



Quarterly Report
January - September
2017



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Corporate Information

Board of Directors

Mrs. Ferial Ali Mehdi
Chairman

Syed Hasnain Ali
Non-Executive Director

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Mujahid Hamid
Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director

Mr. Qaisar Mufti (Nominee NIT)
Non-Executive Director

Mr. Mubashir Hasan Ansari
Executive Director and
Chief Executive Officer

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Qaisar Mufti (Nominee NIT)
Member

Human Resource & Remuneration Committee

Mr. Kemal Shoaib
Chairman

Mrs. Ferial Ali Mehdi
Member

Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

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

Ground Floor, Bahria Complex III,
M. T. Khan Road, Karachi - Pakistan.
Tel: +9221 35630251-60
Fax: +9221 35630266
Website: www.zil.com.pk
Email: Info@zil.com.pk

Factory

Link Hali Road, Hyderabad - 71000

Bankers

BankIslami Pakistan Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan Limited
Standard Chartered Bank
Soneri Bank Limited

Shares Registrars

THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6
P.E.C.H.S., Karachi
www.thk.com.pk
Phone : +92 (21) 111-000-322



Directors' Review

The Directors of the Company are delighted to present the unaudited financial results of the company for the nine month ended September 30, 2017.

Summary of Business Performance

During the period the company timely re-launched its main brand Capri with enhanced quality, attractive pack design and bar shape to further increase its consumer base, which has positively impacted consumer perception.

Gross sales revenue increased by 9% as compare to same period last year owing to timely implementation of pricing decision. Gross profit ratio increased by 350 basis points from 26.4% in 2016 to healthy 29.9% in 2017 due to better sales mix and supply chain decisions. Fixed factory and marketing overheads remained under control. Effective control over financial costs through better working capital management has also contributed towards profitability. As a result previous period's loss after tax is transformed into profit after tax of Rs.22.7M.

Financial Position at a Glance

Financial results for nine month period under review are as follows:

	Nine month period from Jan. to Sept.	
	2017	2016
Gross Sales	1,556M	1,431M
Net Sales	1,162M	1,066M
Gross Profit	347M	282M
Gross Profit %	29.9%	26.4%
Net Profit/(Loss) after taxation	22.7M	(18.5M)

Future Outlook

Management is confident that with this re-launch and more efficient trade promotion programs and consumer acceptance the company will able to further strengthen its consumer base.

Revision of minimum import values and recent enhancement of Regularity Duty at import stage will check the easy influx of cheaper imported soaps. Management is continuously collaborating with Pakistan Soap Manufactures Association to persuade authorities to provide for level playing field to local soap industry. The economic and political outlook of the country remains uncertain. Rupee depreciation due to deteriorating balance of payments and increase in inflation is expected in the short run.

To further strengthen the market share, the company is committed in maintaining the quality of its products and will keep assessing the needs of consumers and trade customers.

Acknowledgement

We wish to thank our customer for their continued support. We also take this opportunity to thank our supplier, bankers, and distributors for providing us their valuable support. Finally we wish to thank our staff members for their commitment towards the development of the company.

Karachi : October 18, 2017

For and on behalf of the Board

Chief Executive Officer



Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2017

	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	(Rs. in '000)	
ASSETS	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	6	483,319
Intangible assets		578
Long term deposits		5,239
Long term loans to employees		93
Deferred tax asset - net	7	31,372
Total non-current assets		520,601
CURRENT ASSETS		
Stores and spares		17,000
Stock-in-trade	8	156,163
Trade debts	9	25,829
Advances, prepayments and other receivables	10	78,926
Cash and bank balances	11	38,005
Total current assets		315,923
TOTAL ASSETS		836,524
EQUITY AND LIABILITIES		
EQUITY		
Authorised capital 10,000,000 (31 December 2016: 10,000,000) ordinary shares of Rs. 10 each		100,000
Issued, subscribed and paid up capital		61,226
Reserves		77,940
		139,166
Surplus on revaluation of property, plant and equipment - net of tax		197,590
		203,371
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term deposits		450
Deferred staff liabilities		91,252
		91,702
CURRENT LIABILITIES		
Trade and other payables	12	158,743
Short term borrowings	13	230,004
Taxation		13,538
		402,285
TOTAL EQUITY AND LIABILITIES		836,524
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The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

