that are not allowable in determining the taxable income		130	102
Prior year		-	612
Others		122	298
Tax expense		17,035	12,655

16.3 The returns of income have been filed up to and including tax year 2011 (corresponding to financial year ended 30 June 2011), while the income tax assessments have been finalized up to and including tax year 2004. The return of income for tax year 2005 to 2011 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 (ACIT). During the year ACIT decided the appeal in favour of the Company and allowed Rs.1.740 million (tax effect) which were disallowed by the amended assessment order. The department has filed an appeal against said decision before the Income Tax Appellate Tribunal (ITAT) 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.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(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	1,724,000	Fully paid ordinary shares of Rs.10 each issued as bonus shares	17,240	17,240
5,324,000	5,324,000		53,240	53,240

At 30 June 2012, 173,691 (2011: 903,291) shares of the company were held by an associated company.

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

	2012	2011
Balance as on 1 July	121,902	105,532
Surplus arising due to revaluation	-	22,950
Transferred to accumulated profit in respect of incremental depreciation charged during the year	(4,013)	(4,277)
Related deferred tax liability	(2,161)	(2,303)
	115,728	121,902
Less:		
Related deferred tax liability at beginning of the year	27,954	22,225
On revaluation carried out during the year	-	8,032
On incremental depreciation for the year	(2,161)	(2,303)
	25,793	27,954
Balance as on 30 June 2012	89,935	93,948

19. DEFERRED STAFF LIABILITIES

19.1 Gratuity and staff retirement benefit schemes

The Company operates two unfunded defined 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 2012 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	
	2012 (%)	2011 (%)	2012 (%)	2011 (%)
Valuation discount rate	12.5	14	12.5	14
Salary increase rate	12.5	14	12.5	14

19.2 Payable to defined benefit schemes

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Present value of defined benefit obligations	47,719	43,262	24,105	21,964	71,824	65,214
Unrecognised past service cost	-	-	-	(12)	-	(12)
Net payable recognised as at the year-end	47,719	43,262	24,105	21,952	71,824	65,214

19.3 Movement in balance payable

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2012	2011	2012	2011	2012	2011
Opening balance	43,262	40,156	21,952	20,811	65,214	60,967
Expense recognised	8,551	9,753	3,662	4,128	12,213	13,881
Benefits paid	(4,094)	(6,647)	(1,509)	(2,987)	(5,603)	(9,634)
Closing balance	47,719	43,262	24,105	21,952	71,824	65,214

19.4 Reconciliation of the present value of the defined benefit obligations

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Present value of obligation as at July 01	43,262	40,156	21,952	20,811	65,214	60,967
Current service cost	3,290	2,640	713	668	4,003	3,308
Interest cost	6,057	5,187	3,075	2,708	9,132	7,895
Benefits paid	(4,094)	(6,647)	(1,509)	(2,987)	(5,603)	(9,634)
Past service cost - vested	-	-	12	12	12	12
Actuarial (gains) / losses	(796)	1,926	(138)	740	(934)	2,666
Present value of obligation as at 30 June	47,719	43,262	24,105	21,952	71,824	65,214

19.5 Charge for defined benefit plans and other benefits

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

	Gratuity Scheme		Staff retirement benefits scheme		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Current service cost	3,290	2,640	713	668	4,003	3,308
Interest cost	6,057	5,187	3,075	2,708	9,132	7,895
Net actuarial (gains) / losses recognised	(796)	1,926	(138)	740	(934)	2,666
Recognised past service cost	-	-	12	12	12	12
	8,551	9,753	3,662	4,128	12,213	13,881

19.6 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:

	2013 (Rupees in '000)
Gratuity scheme	9,930
Staff retirement benefits scheme	3,754

19.7 Historical information of obligation

	Gratuity Scheme				
	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of obligation	47,719	43,262	40,156	35,832	31,178
Actuarial (gains) / losses on obligation	(796)	1,926	(143)	290	1,340

	Staff retirement benefits scheme				
	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of obligation	24,105	21,964	20,823	20,462	19,361
Actuarial gains / (losses) on obligation	138	(740)	633	805	(1,906)

