

HALF YEARLY REPORT
JANUARY - JUNE
2016





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Corporate Information

Board of Directors

Mrs. Ferial Ali Mehdi *
Chairman

Mr. Mujahid Hamid *
Non-Executive Director

Syed Hasnain Ali *
Non-Executive Director

Mr. Saad Amanullah Khan *
Independent, Non-Executive Director

Mr. Kemal Shoaib *
Non-Executive Director

Mr. Qaisar Mufti *
(Nominee NIT)

Mr. Mubashir Hasan Ansari *
Executive Director and
Chief Executive Officer

Retired Directors

Mr. Shahid Nazir Ahmed **
Non-Executive Director

Mrs. Ameena Saiyid **
Independent, Non-Executive Director

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

*Elected/Re-elected on June 14, 2016 for the next term of 3 years commencing from July 01, 2016.

**Retired on June 30, 2016.

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
2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road, Karachi.
www.thk.com.pk
Phone : +92 (21) 111-000-322



Directors' Review

The Directors of the Company are pleased to present the unaudited financial results of the company for the half year ended June 30, 2016.

Summary of business performance

During the six month period under review, the company's overall sales volume recorded healthy growth of 14% over same period last year led by its flagship brand Capri despite challenging competitive environment. Net sales revenue and gross profit have increased by 17% and 54% respectively as compared to same period last year. This can be attributed to sales and distribution initiatives to ensure better availability and promotional packs due to competitive pricing and various operational efficiency measures that have been successfully implemented resulting in reduction of fixed overheads related to factory, administration and distribution. Efficient working capital management coupled with reduced markup rates yielded in 17% reduction in financial costs.

Financial performance at a glance

Financial results for the period under review are as follows:

	Half year period from January to June 2016			
	June 2016	June 2015	Change	%Change
Net sales	688,056	587,154	100,902	+ 17 %
Gross Profit	152,821	99,161	53,660	+ 54 %
Gross Profit %	22 %	16 %		+ 6 %
Loss for the period	38,662	89,446	-50,784	- 56 %

Future outlook

The imported soaps influx has continued with same intensity as last year. This continues to present a threat to local soap industry. Management is therefore, in collaboration with Pakistan Soap Manufacturers Association, striving to persuade relevant authorities for providing level playing field to local soap industry.

Management is committed to working hard to reduce costs through optimization and rationalization drives and feels that the company will soon overcome the challenges and efforts will be translated into positive financial results.

Acknowledgement

We thank our customers for their trust in our brands and our shareholders, bankers, suppliers and distributors for continued support. We also thank our employees for their relentless efforts and acknowledge their commitment and loyalty.

On behalf of the Board of Directors

Mubashir Hasan Ansari
Chief Executive Officer

Karachi: August 29, 2016



Auditor's Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of ZIL Limited ("the Company") as at 30 June 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 30 June 2016 have not been reviewed and we do not express a conclusion on them.

Date : August 29, 2016

Karachi.

**KPMG Taseer Hadi & Co.
Chartered Accountants
Amin Pirani**



Condensed Interim Balance Sheet

As at 30 June 2016

	30 June 2016 (Un-audited)	31 December 2015 (Audited)	
Note	(Rs. in '000)		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	371,957	367,884
Intangible assets		991	1,404
Long term deposits		5,156	5,156
Long term loans to employees		286	453
Deferred tax asset - net	7	73,909	57,675
Total non-current assets		452,299	432,572
CURRENT ASSETS			
Stores and spares		18,231	16,619
Stock-in-trade	8	139,435	202,551
Trade debts	9	55,197	42,815
Advances, prepayments and other receivables	10	75,812	64,144
Cash and bank balances	11	31,274	27,996
Total current assets		319,949	354,125
TOTAL ASSETS		772,248	786,697
EQUITY AND LIABILITIES			
EQUITY			
Authorised capital 10,000,000 (31 December 2015: 10,000,000) ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital		61,226	61,226
Reserves		34,636	71,300
		95,862	132,526
Surplus on revaluation of property, plant and equipment - net of tax		119,948	121,943
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term deposits		450	450
Deferred staff liabilities		85,245	90,628
		85,695	91,078
CURRENT LIABILITIES			
Trade and other payables	12	182,205	147,990
Short term borrowings	13	275,000	279,622
Taxation		13,538	13,538
		470,743	441,150
TOTAL LIABILITIES		556,438	532,228
TOTAL EQUITY AND LIABILITIES		772,248	786,697
CONTINGENCIES AND COMMITMENTS	14		

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

Feriel Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



Condensed Interim Profit and Loss Account (Un-audited)