04 **Ata-ur-Rehman Shaikh**
Chief Financial Officer

Mubashir Hasan Ansari
Chief Executive Officer

Mrs. Feriel Ali Mehdi
Chairman




Condensed Interim Profit and Loss Account (Un-audited)

For the three months and nine months period ended 30 September 2017

		Nine months period ended		Three months period ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
	Note	----- (Rupees in '000) -----			
Sales - net	15	1,161,824	1,066,176	441,529	378,121
Cost of sales	16	(814,417)	(784,567)	(300,169)	(249,332)
Gross profit		347,407	281,609	141,360	128,789
Selling and distribution expenses	17	(224,937)	(228,534)	(68,664)	(74,022)
Administrative expenses		(77,852)	(67,401)	(28,160)	(23,493)
		(302,789)	(295,935)	(96,824)	(97,515)
		44,618	(14,326)	44,536	31,274
Other income		5,701	3,471	292	2,107
Other charges		(2,764)	(135)	(2,467)	(78)
		47,555	(10,990)	42,361	33,303
Finance cost		(14,364)	(15,486)	(4,254)	(4,952)
Profit/(Loss) before taxation		33,191	(26,476)	38,107	28,351
Taxation	7	(10,477)	8,017	(11,917)	(8,152)
Profit/(Loss) for the period		22,714	(18,459)	26,190	20,199
		(Rupees)		(Rupees)	
Earning/Loss per share - basic and diluted		3.71	(3.01)	4.28	3.30

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Mrs. Feriel Ali Mehdi
Chairman




Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months and Nine months period ended 30 September 2017

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----			
Profit/Loss for the period after taxation	22,714	(18,459)	26,190	20,199
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>22,714</u>	<u>(18,459)</u>	<u>26,190</u>	<u>20,199</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Mrs. Ferial Ali Mehdi
Chairman




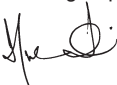
Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended 30 September 2017

	Nine months period ended	
	30 September 2017	30 September 2016
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	33,191	(26,476)
Adjustments for:		
Finance Costs	14,364	15,486
Depreciation and amortisation	27,731	24,096
Provision against staff gratuity	7,943	7,679
Provision against other staff retirement benefits	1,805	2,126
Return on bank deposits	(28)	(41)
Gain on disposal of operating fixed assets	(848)	(1,223)
	<u>50,967</u>	<u>48,123</u>
	84,158	21,647
(Increase) / decrease in assets:		
Stores and spares	(2,038)	(1,952)
Stock-in-trade	3,051	35,700
Trade debts	4,144	427
Loans to employees	(1,324)	153
Long term deposits	(230)	-
Advances, prepayments and other receivables	6,703	(3,895)
	<u>10,306</u>	<u>30,433</u>
(Decrease) / increase in current liabilities:		
Trade and other payables	(7,212)	36,129
	<u>87,252</u>	<u>88,209</u>
Income tax paid	(20,932)	(9,391)
Staff gratuity paid	(2,627)	(9,413)
Other staff retirement benefits paid	(2,063)	(4,014)
Return received on bank deposits	28	41
Finance costs paid	(15,958)	(16,919)
	<u>(41,552)</u>	<u>(39,696)</u>
Net cash flows from operating activities	45,700	48,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(23,712)	(28,770)
Proceeds from disposal of operating fixed assets	2,479	4,597
Net cash flows from investing activities	(21,233)	(24,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,925)	(52)
Long-term deposits paid	(400)	-
Short term borrowings - Istisna and Salam finances	(15,000)	(30,000)
Net cash flows from financing activities	(18,325)	(30,052)
Net (decrease) / increase in cash and cash equivalents during the period	6,142	(5,712)
Cash and cash equivalents at beginning of the period	38,001	(1,626)
Cash and cash equivalents at end of the period	<u>44,143</u>	<u>(7,338)</u>
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	44,143	8,608
- Short term borrowing - running finance	-	(15,946)
	<u>44,143</u>	<u>(7,338)</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Mrs. Feriel Ali Mehdi
Chairman




Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended 30 September 2017

	Issued, subscribed and paid up capital	Reserves		Total
		General reserve	Un-appro- priated profit	
(Rs. in '000)				
Balance as at 1 January 2016	61,226	6,000	65,300	132,526
Total comprehensive income for the period				
Loss after taxation	-	-	(18,459)	(18,459)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)				
	-	-	3,085	3,085
Balance as at 30 September 2016	<u>61,226</u>	<u>6,000</u>	<u>49,926</u>	<u>117,152</u>
Balance as at 1 January 2017	61,226	6,000	71,940	139,166
Total comprehensive income for the period				
Profit after taxation	-	-	22,714	22,714
Cash dividend for the year ended 31 December 2016 (Rs. 0.5 per share) - approved in annual general meeting held on 27 April 2017	-	-	(3,062)	(3,062)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)				
	-	-	5,784	5,784
Balance as at 30 Septemebr 2017	<u><u>61,226</u></u>	<u><u>6,000</u></u>	<u><u>97,376</u></u>	<u><u>164,602</u></u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Mrs. Ferial Ali Mehdi
Chairman



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

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 Act, 2017) and was subsequently converted to a public limited company in November 1986. Its shares are listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is manufacture and sale of home and personal care products. The registered office of the company is situated at Ground Floor, Bahria Complex III, M.T Khan Road, Karachi.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information of the Company for the Nine months period ended 30 September 2017 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 These condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016.

2.3 Functional and presentation currency

These 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.

2.4 Use of judgments and 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 reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the audited financial statements of the Company for the year ended 31 December 2016.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

New Standards, Interpretations and Amendments

Following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

- Amendments to IAS 12 'Income Taxes';
- Amendments to IAS 7 'Statement of Cash Flows';
- Amendments to IFRS 2 'Share-based Payment';
- Amendments to IAS 40 'Investment Property' - Transfers of Investment Property ;
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards: standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities'; and
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'.

Above amendments are not likely to have an impact on Company's financial statements.

Companies Act, 2017 was enacted on 30 May 2017 and is applicable with immediate effect SECP through its press release and vide its circular 23 of 2017 has clarified that the companies whose financial year including the quarterly and other interim period, closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirement of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after 31 December 2017.

Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to the treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of property, plant and equipment to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This would result in increase in equity by Rs. 197.5 million (31 December 2016: 203.371 million).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2016.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	462,058	461,123
Capital work-in-progress	6.3	<u>15,834</u>	<u>22,196</u>
		<u>477,892</u>	<u>483,319</u>

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	-----	(Rs. in '000)	-----
Building on freehold land	513	29	1
Plant, machinery and equipment	25,715	3	1
Capital Spares	807	-	-
Furniture and Fixtures	170	-	-
Computers	1,039	1,040	803
Vehicles	<u>1,828</u>	<u>3,628</u>	<u>2,264</u>
	<u>30,072</u>	<u>4,700</u>	<u>3,069</u>

6.2 At 30 September 2017, the written down value of the temporarily idle property, plant and equipments comprising leasehold land and building and improvements on leasehold land thereon amounted to Rs. 83.3 million and Rs 1.67 million respectively.

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
6.3 Capital work-in-progress			
Opening balance		22,196	3,068
Additions during the period		<u>23,710</u>	<u>48,705</u>
		<u>45,906</u>	<u>51,773</u>
Transfers during the period		<u>(30,072)</u>	<u>(29,577)</u>
	6.3.1	<u>15,834</u>	<u>22,196</u>



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

6.3.1 This represents building on free hold land of Rs.1.5 million and advance of Rs. 14.05 million for the purchase of vehicles.