20. DEFERRED TAX LIABILITY -net

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

	Balance as at 1 July 2010	Revaluation surplus	Recognized in profit and loss	Balance at 30 June 2011	Revaluation surplus	Recognized in profit and loss	Balance at 30 June 2012
	---	---	---	(Rupees in '000)	---	---	---
Taxable temporary difference:							
-on accelerated tax depreciation	32,492	-	2,599	35,091	-	(986)	34,105
-on surplus on revaluation of fixed assets	22,226	8,032	(2,302)	27,956	-	(2,161)	25,795
-on minimum tax	-	-	-	-	-	(5,900)	(5,900)
Deductible temporary differences:							
-on provision for gratuity and retirement benefits	21,339	-	(1,486)	22,825	-	(2,314)	25,139
-on provision against slow moving stock and doubtful debts	4,632		1,868	2,764	-	(1,518)	4,282
Net deferred tax liability	28,747	8,032	679	37,458	-	(12,879)	24,579

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs.7.02 million (2011: Rs. 7.02 million).

21.1.2 Post dated cheques of Rs. 114.854 million (2011: Rs.132.587 million) have been issued to Collector of Customs against partial exemption of import levies.

21.2 Commitments

21.2.1 Commitments under letters of credit for the import of stock in trade items at 30 June 2012 amounted to Rs.135.179 million (2011: Rs. 23.515 million).

22. NET SALES

	2012	2011
	(Rupees in '000)	
Gross sales	2,282,008	2,003,432
Sales tax	(346,975)	(320,372)
Trade discount	(105,759)	(92,069)
Special excise duty	-	(24,896)
Rebate and sales return	(19)	(4)
	(452,753)	(437,341)
	1,829,255	1,566,091

22.1 Principal business of the Company is sale of home and personal care products, majority of which are taxed as per third schedule of Sales Tax Act, 1990 (retail price basis). Value for the application of sales tax amounted to Rs. 2,168.568 million (2011: Rs. 1,884.538 million).

Notes to the Financial Statements
For the year ended 30 June 2012

23. COST OF SALES

	Note	2012	2011
		(Rupees in '000)	
Raw and packing material consumed	23.1	1,184,930	1,046,890
Salaries, wages and other benefits	23.2	94,328	84,529
Fuel and power		58,899	52,161
Depreciation / amortisation	4.4	21,750	18,955
Provision for slow moving and obsolete stock	9.1	3,767	-
Write off of slow moving and obsolete stock		-	601
Stores and spares consumed		8,230	12,007
Freight and handling material		7,499	4,482
Rent, rates and taxes		818	191
Travelling and conveyance		4,168	3,296
Insurance		2,954	2,104
Contribution to the provident fund		1,737	1,681
Repairs and maintenance		2,499	1,102
Postage, telegrams and telephones		534	437
Printing and stationery		357	490
Subscription		18	117
Product research and development		352	192
Entertainment		-	197
Legal charges		108	59
Provision for slow moving stores and spares	8.1	574	574
Professional fee		87	74
Other expenses		3,488	2,122
		1,397,097	1,232,261
Opening stock of work-in-process		40,947	28,743
Closing stock of work-in-process		(55,331)	(40,947)
Cost of good manufactured		1,382,713	1,220,057
Opening stock of finished goods		24,486	30,613
Closing stock of finished goods		(84,082)	(24,486)
		1,323,117	1,226,184

23.1 Raw and packing material consumed

	2012	2011
Opening stock	138,088	79,804
Purchases	1,193,942	1,105,174
	1,332,030	1,184,978
Closing stock	(147,100)	(138,088)
	1,184,930	1,046,890

23.2 Salaries, wages and other benefits include Rs.9.045 million (2011: Rs. 12.056 million) in respect of the accrual for defined benefit obligations of the Company.

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2012	2011
		(Rupees in '000)	
Advertising		167,410	89,579
Salaries, wages and other benefits	24.1	68,898	51,413
Freight, distribution and handling		46,641	41,075
Travelling and conveyance		18,845	11,606
Product research and development		8,958	15,063
Insurance		3,272	2,688
Depreciation / amortisation	4.4	5,648	3,289
Postage and telegram		3,185	1,910
Rent, rates and taxes		2,730	1,662
Repairs and maintenance		341	589
Printing and stationery		717	1,179
Contribution to the provident fund		1,690	1,123
Legal charges		300	268
Utilities		387	259
Other expenses		3,005	2,314
		332,027	224,017

24.1 These include Rs.1.6 million (2011: Rs. 1.037 million) in respect of the accrual for defined benefit obligations of the Company.

25. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees in '000)	
Salaries, wages and other benefits	25.1	64,654	42,790
Depreciation / amortisation	4.4	7,786	6,146
Professional fee		4,580	4,175
Rent, rates and taxes		8,054	7,037
Fuel and power		3,207	1,833
Printing and stationery		1,525	1,713
Travelling and conveyance		3,748	3,084
Repairs and maintenance		1,904	1,706
Postage, telegrams and telephones		1,764	1,353
Contribution to the provident fund		960	850
Trainings and seminars		404	314
Insurance		584	521
Auditors' remuneration	25.2	628	555
General advertisement		-	1,601
Directors' fee		600	165
Legal charges		95	136
Charity and donation		371	2,263
Computer expenses		204	88
Other expenses		1,127	819
		102,195	77,149

25.1 These include Rs.1.568 million (2011: Rs. 0.788 million) in respect of the accrual for defined benefit obligations of the Company.

			2012	2011
			-----------(Rupees in '000)-----------	
25.2	**Auditors' remuneration**			
	Audit fee		400	315
	Fee for half yearly review		100	95
	Fee for the review of Code of Corporate Governance		40	35
	Fee for other certifications		10	50
	Out of pocket expenses		78	60
			628	555
26.	**OTHER OPERATING INCOME**			
	Return / income on financial assets			
	Return on bank deposits		433	2,682
	Gain on sale of investment		-	141
	Income from non-financial assets			
	Gain / (loss) on disposal of fixed assets	4.3	2,704	(2,457)
	Scrap sales	26.1	3,157	2,751
	Insurance claim		777	318
	Insurance commission		626	265
	Others		664	740
			8,361	4,440
26.1	**Gross scrap sales**		3,655	3,265
	Less: Sales Tax		(498)	(514)
	Net Scrap Sales		3,157	2,751
27.	**OTHER OPERATING EXPENSES**			
	Workers' Welfare Fund		1,397	690
	Workers' Profit Participation Fund	13.2	2,574	1,778
	Foreign exchange loss		5,802	2,920
			9,773	5,388
28.	**FINANCIAL EXPENSES**			
	Mark-up on:			
	- Running finance / Short term loan	28.1	22,027	4,075
	- Worker's Profit Participation Fund	13.2	12	39
	Bank charges and commission		963	601
			23,002	4,715

28.1 These carry interest / mark-up rate ranging from 12.38% to 14.87% per annum (2011: 13.47% to 14.64% per annum).

	2012	2011
	(Rupees in '000)	

29. EARNINGS PER SHARE

	2012	2011
	(Rupees in '000)	
Profit for the year	30,468	20,423
	(Number of shares)	
Weighted average number of ordinary shares	5,324,000	5,324,000
	(Rupees)	
Earnings per share	5.72	3.84

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

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives: Key Management Personnel		Executives: Others	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Remuneration	3,240	2,487	16,068	13,617	9,487	5,705	1,041	1,114
Provident fund	324	249	-	-	907	571	82	79
Special pay	1,854	1,423	-	-	6,377	3,835	685	749
Housing and utilities	1,815	1,414	75	-	5,475	3,342	584	646
Medical	324	249	-	-	310	167	98	83
Incentive	760	340	14,843	-	1,578	615	317	241
Gratuity	270	207	-	-	791	475	87	93
	8,587	6,369	30,986	13,617	24,925	14,710	2,894	3,005
Number of persons	1	1	1	1	8	6	3	3

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.

30.1 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. 0.600 million (2011: Rs. 0.165 million).

31. 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.

31.1 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 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:

	2012	2011
	-----------(Rupees in '000)-----------	
Long term deposits	6,835	6,805
Loans to employees	839	552
Trade debts	54,219	29,780
Other receivables	1,724	3,955
Bank balances	45,688	45,299
	109,305	86,391

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:

	2012	2011
	-----------(Rupees in '000)-----------	
Distributors / retailers	54,120	28,284
End-user customers	99	1,496
Banks	47,794	47,405
Others	7,292	9,206
	109,305	86,391

As at the year end the Company's most significant trade debts customers included a distributor / retailer from whom Rs. 28.842 million was due (2011: Rs.13.663 million).

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.

Impairment losses and past due balances

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

	2012		2011	
	Gross	Impairment loss	Gross	Impairment loss
	---------(Rupees in '000)--------		---------(Rupees in '000)--------	
Past due 1-60 days	51,983	-	25,156	-
Past due 61 days -1 year	2,236	-	4,411	-
More than one year	1,133	1,133	1,346	1,133
Total	55,352	1,133	30,913	1,133

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 10.2.

