



**Accounts For The 3rd Quarter Ended  
March 31, 2011**



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## Corporate Information

### Board of Directors

Mrs. Ferial Ali Mehdi  
Chairman / Chief Executive Officer

Mr. Mujahid Hamid  
Director

Syed Yawar Ali  
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 are pleased to present the Financial Statements and Report for the third quarter ended March 31, 2011.

### Business Overview

Business environment in the third quarter remains challenging with exceptionally high worldwide commodity prices, inflationary costs along with the resulting effects of worsening law & order situation.

Despite this difficult business environment, the company managed to improve its gross sales by 15% as compared to nine months ended March 31 2010. The sales increase is mainly driven by increase in retail prices of the products along with 7% increase in sales volume. However, sharply higher raw material and other input costs had a negative effect on gross profit which declined to 21% from 27% % in corresponding period last year.

The company controlled expenses to offset cost impact except administrative expenses which were increased because of strategic changes that company is undertaking to enhance its image and competitiveness in the challenging market.

The profit before tax rose from Rs.26.114 million to 57.329 million an increase of 119.53% and consequently the profit after tax also increased by 119.72%.

Financial results for the period under review are as follows:

	Nine months ended March 31, 2011	Nine months ended March 31, 2010
	(Rs '000)	
Gross Sales	1,390,546	1,206,804
Net Sales	1,076,049	956,055
Profit after taxation	36,858	16,775
Earning per Share (Rupees)	6.92	3.15

### Future Outlook

ZIL Limited is striving hard to target achievable growth levels within existing brand category through creative in-market approaches and by improved communication with the end consumer. One of our strategic focuses is to re-evaluate our systems with the objective to improve them to cater to growing needs of the business.

While costs have continued to soar we plan to accelerate our efforts to source raw material requirements on most competitive prices. This is intended to help our profitability.

### Acknowledgement

We wish to thank our customers for their continuing patronage. Our focus has always been to give them value added products at affordable prices.

We also take this opportunity to thank our suppliers, bankers and distributors for providing us their valuable support throughout the period. Finally we wish to thank our staff members, who have remained committed to deliver towards the growth of the Company.

For and on behalf of the Board

Ferial Ali Mehdi  
Chief Executive Officer

Karachi: April 26, 2011

Condensed Interim Balance Sheet  
As at 31 March 2011



	Un-audited 31 March 2011	Audited 30 June 2010 Restated
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6 311,608	291,285
Intangible assets	1,147	1,423
Long term deposits	7,026	3,939
Long term loans to employees	427	296
<b>CURRENT ASSETS</b>		
Stores and spares	7 10,039	7,862
Stock-in-trade-net	299,757	282,281
Short-term investments	-	5,000
Trade debts	38,382	21,280
Advances, deposits, prepayments and other receivables	81,447	46,048
Cash and bank balances	8 13,815	103,246
	443,440	465,717
<b>CURRENT LIABILITIES</b>		
Short term running finance under mark-up arrangement	8.1 32,551	-
Trade and other payables	179,117	249,700
Taxation	35,754	36,415
	247,422	286,115
<b>NET CURRENT ASSETS</b>	196,017	179,602
<b>NET ASSETS</b>	516,225	476,545
<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	100,000	100,000
Issued, subscribed and paid up capital	53,240	53,240
Reserves	271,228	249,834
	324,468	303,074
Surplus on revaluation of fixed assets - net of tax	95,052	83,307
<b>NON-CURRENT LIABILITIES</b>		
Long term deposits	450	450
Deferred staff liabilities	61,414	60,967
Deferred tax liability - net	34,841	28,747
	516,225	476,545
<b>COMMITMENTS</b>	9	

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

  
**Feriel Ali Mehdi**  
Chairman / Chief Executive

  
**Kemal Shoaib**  
Director

Condensed Interim Profit and Loss  
Accounts (Un-audited)  
For the nine months period ended 31 March 2011



	Note	Nine months period ended		Three months period ended	
		31 March 2011	31 March 2010	31 March 2011	31 March 2010
(Rupees in '000)					
Net sales	10	1,076,049	956,055	316,756	294,046
Cost of Sales	11	(853,264)	(692,544)	(264,814)	(222,293)
Gross profit		222,784	263,511	51,942	71,753
Selling and distribution expenses		(114,711)	(206,916)	(33,577)	(56,017)
Administrative expenses		(52,132)	(32,425)	(18,741)	(11,271)
		(166,842)	(239,341)	(52,317)	(67,288)
		55,942	24,170	(376)	4,465
Other operating income		7,716	9,321	2,880	1,067
Other operating expenses		(5,111)	(6,836)	(815)	(905)
		58,547	26,655	1,689	4,627
Finance cost		(1,218)	(541)	(556)	(265)
<b>Profit before taxation</b>		<b>57,329</b>	26,114	<b>1,134</b>	4,362
Taxation		(20,471)	(9,339)	(684)	(1,614)
<b>Profit after taxation</b>		<b>36,858</b>	16,775	<b>449</b>	2,748
(Rupees)					
<b>Earnings per share</b>					
- basic and diluted		6.92	3.15	0.08	0.52