6.3.2 Following are the details of the additions and transfers of capital work-in-progress (to operating fixed assets) during the period:

	Additions	Transfers
	(Rs. in '000)	
Building on freehold land	1,496	513
Plant, machinery and equipment	4,567	25,715
Capital Spares	807	807
Furniture and fixtures	155	170
Computers	850	1,039
Vehicles	15,835	1,828
	<u>23,710</u>	<u>30,072</u>

7. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2017	Recognized in Profit and Loss	Balance at 30 September 2017
	----- (Rs. in '000) -----		
Taxable temporary differences on:			
- accelerated tax depreciation	(25,830)	429	(25,401)
- surplus on revaluation of property, plant and equipment	(48,569)	2,479	(46,090)
	<u>(74,399)</u>	<u>2,908</u>	<u>(71,491)</u>
Deductible temporary differences on:			
- provision for defined benefit plans	27,375	1,517	28,892
- provision against slow moving and obsolete stock and doubtful trade debts	10,267	-	10,267
- tax losses (note 7.1)	68,129	(14,471)	53,658
	<u>105,771</u>	<u>(12,954)</u>	<u>92,817</u>
Deferred tax asset - net	<u>31,372</u>	<u>(10,046)</u>	<u>21,326</u>

7.1 Includes deferred tax of Rs. 13.6 million (31 December 2016: Rs. 14.31 million) recorded on unabsorbed tax depreciation and amortisation.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

- 7.2** The management has recorded deferred tax asset based on financial projections indicating the absorption of deferred tax asset over a number of future years against future expected taxable profits. The financial projections involve certain key assumptions such as sales price and composition, raw materials, labour prices and distribution channels, etc. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset. Nonetheless, the management is confident of the achievement of its targeted results.
- 7.3** In view of loss for the year ended 31 December 2015, provision for tax for the year ended 31 December 2015, including the minimum tax under the Income Tax Ordinance, 2001, was not made in the financial statements for the year ended 31 December 2015. The Company had obtained an opinion from a tax advisor based on which it believes that it is not required to pay tax under section 113 of the Income Tax Ordinance, 2001, in view of gross loss for the year ended 31 December 2015, before the set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001 (as under the above section minimum tax is not payable in case of gross loss before the set off of depreciation and other inadmissible expenses). However, Finance Act 2016 has deleted the said proviso of gross loss. The management, believes that the minimum tax for the years ended 31 December 2015 is not payable as the amendment to the said proviso is applicable for tax year 2017 and onwards and accordingly provision for minimum tax amounting to Rs. 14.23 million has not been made. Similarly for the accounting year ended 31 December 2016 and for the current nine months period ended 30 September 2017 provision for minimum tax amounting to Rs. 15.865 million and Rs. 12.56 million respectively has not been made since the Company expects to adjust the same against its future tax liability under normal tax regime within the time limit as specified for adjustment of minimum tax under Income Tax Ordinance, 2001.

During the period, the Additional Commissioner Inland revenue passed an order under section 122(5A) of the Income Tax Ordinance, 2001 against the income tax return filed for the tax year 2015 (accounting year ended 31 December 2014) and tax year 2016 (accounting year ended 31 December 2015) whereby minimum tax liability of Rs. 14.46 and Rs. 13.43 respectively million was levied and certain disallowances were made by the tax authorities and tax demand has been adjusted against the refund claimed by the the company in above mentioned tax years, however, the company has filed an appeal with the Commissioner Appeals Inland Revenue against above order on which decision is pending, Based on the opinion from company's tax advisor, a favorable decision is expected and therefore the alleged demand is expected to be quashed.

- 7.4** Income Tax Assessments of the Company have been completed up to and including the tax year 2016 (accounting period ended 31 December 2015) with the exception of tax years 2007, 2011 and 2012. Audit proceedings for the tax year 2011 were initiated on 09 March 2012 and completed vide order passed under section 122(1)(5) of the Income Tax Ordinance, 2001 dated 4 October 2016 in which certain disallowances were made amounting to Rs. 12.289 million against which appeal was filed by the Company. The appeal was heard on 28 November 2016 and then subsequently the CIR Appeals (II) passed a revised order dated 19 December 2016 in which certain expenses earlier disallowed were allowed amounting to Rs. 4.66 million while expenses amounting to Rs. 6.65 million were remanded back by CIR Appeals (II) to Deputy Commissioner Inland Revenue (DCIR). In respect of the remaining amount, the Company has already filed an appeal which is pending decision. Based on the Company's tax advisor's view, a favourable decision is expected and therefore the subject demand is expected to be quashed.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

Furthermore, on 21 April 2015, an order under sub-section (5A) of section 122 of the Income Tax Ordinance, 2001 was passed by the Additional Commissioner Inland Revenue for the tax year 2012, in which tax demand of Rs. 0.75 million was raised against certain disallowances. The Company has filed an appeal against the alleged order before the Commissioner Inland Revenue who vide its order dated 8 September 2016 has allowed certain expenses of Rs. 1.82 million which were earlier disallowed (tax effect being Rs. 0.65 million). In respect of the remaining amount, the Company has already filed an appeal which is pending decision. Based on the Company's tax advisor's view, a favourable decision is expected and therefore the subject demand is expected to be quashed.

