



**1st Quarter Report September 30,  
2010**



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## Corporate Information

### Board of Directors

Mrs. Feriel Ali Mehdi  
Chairman / Chief Executive Officer

Syed Yawar Ali  
Director

Mr. Mujahid Hamid  
Director

Mr. Shahid Nazir Ahmed  
Director

Mr. Zafar Ahmed Siddiqui  
Director

Mr. Omer Ehtisham  
Director

Mr. Kemal Shoaib  
Director (Nominee NIT)

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

### Company Secretary & Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

### Statutory Auditors

KPMG Taseer Hadi & Co  
Chartered Accountants

### Legal Advisors

Hussain & Haider, Advocates

### Registered Office

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

### Factory

Link Hali Road, Hyderabad - 71000

### Board Audit Committee

Mr. Kemal Shoaib  
Chairman

Mr. Shahid Nazir Ahmed  
Member

Mr. Omer Ehtisham  
Member

### Bankers

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

### Shares Registrars

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



## Directors' Review

The Directors of the Company would like to present the un-audited financial statements of the Company for the quarter ended 30 September 2010

### Overview

Despite catastrophic and unprecedented floods in the months of August & September putting pressure on already weak economy, the company achieved a 16% growth in gross sales revenue during the first quarter of 2010-11 amounting to Rs.510million as compared to Rs.441million last year. The increase is mainly due to raise in volume supported by a slight adjustment in retail price of a premium brand in line with industry.

The gross profit, however, declined to 23% (of net sales revenue) as compared 30% during same period last year. The cause was the raw material prices, which remained on the higher side along with higher exchange rate in the three-month period.

The selling & distribution costs were controlled this quarter that finally resulted in maintaining the profit after tax nearly equal to last year at Rs.19.8million.

	Quarter ended 30th September	
	2010	2009
Gross Sales	510M	441M
Net Sales	395M	346M
Profit after Tax	19.8M	19.7M

### Earning Per Share

Earning per share for the quarter under review is Rs. 3.73 as compared to Rs. 3.69 during the same period last year.

### Future Outlook

The company is working towards improving its competitive position by rationalization of costs and increasing consumer understanding for building brand equity.

### Acknowledgments

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

For and on behalf of the Board

**Ferial Ali Mehdi**  
Chief Executive Officer

Karachi: 19 October 2010

Condensed Interim Balance Sheet  
As at 30 September 2010



	30 September 2010 (Un-audited)	30 June 2010 (Audited)
Note	(Rs. in '000)	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6    265,415	271,901
Intangible assets	1,414	1,423
Long term prepayment	19,276	19,384
Long term deposits	5,764	3,939
Long term loans to employees	494	296
<b>CURRENT ASSETS</b>		
Stores and spares	8,154	7,862
Stock-in-trade	7    239,151	282,281
Short-term investments	-	5,000
Trade debts	34,660	21,280
Advances, deposits, prepayments and other receivables	67,291	46,048
Cash and bank balances	8    89,284	103,246
	438,540	465,717
<b>CURRENT LIABILITIES</b>		
Trade and other payables	186,823	249,700
Taxation	48,689	36,415
	235,512	286,115
<b>NET CURRENT ASSETS</b>	<u>203,028</u>	<u>179,602</u>
<b>NET ASSETS</b>	<u>495,391</u>	<u>476,545</u>
<b>FINANCED BY</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised capital 10,000,000 (30 June 2010: 10,000,000) ordinary shares of Rs. 10 each	<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital	53,240	53,240
Reserves	270,698	249,834
	323,938	303,074
Surplus on revaluation of fixed assets - net of tax	82,273	83,307
<b>NON-CURRENT LIABILITIES</b>		
Long term deposits	450	450
Deferred staff liabilities	60,814	60,967
Deferred tax liability - net	27,916	28,747
	<u>495,391</u>	<u>476,545</u>
<b>CONTINGENCY AND COMMITMENTS</b>	9	

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

**Mujahid Hamid**  
Director

Condensed Interim Profit and Loss  
Account (Un-audited)  
For the quarter ended 30 September 2010