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Kemal Shoab**  
Director

Condensed Interim Statement of  
Comprehensive Income (Un-audited)  
For the nine months period ended 31 March 2011



	Nine months period ended		Three months period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	----- (Rupees in '000) -----			
Profit / (loss) for the period	36,858	16,775	449	2,748
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>36,858</u>	<u>16,775</u>	<u>449</u>	<u>2,748</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**Ferial Ali Mehdi**  
Chairman / Chief Executive

**Kemal Shoaib**  
Director

Condensed Interim Cash Flow  
Statement (Un-audited)  
For the nine months period ended 31 March 2011



Nine months period ended

	31 March 2011	31 March 2010
	(Rs. in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	12 (64,903)	(35,330)
Income tax paid	(21,680)	(27,747)
Gratuity paid	(5,822)	(2,170)
Retirement benefits paid	(2,923)	(1,925)
Profit received on investments	-	3,243
Profit received on short term deposit	2,680	3,048
Mark-up paid	(976)	(643)
	<u>(28,721)</u>	<u>(26,194)</u>
<b>Net cash flows from operating activities</b>	<u>(93,624)</u>	<u>(61,524)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(21,089)	(13,337)
Short-term investments	5,000	25,000
Proceeds from disposal of fixed assets	6,236	1,235
<b>Net cash flows from investing activities</b>	<u>(9,853)</u>	<u>12,898</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(18,507)	(19,241)
<b>Net cash flows from financing activities</b>	<u>(18,507)</u>	<u>(19,241)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(121,983)</u>	<u>(67,867)</u>
Cash and cash equivalents at beginning of the period	103,246	124,574
Cash and cash equivalents at end of the period	<u>(18,737)</u>	<u>56,707</u>
<b>Cash and cash equivalents comprises of</b>		
Cash and bank balances	(18,737)	56,707
	<u>(18,737)</u>	<u>56,707</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

  
**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Kemal Shoab**  
Director

Condensed Interim Statement of  
Changes in Equity (Un-audited)  
For the nine months period ended 31 March 2011



	Issued, subscribed and paid-up capital	Reserves		Total reserves	Total
		General reserve	Unappropriated profit		
----- (Rs. in '000) -----					
<b>Balance as at 1 July 2009</b>	48,400	6,000	233,263	239,263	<b>287,663</b>
Bonus shares issued for the year ended 30 June 2009	4,840	-	(4,840)	(4,840)	-
Final dividend paid for the year ended 30 June 2009	-	-	(19,360)	(19,360)	<b>(19,360)</b>
Total comprehensive income for the nine months period ended 31 March 2010-Profit for the period	-	-	16,775	16,775	<b>16,775</b>
Transferred from surplus on revaluation of fixed assets - net of deferred Tax	-	-	2,765	2,765	<b>2,765</b>
	-	-	19,540	19,540	<b>19,540</b>
<b>Balance as at 31 March 2010</b>	<b>53,240</b>	<b>6,000</b>	<b>228,603</b>	<b>234,603</b>	<b>287,843</b>
Total comprehensive income for the three months period ended 30 June 2010	-	-	14,311	14,311	<b>14,311</b>
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	920	920	<b>920</b>
	-	-	15,231	15,231	<b>15,231</b>
<b>Balance as at 30 June 2010</b>	<b>53,240</b>	<b>6,000</b>	<b>243,834</b>	<b>249,834</b>	<b>303,074</b>
Final dividend paid for the year ended 30 June 2010	-	-	(18,634)	(18,634)	<b>(18,634)</b>
Total comprehensive income for the nine months period ended 31 March 2011-Profit for the period	-	-	36,858	36,858	<b>36,858</b>
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	3,170	3,170	<b>3,170</b>
	-	-	40,028	40,028	<b>40,028</b>
<b>Balance as at 31 March 2011</b>	<b>53,240</b>	<b>6,000</b>	<b>265,228</b>	<b>271,228</b>	<b>324,468</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

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**Ferial Ali Mehdi**  
Chairman / Chief Executive

  
**Kemal Shoaib**  
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 toilet and washing soaps.

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

## 2. BASIS OF PRESENTATION

### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended 30 June 2010.