Return for the financial year ended 30 June 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order dated 30 March 2009 was passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company filed an appeal before the Commissioner Inland Revenue, Appeal (CIR-A) and also filed an appeal before the CIR-A against the refusal of the Taxation Officer to rectify certain mistakes. The CIR-A vide his order No. 15 and 16 dated 25 October 2011 deleted all the additions except for the alleged unreconciled production of manufactured goods amounting to Rs. 3.3 million. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) vide letter AT 84 dated 13 July 2012 for not allowing relief in respect of the disallowance of Rs. 3.3 million. Further, the tax department has also filed an appeal before ATIR on certain reliefs of Rs. 4.8 million earlier decided in favour of the Company. In the Appellate Order (AO) dated 8 October 2013 passed by the ATIR, the issue of unreconciled production was deleted (decided in favour of the Company) and simultaneously setting aside the same for reverification. In response to it the department filed a miscellaneous appeal in response to which, ATIR passed an assessment order dated 5 May 2015 by remanding back the issue for reverification of unreconciled difference, strictly in the light of history of the case and subsequent years. Following the judgement of ATIR, department has initiated set-aside proceedings. The Company has submitted the response and details regarding unreconciled production. No order has been passed by the department in relation to the set-aside proceedings. The Company expects a decision in its favour.

	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	(Rs. in '000)	
8. STOCK-IN-TRADE		
Raw material - in hand	44,316	55,581
- in transit	14,445	22,581
	58,761	78,162
Packing material	21,283	18,525
Work-in-progress	7,981	8,785
Finished goods	78,533	64,137
	166,558	169,609
Provision against slow moving items of stock-in-trade	(13,446)	(13,446)
	153,112	156,163



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

	30 September 2017 (Un-audited)	31 December 2016 (Audited)
	(Rs. in '000)	
9. TRADE DEBTS		
Considered good	21,685	25,829
Considered doubtful	<u>13,529</u>	<u>13,529</u>
	35,214	39,358
Provision against doubtful debts	<u>(13,529)</u>	<u>(13,529)</u>
	<u>21,685</u>	<u>25,829</u>
10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Advance		
- for taxation	91,488	70,690
- to sales staff	502	502
Advance for the purchase of inventory	-	-
Advances to suppliers and contractors	2,606	4,006
Prepayments	2,895	2,591
Current maturity of loans to employees	1,678	714
Other receivables	<u>98</u>	<u>423</u>
	99,267	78,926
Considered doubtful		
Advances to suppliers and contractors	803	803
Less: Provision held	<u>(803)</u>	<u>(803)</u>
	-	-
	<u>99,267</u>	<u>78,926</u>
11. CASH AND BANK BALANCES		
Cash in hand	211	21
Cash at banks		
- collection accounts (current accounts)	36,295	28,399
- current accounts	7,598	9,471
- profit and loss sharing account	39	114
	11.1 <u>43,932</u>	<u>37,984</u>
	<u>44,143</u>	<u>38,005</u>

11.1 This carries profit rates ranging from 3.5% to 4% (31 December 2016: 4.5% to 6%) per annum.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

	Note	30 September 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
12. TRADE AND OTHER PAYABLES			
Trade creditors		44,609	60,841
Accrued expenses		51,683	30,213
Advance from customers		21,728	30,722
Sales tax payable (subsequently paid)		18,118	21,956
Deposit from employees against vehicles and equipments		6,471	6,755
Accrued mark-up on short term borrowings		2,013	3,607
Unclaimed dividend		993	856
Workers' welfare fund		1,529	851
Workers' Profit Participation Fund		1,784	325
Other liabilities		6,411	2,617
		<u>155,339</u>	<u>158,743</u>