	Note	July to September 2010 (Rs. in '000)	July to September 2009
Net sales	10	394,968	345,862
Cost of Sales	11	(305,730)	(243,138)
Gross profit		<u>89,238</u>	102,724
Selling and distribution expenses		<u>(41,903)</u>	(61,463)
Administrative expenses		<u>(15,103)</u>	(10,728)
		<u>(57,006)</u>	(72,191)
		<b>32,232</b>	30,533
Other operating income		<b>2,095</b>	4,808
Other operating expenses		<u>(2,890)</u>	(4,869)
		<u>31,437</u>	30,472
Finance cost		<u>(161)</u>	(101)
<b>Profit before taxation</b>		<u>31,276</u>	30,371
Taxation		<u>(11,444)</u>	(10,708)
<b>Profit after taxation</b>		<u>19,832</u>	19,663
		<b>(Rupees)</b>	
			(Restated)
Earnings per share - basic and diluted		<u>3.73</u>	<u>3.69</u>

Earnings per share - basic and diluted for the comparative period has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue during the previous year.

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

**Mujahid Hamid**  
Director

Condensed Interim Cash Flow  
Statement (Un-audited)  
For the quarter ended 30 September 2010



	Quarter ended	
	30 September 2010	30 September 2009
Note	(Rs. in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	12 (9,476)	49,723
Income tax paid	(7,825)	(6,496)
Gratuity paid	(2,175)	(1,386)
Retirement benefits paid	(1,043)	(1,458)
Profit received on investments	610	2,103
Profit received on short term deposit	658	1,550
Mark-up paid	(194)	(203)
	<u>(9,969)</u>	<u>(5,890)</u>
<b>Net cash flows from operating activities</b>	<b>(19,445)</b>	<b>43,833</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(47)	(3,854)
Short-term investments	5,000	(20,000)
Proceeds from disposal of fixed assets	530	580
Net cash flows from investing activities	<u>5,483</u>	<u>(23,274)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash flows from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	<u>(13,962)</u>	<u>20,559</u>
Cash and cash equivalents at beginning of the period	<u>103,246</u>	<u>124,573</u>
Cash and cash equivalents at end of the period	<u>89,284</u>	<u>145,132</u>
<b>Cash and cash equivalents comprises</b>		
Cash and bank balances	<u>89,284</u>	<u>145,132</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

**Mujahid Hamid**  
Director

Condensed Interim Statement of  
Changes in Equity  
For the quarter ended 30 September 2010



	Issued, subscribed and paid up capital	Revenue reserves General reserves	Un-appro- priated profit	Total reserves	Total
	(Rs. in '000)				
<b>Balance as at 1 July 2009</b>	48,400	6,000	233,263	239,263	287,663
Total comprehensive income for the period- Profit for the quarter ended 31 March 2009	-	-	19,663	19,663	19,663
Transferred from surplus on revaluation of fixed assets - Incremental depreciation (recognized directly in equity)	-	-	924	924	924
<b>Balance as at 30 September 2009</b>	48,400	6,000	253,850	259,850	308,250
Total comprehensive income for the period- Profit for the nine months ended 30 June 2010	-	-	11,423	11,423	11,423
Bonus Shares issued for the year ended 30 June 2009	4,840	-	(4,840)	(4,840)	-
Final cash dividend paid for the year ended 30 June 2009	-	-	(19,360)	(19,360)	(19,360)
Transferred from surplus on revaluation of fixed assets - Incremental depreciation (recognized directly in equity)	-	-	2,761	2,761	2,761
<b>Balance as at 30 June 2010</b>	53,240	6,000	243,834	249,834	303,074
Total comprehensive income for the period- Profit for the quarter ended 30 September 2010	-	-	19,832	19,832	19,832
Transferred from surplus on revaluation of fixed assets - Incremental depreciation (recognized directly in equity)	-	-	1,032	1,032	1,032
Total recognized income and expense for three months period ended 30 September 2010	-	-	20,864	20,864	20,864
<b>Balance as at 30 September 2010</b>	<b>53,240</b>	<b>6,000</b>	<b>264,698</b>	<b>270,698</b>	<b>323,938</b>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Mujahid Hamid**  
Director



Condensed Interim Statement of  
Comprehensive Income (Un-audited)  
For the quarter ended 30 September 2010



	<b>Quarter ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>(Rs. in '000)</b>	
Profit / (loss) for the period	<b>19,832</b>	19,663
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	<b><u>19,832</u></b>	<u>19,663</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Handwritten signature of Ferial Ali Mehdi in black ink.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

Handwritten signature of Mujahid Hamid in black ink.