31.2 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:

	2012			
	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
Short term borrowing	130,000	130,000	130,000	-
Trade and other payables	241,716	241,716	241,716	-
	372,166	372,166	371,716	450

	2011			
	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
Short term borrowing	80,000	80,000	80,000	-
Trade and other payables	203,956	203,956	203,956	-
	284,406	284,406	283,956	450

31.3 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.

31.3.1 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:

	2012		2011	
	Rupees In '000	US Dollars	Rupees In '000	US Dollars
Trade credit liability	63,712	681,300	79,470	923,535
Gross balance sheet exposure	63,712	681,300	79,470	923,535
Estimated committed purchases as at the year end	135,179	1,411,510	23,155	273,269
Gross exposure	198,891	2,092,810	102,625	1,196,804

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	
	2012	2011	2012	2011
Rupees / US Dollars	89.440	85.890	94.20	86.050

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. 3.185 million (2011: Rs. 3.973 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2011.

31.3.2 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. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument was as follows:

	Carrying amount	
	2012	2011
	--------(Rupees in '000)-------	
Fixed rate instruments		
Financial assets	-	-
Variable rate instruments		
Financial assets	525	5,938

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 2012 and 30 June 2011.

31.3.3 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.

32. PLANT CAPACITY AND PRODUCTION

	2012	2011
	(Metric Tons)	
Soap		
Assessed / rated	10,500	10,500
Actual production	8,448	8,450

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

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Wazir Ali Industries, IGI Insurance Limited, Treet Corporation Limited, Employees Provident Fund, directors and key management personnel. Details of transaction with related parties are as follows:

	Note	2012	2011
		-------(Rupees in '000)-------	
Associated Companies			
Sale of goods		209	312
Services rendered		927	940
Purchase of goods		3,844	3,567
Services received		7,291	6,785
Dividend paid		1,807	3,953
Other related parties			
Contribution to the employees' provident fund	33.1	4,388	3,653
Directors and Chief Executive Officer (Key management personnel)			
Dividend paid		2,993	4,273

Detail of balances with a related party is disclosed in note 10.1 of these financial statements.

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

33.2 Details of remuneration of key management personnel in accordance with their terms of employment, etc are given in note 30.

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

34. 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 2012 are located in Pakistan.

35. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 17, 2012 has proposed a cash dividend of Rs Rs.3 per share (2011: Rs. 2.0 per share) amounting to Rs. 15.972 million (2011: Rs. 10.648 million) for approval by the members of the company in forthcoming Annual General Meeting. The financial statements for the year ended 30 June 2012 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 2013.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on September 17, 2012.

Feriel Ali Mehdi	Mujahid Hamid
Chairman / Chief Executive	Director

Pattern of Shareholding

As at June 30, 2012

Number of shareholders	Share Holding From	Share Holding To	Total shares held	Percentage
886	1	100	15,581	0.2927
198	101	500	48,434	0.9097
35	501	1000	26,957	0.5063
53	1001	5000	121,126	2.2751
7	5001	10000	44,703	0.8397
5	10001	15000	65,822	1.2363
2	20001	25000	42,923	0.8062
1	25001	30000	30,000	0.5635
3	30001	35000	93,301	1.7525
1	40001	45000	41,353	0.7767
1	100001	105000	100,500	1.8877
2	170001	175000	346,891	6.5156
1	175001	180000	177,794	3.3395
1	210001	215000	214,835	4.0352
1	340001	345000	340,859	6.4023
1	345001	350000	347,293	6.5232
1	480001	485000	481,592	9.0457
1	500001	505000	501,788	9.4250
1	510001	515000	513,419	9.6435
1	840001	845000	844,600	15.8640
1	920001	925000	924,229	17.3597
1203			5,324,000	100.0000