13. SHORT TERM BORROWINGS

Istisna and Salam finances - under shariah arrangements	13.1	215,000	230,000
Running finance - under mark-up arrangements	13.2	0	4
		<u>215,000</u>	<u>230,004</u>

13.1 These facilities, representing Istisna and Salam facilities, are available from certain commercial banks up to Rs. 270 million (31 December 2016: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (2016: 6 months KIBOR+0.5%) per annum and are repayable between 31 October 2017 to 28 February 2018. The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 30 September 2017, unutilised facilities aggregated to Rs. 55 million (31 December 2016: Rs. 40 million). These unutilised facilities, being sub limit of the above available facility of Rs. 270 million, include Murabaha, Istisna, Salam, Karobar and LC usance facilities.

13.2 The facilities for running finance of Rs. 350 million (31 December 2016: Rs. 350 million) available from certain commercial banks carries mark-up at 3 month KIBOR+0.70% and 1 month KIBOR+ 0.75% (31 December 2016: 3 months KIBOR+0.7% and 1 month KIBOR+0.75%) per annum and are valid upto to 30 June 2017 and are generally renewable. Above limit include sublimit for bank guarantee of Rs. 15 million. These facilities are secured by first pari passu charge by way of hypothecation over stocks and book debts of the Company with a margin of 25% and first pari passu hypothecation charge over all present and future current assets of the Company. At 30 September 2017, unutilised facilities for running finance (including the above sub-limit) amounted to Rs. 350million (31 December 2016: Rs. 349.996 million).



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

13.3 At 30 September 2017, unutilised letter of credit facilities from certain banks amounted to Rs. 319.83 million (31 December 2016: Rs. 311.50 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2016: Rs. 350 million).

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs. 7.02 million (31 December 2016: Rs. 7.02 million) in addition to which security deposit of Rs. 2.786 million has also been given to Sui Southern Gas Company Limited. Bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2016: Rs. 1.3 million) against which security deposit of Rs. 0.65 million have been given.

14.2 Commitment

Commitments under letters of credit for the import of stock in trade items at 30 September 2017 amounted to Rs. 30.17million (31 December 2016: Rs.14.498 million).

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----			
15. SALES - net				
Gross sales	1,556,480	1,430,515	592,346	511,324
Sales tax	(248,581)	(227,984)	(94,628)	(81,654)
Trade discount	(145,820)	(124,285)	(56,061)	(47,209)
Sales return and rebate	(255)	(12,070)	(128)	(4,340)
	(394,656)	(364,339)	(150,817)	(133,203)
	<u>1,161,824</u>	<u>1,066,176</u>	<u>441,529</u>	<u>378,121</u>



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

Note	Nine months period ended		Three months period ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
----- (Rupees in '000) -----				
16. COST OF SALES				
Raw and packing material consumed	692,658	618,019	281,291	232,193
Salaries, wages and other benefits 16.1	85,413	83,121	30,258	28,346
Depreciation and amortisation	15,640	13,374	5,578	4,418
Fuel and power	11,512	13,218	4,397	5,183
Finished goods purchased	6,056	13,592	656	4,740
Freight and handling charges	6,991	9,557	2,366	3,824
Stores and spares consumed	3,157	3,357	1,204	1,101
Rent, rates and taxes	1,464	1,303	192	838
Insurance	1,662	1,996	469	674
Travelling and conveyance	1,904	2,358	744	1,054
Water Charges	-	491	163	
Product research and development	317	44	48	17
Postage and telephones	438	346	241	125
Legal and professional charges	87	41	17	3
Repair and maintenance	217	430	164	154
Printing and stationery	99	121	50	59
Subscription charges	35	27	3	3
Others	360	448	107	228
	<u>828,010</u>	<u>761,843</u>	<u>327,785</u>	<u>283,123</u>
Opening stock of work-in-process	8,785	26,567	8,451	9,745
Closing stock of work-in-process	(7,981)	(10,839)	(7,981)	(10,839)
Cost of good manufactured	<u>828,814</u>	<u>777,571</u>	<u>328,255</u>	<u>282,029</u>
Opening stock of finished goods	64,137	75,413	50,448	35,720
Closing stock of finished goods	(78,534)	(68,417)	(78,534)	(68,417)
	<u>(14,397)</u>	<u>6,996</u>	<u>(28,086)</u>	<u>(32,697)</u>
	<u>814,417</u>	<u>784,567</u>	<u>300,169</u>	<u>249,332</u>