**Mujahid Hamid**  
Director

## 1. STATUS AND NATURE OF BUSINESS

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

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

## 2. BASIS FOR PRESENTATION

### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the approved international accounting standard "Interim Financial Reporting" (IAS 34) as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 30 June 2010.

This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Karachi and Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

### 2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand rupees.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2010.

## 4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as for the year ended 30 June 2010.

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



	<b>30 September 2010 (Un-audited)</b>	30 June 2010 (Audited)
	(Rs. in '000)	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	<b>259,079</b>	262,987
Capital work-in-progress	6.2 <b>6,336</b>	8,914
	<u><b>265,415</b></u>	<u>271,901</u>

**6.1 Operating fixed assets**

Following are the additions and disposals of fixed assets during the current period:

	Additions	Disposals	
		Cost	Accumulated depreciation
	(Rs. in '000)		
Building on Freehold Land	303	-	-
Plant, Machinery & Equipment	1,972	-	-
Furniture & Fixture	100	-	-
Computers	251	-	-
Vehicles	-	595	310
	<u>2,626</u>	<u>595</u>	<u>310</u>

	<b>30 September 2010 (Un-audited)</b>	30 June 2010 (Audited)
	(Rs. in '000)	
<b>6.2 Capital work-in-progress</b>		
Opening balance	<b>8,914</b>	12,342
Additions during the period	6.2.1 <b>48</b>	19,891
	<u><b>8,962</b></u>	<u>32,233</u>
Transfers during the period	<u><b>(2,626)</b></u>	<u>(23,319)</u>
	<u><b>6,336</b></u>	<u>8,914</u>

6.2.1 This represents civil works on buildings and installation of certain items of plant and machinery in progress.

**7. STOCK-IN-TRADE**

Raw materials – in hand	<b>66,078</b>	72,653
– in transit	<b>112,722</b>	143,121
	<u><b>178,800</b></u>	<u>215,774</u>
Packing materials	<b>18,408</b>	16,806
Work-in-process	<b>27,835</b>	28,743
Finished goods	<b>23,763</b>	30,613
	<u><b>248,806</b></u>	<u>291,936</u>
Provision against slow moving stock-in-trade	<u><b>(9,655)</b></u>	<u>(9,655)</u>
	<u><b>239,151</b></u>	<u>282,281</u>

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



**30 September 2010**      30 June 2010  
**(Un-audited)**      **(Audited)**  
**(Rs. in '000)**

**8. CASH AND BANK BALANCES**

Cash in hand	<b>150</b>	61
Demand draft in hand	<b>41,565</b>	13,394
Cash at banks in		
– current accounts	<b>3,011</b>	898
– profit and loss sharing account	<b>24,558</b>	33,893
– term deposit	<b>20,000</b>	55,000
	<b>47,569</b>	89,791
	<b>89,284</b>	103,246

**9. CONTINGENCY AND COMMITMENT**

**9.1 Contingency**

9.1.1 Bank guarantees aggregating to Rs. 7.02 million (30 June 2010: 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas.

9.1.2 Post dated cheques of Rs.114.0 million (30 June 2010: Rs. 70.221 million) have been issued to Collector of Customs against partial exemption of import levies.

**9.2 Commitment**

Commitments under letters of credit for the import of stock-in-trade items amounting to Rs.79.544 million (30 June 2010: Rs.64.834 million).

**Quarter ended**  
**30 September 2010**      30 September 2009  
**(Rs. in '000)**

**10. NET SALES**

Gross sales	<b>509,598</b>	441,427
Sales tax	<b>(81,409)</b>	(66,907)
Special excise duty	<b>(4,240)</b>	(3,696)
Trade promotion discount	<b>(28,978)</b>	(24,960)
Rebate and sales return	<b>(3)</b>	(2)
	<b>(114,630)</b>	(95,565)
	<b>394,968</b>	345,862