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

### 2.2 Functional and presentation currency

This condensed interim financial information are 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 and the methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 June 2010 except as follows:

### *Change in accounting policy*

Improvements to International Accounting Standard 17 (Leases) became effective from the annual period beginning on or after 01 January 2010. The application of this standard has resulted in the reclassification of leasehold land from long term prepayments to lease assets. The policy has been applied retrospectively in accordance with transitional provisions of the IAS 17.

As per the accounting policy of the Company, land is carried under revaluation model therefore, above mentioned leasehold was revalued as of 31 December 2010 by an independent valuer M/s Amanullah Associates on the basis of market value. This valuation has been incorporated in the condensed interim financial information as of

Notes to the Condensed Interim Financial  
Information (Un-audited)  
For the nine months period ended 31 March 2011



31 December 2010 and has resulted in a surplus of Rs. 22.949 million before tax. If the Company had continued to account for leasehold land as long term prepayment, the effect on the condensed interim financial information would have been as follows:

- Non current assets would decrease by Rs. 22.949 million
- Surplus on equity would decrease by Rs. 14.917 million
- Deferred tax liability would decrease by Rs. 8.032 million

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	(Rupees in '000)
Long term prepayments	Leasehold land	<u>19,384</u>

**Adoption of new accounting policy - Ijarah**

During the period, the Company has acquired vehicle under ijarah arrangement with First Habib Modaraba. Islamic Financial Accounting Standard (IFAS) 2 - Ijarah requires rental payments due under these arrangements to be recognised as an expense in the profit and loss account on a straight line basis over the ijarah (lease) term under the accrual basis.

**4. ESTIMATES**

The preparation of condensed interim financial information 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 accounting policies and the key sources of estimation uncertainty were the same as those that 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  
Information (Un-audited)  
For the nine months period ended 31 March 2011



		<b>31 March 2011 Un-audited</b>	30 June 2010 Audited Restated
	<i>Note</i>	(Rs. in '000)	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets		<b>300,409</b>	282,371
Capital work-in-progress	6.2	<u><b>11,199</b></u>	<u>8,914</u>
		<u><b>311,608</b></u>	<u>291,285</u>

**6.1 Operating fixed assets**

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

	<b>Additions</b>	<b>Disposals</b>	
		<b>Cost</b>	<b>Accumulated depreciation</b>
		(Rs. in '000)	
Building on Freehold Land	1,363	-	-
Plant, Machinery & Equipment	4,413	86	37
Furniture & Fixture	563	-	-
Computers	3,390	39	3
Vehicles	9,103	6,465	2,481
Professional Books	31	-	-
	<u>18,863</u>	<u>6,590</u>	<u>2,521</u>

**6.2 Capital work-in-progress**

		<b>31 March 2011 Un-audited</b>	30 June 2010 Audited Restated
		(Rs. in '000)	
Opening balance		<b>8,914</b>	12,342
Additions during the period	6.2.1	<u><b>22,457</b></u>	<u>19,891</u>
		<u><b>31,371</b></u>	<u>32,233</u>
Transfers during the period		<u><b>(20,172)</b></u>	<u>(23,319)</u>
		<u><b>11,199</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>39,245</b>	72,653
– in transit		<u><b>127,492</b></u>	<u>143,121</u>
		<u><b>166,737</b></u>	<u>215,774</u>
Packing materials		<b>16,968</b>	16,806
Work-in-process		<b>31,165</b>	28,743
Finished goods		<u><b>93,268</b></u>	<u>30,613</u>
		<u><b>308,138</b></u>	<u>291,936</u>
Provision against slow moving stock-in-trade		<u><b>(8,381)</b></u>	<u>(9,655)</u>
		<u><b>299,757</b></u>	<u>282,281</u>

Notes to the Condensed Interim Financial  
Information (Un-audited)  
For the nine months period ended 31 March 2011



	Note	31 March 2011 Un-audited	30 June 2010 Audited Restated
		(Rs. in '000)	
<b>8. CASH AND BANK BALANCES</b>			
Cash in hand		190	61
Demand draft in hand		9,135	13,394
Cash at banks in			
– current accounts/(Running finance)	8.1	(32,551)	898
– profit and loss sharing account		4,490	33,893
– term deposit		-	55,000
		<b>(28,061)</b>	89,791
		<b>(18,737)</b>	103,246

8.1 Running finance under mark up arrangement facility is availed from National bank ,these carry mark up rates from 14.5% to 14.64%.

**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. 54.403 million (30 June 2010: Rs. 54.525 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. 123.84 million (30 June 2010: Rs.112.8 million).