- 16.1** Salaries, wages and other benefits include Rs.5.9million (30 September 2016: Rs. 6.8 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs.1.4 million (30 September 2016: Rs. 1.5 million) to the provident fund.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

Note	Nine months period ended		Three months period ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016

----- (Rupees in '000) -----

17. SELLING AND DISTRIBUTION EXPENSES

Advertising expense	70,879	69,580	16,729	19,728
Salaries, wages and other benefits 17.1	79,826	79,401	27,056	27,269
Freight and handling charges	40,344	44,347	14,872	15,347
Travelling and conveyance	10,568	11,629	3,548	3,957
Product research and development	4,189	6,699	375	1,535
Depreciation and amortisation	5,026	4,370	1,696	1,589
Rent, rates and taxes	4,318	3,807	1,474	1,408
Meeting expenses	3,038	466	279	65
Utility charges	526	522	214	245
Repair and maintenance	278	185	152	62
Insurance expense	1,302	1,496	384	511
Printing and stationery	283	292	109	93
Legal and Professional fee	968	1,364	300	328
Postage, telegram and telephone	1,636	1,509	530	525
Others	1,756	2,867	946	1,360
	<u>224,937</u>	<u>228,534</u>	<u>68,664</u>	<u>74,022</u>

17.1 Salaries, wages and other benefits include Rs.1.24 million (30 September 2016: Rs.1.38million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs.1.75million (30 september 2016: Rs.1.76million) to the provident fund.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Transaction with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. Details of transactions with related parties and balances with them, unless disclosed elsewhere are as follows:



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

	Nine months period ended	
	30 September 2017	30 September 2016
	(Rs. in '000) (Un-audited)	
Transactions with related parties:		
Other related parties		
Contribution to the employees' provident fund	3,995	4,099
Directors and Chief Executive Officer (Key management personnel)		
Total remuneration	16,490	14,090
Dividend paid	729	-
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	54,721	45,460
Balances with related parties:		
	30 September 2017	31 December 2016
	(Un-audited) (Audited) (Rs. in '000)	
Associated Companies		
Provident fund payable (for December 2016)	-	1,439

- 18.1** Contribution to the provident fund is made in accordance with the requirements of staff service rules.
- 18.2** Remuneration of the key management personnel is in accordance with the terms of their employment.
Directors meeting fee is as approved by the Board of Directors.
- 18.3** Other transactions with the related parties are at the agreed terms.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
30 September 2017		----- (Rupees in '000) -----		
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	19.1			
Long term deposits		4,819	4,819	-
Loans to employees		2,131	2,131	-
Trade debts		21,685	21,685	-
Other receivables		98	98	-
Cash and bank balances (including security deposit)		44,793	44,793	-
		<u>73,526</u>	<u>73,526</u>	<u>-</u>



Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 30 September 2017

<u>30 September 2017</u>	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	19.1			
Long term deposits		50	50	-
Trade and other payables		103,696	103,696	-
Short term borrowings (including mark-up)		217,013	217,013	-
		<u>320,759</u>	<u>320,759</u>	<u>-</u>

<u>31 December 2016</u>	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	19.1			
Long term deposits		4,589	4,589	-
Loans to employees		807	807	-
Trade debts		25,829	25,829	-
Other receivables		423	423	-
Cash and bank balances (including security deposit)		38,655	38,655	-
		<u>70,303</u>	<u>70,303</u>	<u>-</u>



Notes to the Condensed Interim Financial Information (Un-audited)


For the nine months period ended 30 September 2017

31 December 2016	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	19.1			
Long term deposits		450	450	-
Trade and other payables		94,504	94,504	-
Short term borrowings (including mark-up)		233,611	233,611	-
		<u>328,565</u>	<u>328,565</u>	<u>-</u>

19.1 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced, periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

20. GENERAL

This condensed interim financial information were authorised for issue on 18 October 2017 by the board of directors of the Company.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Mrs. Ferial Ali Mehdi
Chairman



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