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



	<u>Quarter ended</u>	
	<u>30 September</u> <u>2010</u>	<u>30 September</u> <u>2009</u>
	(Rs. in '000)	
<b>11. COST OF SALES</b>		
Raw and packing materials consumed	<b>252,018</b>	193,035
Stores and spares consumed	<b>1,423</b>	1,585
Salaries, wages and other benefits	<b>19,330</b>	18,947
Contribution to the provident fund	<b>403</b>	383
Repair and maintenance	<b>346</b>	273
Fuel and power	<b>17,410</b>	13,390
Rent, rates and taxes	<b>50</b>	395
Insurance	<b>559</b>	556
Product research and development	<b>15</b>	113
Travelling & conveyance	<b>444</b>	450
Printing & stationery	<b>78</b>	79
Postage & telephone	<b>150</b>	110
Legal charges	<b>8</b>	5
Professional fee	<b>22</b>	-
Entertainment	<b>37</b>	26
Subscription	<b>2</b>	19
Depreciation / Amortisation	<b>4,603</b>	4,819
Freight and handling material	<b>620</b>	862
Other expenses	<b>455</b>	451
	<b>297,973</b>	235,498
Opening stock of work-in-process	<b>28,742</b>	25,436
Closing stock of work-in-process	<b>(27,835)</b>	(21,860)
Cost of goods manufactured	<b>298,880</b>	239,074
Opening stock of finished goods	<b>30,613</b>	28,773
Closing stock of finished goods	<b>(23,763)</b>	(24,709)
	<b>305,730</b>	243,138

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



**Quarter ended**  
**30 September 2010**    **30 September 2009**  
(Rs. in '000)

**12. CASH GENERATED FROM OPERATIONS**

Profit before taxation	<b>31,276</b>	30,371
Adjustments for:		
Mark-up expense	<b>161</b>	101
Depreciation / amortisation	<b>6,366</b>	6,493
Provision for gratuity	<b>2,147</b>	1,737
Provision for staff retirement benefits	<b>917</b>	828
Return on investments	<b>(610)</b>	(2,103)
Profit on short term deposit	<b>(658)</b>	(1,550)
Gain on disposal of fixed assets	<b>(245)</b>	(152)
	<b>8,078</b>	5,354
Operating profit before working capital changes	<b>39,354</b>	35,725
(Increase) / Decrease in operating assets:		
Stores and spares	<b>(292)</b>	(56)
Stock-in-trade	<b>43,130</b>	44,557
Trade debts	<b>(13,381)</b>	(1,974)
Loans and Advances	<b>(195)</b>	46
Long term advances and deposits	<b>(1,826)</b>	-
Advances, deposits, prepayments and other receivables	<b>(13,423)</b>	(6,352)
	<b>14,013</b>	36,221
Increase / (decrease) in operating liabilities:		
Trade and other payables	<b>(62,843)</b>	(22,223)
Cash generated from operations	<b>(9,476)</b>	49,723

**13. TRANSACTIONS AND BALANCE WITH RELATED PARTIES**

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

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



**Quarter ended**  
**30 September 2010**    **30 September 2009**  
**(Rs. in '000)**

**13.1. Transactions with related parties**

**Associated Companies**

Sale of goods	122	31
Services received	3,293	179
Purchases of goods	380	-
Services rendered	191	-

**Staff Retirement Benefit Plans**

Contribution to employees' provident fund	802	818
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**Directors and Chief Executive Officer**

Remuneration	5,188	1,546
Directors' fee	-	18

**Other Key Management Personnel**

Managerial remuneration (excluding directors and Chief Executive Officer)	4,693	5,076
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**30 September 2010**    **30 June 2010 (Audited)**  
**(Rs. in '000)**

**13.2. Balances with related parties:**

Trade and other payables	1,173	-
Trade and other receivables	264	382

**14 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The board of directors in its meeting held on 24 September 2010 has proposed a cash dividend of Rs.3.5 per share (2009:Rs.4 per share) amounting to Rs.18.634 million (2009:Rs.19.36 million) for approval by the members of the company in forth coming Annual General Meeting. The financial statements for the period ended 30 September 2010 do not include the effect of such proposed cash dividend which will be accounted for in the financial statements for the period ending December 31, 2010.

Notes to the Condensed Interim Financial  
Statements (Un-audited)  
For the quarter ended 30 September 2010



**15. DATE OF AUTHORIZATION OF ISSUE**

These condensed financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 19 October 2010 .

Handwritten signature of Ferial Ali Mehdi in black ink.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

Handwritten signature of Mujahid Hamid in black ink.

**Mujahid Hamid**  
Director





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CORPORATE