Pattern of Shareholding
As at June 30, 2012

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors & their Spouses			
Mrs. Feriel Ali- Mehdi - Chairman / CEO	3	525,795	9.8759
Mr. Mujahid Hamid - Director	2	602,288	11.3127
Syed Yawar Ali - Director	5	864,487	16.2375
Syeda Nighat Ali w/o Syed Yawar Ali	2	7,837	0.1472
Mr. Shahid Nazir Ahmed - Director	1	665	0.0125
Mr. Zafar Ahmed Siddiqui - Director	1	500	0.0094
Mr. Omer Ehtisham - Director	1	665	0.0125
Executives		Nil	
Associated Companies			
Treet Corporation Limited	1	500	0.0094
IGI Insurance Limited	1	173,191	3.2530
Mutual Funds			
Golden Arrow Selected Stocks Fund Limited	1	214,835	4.0352
Banks; DFIs; NBFCs; Insurance, Takaful, Modarbas & Pension Funds			
National Bank of Pakistan- Trustee Department Ni(U)T Fund	1	340,859	6.4023
National Investment Trust Limited	1	8,777	0.1649
National Bank of Pakistan	2	206,148	3.8721
MCB Bank Limited - Treasury	1	30,537	0.5736
State Life Insurance Corporation of Pakistan	1	30,316	0.5694
Shareholders holding five percent or more voting rights in the Company			
Mrs. Fakhre Jehan Begum	1	924,229	17.3597
Syed Muhammad Zeyd Ali	2	526,729	9.8935
Mr. Munaf Ibrahim	1	481,592	9.0457
Individuals	1160	381,647	7.1684
Others			
Joint Stock Companies	14	2,185	0.0410
Abandoned Properties	1	218	0.0041
	1203	5,324,000	100.0000

Pattern of Shareholding
As at June 30, 2012

Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	2	173,691
Mutual Funds		
Golden Arrow Selected Stocks Fund Limited	1	214,835
Directors and their spouses and minor children		
Mrs. Feriel Ali- Mehdi	3	525,795
Mr. Mujahid Hamid	2	602,288
Syed Yawar Ali	5	864,487
Syeda Nighat Ali w/o Syed Yawar Ali	2	7,837
Mr. Shahid Nazir Ahmed	1	665
Mr. Zafar Ahmed Siddiqui	1	500
Mr. Omer Ehtisham	1	665
Executives	Nil	
Public Sector Companies & corporations	Nil	
Banks; DFIs; NBFCs; Insurance, Takaful, Modarbas & Pension Funds	6	616,637
Shareholders holding five percent or more voting rights		
Mrs. Fakhre Jehan Begum	1	924,229
Syed Muhammad Zeyd Ali	2	526,729
Mr. Munaf Ibrahim	1	481,592

Trading of shares by Chief Executive Officer, Directors, Chief Financial Officer & Company Secretary, Executives, their spouses and minor children:

Purchase of shares	No, of shares
Chief Executive Officer	85,708
Director - Mr. Mujahid Hamid	476,788
Director - Syed Yawar Ali	5,000
CFO & Company Secretary	NIL
Executives	NIL
Spouses	NIL

Sale of shares	No, of shares
Chief Executive Officer	NIL
Director - Mr. Mujahid Hamid	NIL
Director - Syed Yawar Ali	NIL
CFO & Company Secretary	NIL
Executives	NIL
Spouses	NIL

Threshold for the executives for the year 2012-13

The Board of Directors has approved the threshold for definning executives in terms of clause (xvi) of Code of Corporate Governance, consequent to which all Heads of Departments are subject to additional regulatory requirements for trading and disclosing their transactions in company shares.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-second Annual General Meeting of ZIL Limited will be held on Tuesday, October 23, 2012 at 9:00 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 Annual General Meeting held on Friday, September 29, 2011.

2. To receive, consider and approve the Audited Financial Statements of the Company for the year ended 30 June 2012 together with the directors' and auditors` report thereon.

3. To approve as recommended by directors a final cash dividend @ 30% i.e. Rs.3.00 per share.

4. To appoint Auditors of the company and fix their remuneration for the financial year 2012-13 The Directors have recommended appoint KPMG Taseer Hadi & Co. Chartered Accountants who being eligible offer themselves for re-appointment.

By order of the Board

Ata-ur-Rehman Shaikh
Company Secretary

Karachi: September 17, 2012

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 17, 2012 to October 23, 2012 (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. 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.

Form of Proxy

The Secretary
ZIL Limited
12th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block IV, Clifton, Karachi

I/We ....

of.................................being a member of ZIL Limited and holding.........................ordinary

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

I.D. No.................................and Sub-Account No......................hereby

appoint..of ....or failing

him ....of .... as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Tuesday, October 23, 2012 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.

Witnesses:

1. Signature:
   Name:
   Address:

CNIC or
Passport No.

II. 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 then forty eight hours before the meeting.

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

www.zil.com.pk

ZIL LIMITED

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