Notes to the Condensed Interim Financial  
Information (Un-audited)  
For the nine months period ended 31 March 2011



	Nine months period ended		Three months period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
<b>10. NET SALES</b>	----- (Rupees in '000) -----			
Gross sales	1,390,547	1,206,804	403,702	371,198
Sales tax	(222,373)	(182,509)	(64,257)	(56,304)
Special excise duty	(12,348)	(10,094)	(4,139)	(3,114)
Trade promotion discount	(79,773)	(58,144)	(18,549)	(17,734)
Rebate and sales return	(4)	(2)	(1)	-
	<u>(314,498)</u>	<u>(250,749)</u>	<u>(86,946)</u>	<u>(77,152)</u>
	<u>1,076,049</u>	<u>956,055</u>	<u>316,756</u>	<u>294,046</u>
<b>11. COST OF SALES</b>				
Raw and packing materials consumed	783,187	595,977	273,732	180,602
Stores and spares consumed	6,136	3,965	2,922	1,167
Salaries, wages and other benefits	58,877	55,749	19,823	17,925
Contribution to the provident fund	1,219	1,153	415	392
Repair and maintenance	846	1,062	78	464
Fuel and power	44,397	37,539	12,076	13,808
Rent, rates and taxes	138	1,936	70	12
Insurance	1,453	1,671	352	555
Product research and development	106	245	68	53
Traveling & conveyance	2,255	1,771	1,043	744
Printing & stationery	376	283	124	77
Postage & telephone	352	318	108	89
Legal charges	56	53	34	38
Professional fee	43	5	21	-
Entertainment	161	94	46	49
Subscription	71	55	16	24
Depreciation / Amortisation	13,925	14,406	4,714	4,795
Freight and handling material	3,167	2,424	1,852	620
Other expenses	1,577	1,295	571	470
	<u>918,341</u>	<u>720,001</u>	<u>318,064</u>	<u>221,884</u>
Opening stock of work-in-process	28,742	25,436	35,549	25,430
Closing stock of work-in-process	(31,165)	(28,836)	(31,165)	(28,836)
Cost of goods manufactured	<u>915,919</u>	<u>716,601</u>	<u>322,449</u>	<u>218,478</u>
Opening stock of finished goods	30,613	28,773	35,633	56,645
Closing stock of finished goods	(93,268)	(52,830)	(93,268)	(52,830)
	<u>853,264</u>	<u>692,544</u>	<u>264,814</u>	<u>222,293</u>

Notes to the Condensed Interim Financial  
Information (Un-audited)  
For the nine months period ended 31 March 2011



Nine months period ended

	31 March 2011	31 March 2010
	(Rs. in '000)	
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	57,329	26,114
Adjustments for:		
Mark-up expense	1,218	541
Depreciation / amortisation	19,891	19,545
Provision for gratuity	6,440	5,210
Provision for staff retirement benefits	2,750	2,483
Return on investments	-	(3,243)
Profit on short term deposit	(2,680)	(3,048)
Gain on disposal of fixed assets	(2,169)	(375)
	<u>25,450</u>	<u>21,113</u>
Operating profit before working capital changes	82,779	47,227
<i>(Increase) / Decrease in operating assets:</i>		
Stores and spares	(2,177)	(485)
Stock-in-trade	(17,477)	140
Trade debts	(17,904)	(1,454)
Loans and Advances	64	104
Long term advances and deposits	(3,087)	(281)
Advances, deposits, prepayments and other receivables	(36,182)	(7,077)
	<u>(76,763)</u>	<u>(9,053)</u>
<i>Increase / (decrease) in operating liabilities:</i>		
Trade and other payables	(70,918)	(73,504)
Cash generated from operations	<u>(64,903)</u>	<u>(35,330)</u>

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

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

**13.1. Transactions with related parties**

Associated Companies

Sale of goods	272	93
Services rendered	716	756
Purchases of goods	2,397	-
Services received	5,616	-
Dividend paid	3,953	4,346

**Staff Retirement Benefit Plans**

Contribution to employees' provident fund	2,473	2,219
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**Directors and Chief Executive Officer**

Remuneration	14,921	4,175
Dividend paid	4,273	3,922

**Other Key Management Personnel**

Managerial remuneration (excluding directors and Chief Executive Officer)	11,733	12,517
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Notes to the Condensed Interim Financial  
Information (Un-audited)  
For the nine months period ended 31 March 2011



31 March  
2011

30 June  
2010  
(Audited)  
Restated

(Rs. in '000)

**13.2. Balances with related parties:**

Trade and other payables	302	174
Trade and other receivables	206	347

**14. GENERAL**

14.1. These condensed financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 26 April 2011.

14.2. Figures have been rounded off to the nearest thousand of rupees.

**Fariel Ali Mehdi**  
Chairman / Chief Executive

**Kemal Shoab**  
Director



3rd Floor Kandawala Building, M.A. Jinnah Road, Karachi - 74400, Pakistan.

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