For the three months and six months period ended 30 June 2016

		Six months period ended		Three months period ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
Note ----- (Rupees in '000) -----					
Sales - net	15	688,056	587,154	385,808	352,412
Cost of sales	16	(535,235)	(487,993)	(291,536)	(284,100)
Gross profit		152,821	99,161	94,272	68,312
Selling and distribution cost	17	(154,512)	(160,980)	(87,802)	(91,044)
Administrative expenses		(43,909)	(46,036)	(22,916)	(24,163)
		(198,421)	(207,016)	(110,718)	(115,207)
		(45,600)	(107,855)	(16,446)	(46,895)
Other income		1,363	3,370	702	2,783
Other charges		(57)	(791)	(56)	(458)
		(44,294)	(105,276)	(15,800)	(44,570)
Finance cost		(10,534)	(12,690)	(5,265)	(6,801)
Loss before taxation		(54,828)	(117,966)	(21,065)	(51,371)
Taxation	7.3	16,166	28,520	6,124	5,573
Loss for the period		(38,662)	(89,446)	(14,941)	(45,798)
		(Rupees)		(Rupees)	
Loss per share - basic and diluted		(6.31)	(14.61)	(2.44)	(7.48)

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


Ferial Ali Mehdi
 Chairman


Mubashir Hasan Ansari
 Chief Executive Officer



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months and six months period ended 30 June 2016

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	----- (Rupees in '000) -----			
Loss for the period after taxation	(38,662)	(89,446)	(14,941)	(45,798)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>(38,662)</u>	<u>(89,446)</u>	<u>(14,941)</u>	<u>(45,798)</u>

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


Ferial Ali Mehdi
Chairman


Mubashir Hasan Ansari
Chief Executive Officer



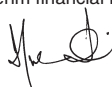
Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2016

	Six months period ended	
	30 June 2016	30 June 2015
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(54,828)	(117,966)
Adjustments for:		
Finance Costs	10,534	12,690
Depreciation and amortisation	15,888	17,502
Provision against staff gratuity	5,119	5,686
Provision against other staff retirement benefits	1,417	1,491
Reversal of provision against slow moving and obsolete stock	-	(4,291)
Reversal against liability no longer payable	-	(1,229)
Return on bank deposits - under markup arrangements	(22)	(20)
Gain on disposal of operating fixed assets	(135)	(888)
	32,801	30,941
	(22,027)	(87,025)
Decrease / (Increase) in assets:		
Stores and spares	(1,612)	(942)
Stock-in-trade	63,116	14,304
Trade debts	(12,382)	(30,820)
Loans to employees	189	309
Long term deposits	-	1,350
Advances, prepayments and other receivables	(4,138)	(7,618)
	45,173	(23,417)
(Decrease) / increase in current liabilities:		
Trade and other payables	32,730	47,825
	55,876	(62,617)
Income tax paid	(7,620)	(12,341)
Staff gratuity paid	(7,905)	(3,518)
Other staff retirement benefits paid	(4,014)	(2,185)
Return received on bank deposits - under markup arrangements	22	20
Finance costs paid	(8,996)	(14,041)
	(28,513)	(32,065)
Net cash flows from operating activities	27,363	(94,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(20,533)	(5,546)
Proceeds from disposal of operating fixed assets	1,123	1,870
Net cash flows from investing activities	(19,410)	(3,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(53)	-
Short term borrowings - Karobar and Salam finances	25,000	73,018
Net cash generated from financing activities	24,947	73,018
Net increase / (decrease) in cash and cash equivalents during the period	32,900	(25,340)
Cash and cash equivalents at beginning of the period	(1,626)	18,159
Cash and cash equivalents at end of the period	31,274	(7,181)
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	31,274	14,931
- Short term borrowing - running finance	-	(22,112)
	31,274	(7,181)

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


Ferial Ali Mehdi
 Chairman


Mubashir Hasan Ansari
 Chief Executive Officer



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

For the six months period ended 30 June 2016

	Issued, subscribed and paid up capital	Revenue reserves		Total reserves	Total
		General reserve	Un-appro- priated profit		
(Rs. in '000)					
Balance as at 1 January 2015	61,226	6,000	183,969	189,969	251,195
Total comprehensive income for the period	-	-	(89,446)	(89,446)	(89,446)
Loss after taxation	-	-	(89,446)	(89,446)	(89,446)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	-	2,183	2,183	2,183
Balance as at 30 June 2015	61,226	6,000	96,706	102,706	163,932
Balance as at 1 January 2016	61,226	6,000	65,300	71,300	132,526
Total comprehensive income for the period	-	-	(38,662)	(38,662)	(38,662)
Loss after taxation	-	-	(38,662)	(38,662)	(38,662)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	-	1,998	1,998	1,998
Balance as at 30 June 2016	61,226	6,000	28,636	34,636	95,862

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

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



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

For the six months period ended 30 June 2016

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 Pakistan Stock Exchange Limited (formerly Karachi, Lahore and Islamabad Stock Exchange). 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

This condensed interim financial information of the Company for the six months period ended 30 June 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 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 regulations of Pakistan Stock Exchange Limited (formerly Karachi, Lahore and Islamabad Stock Exchange). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. Further, the figures in the condensed interim financial information for the quarter ended 30 June 2015 and 30 June 2016 have not been reviewed by the auditors.

2.3 This 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 2015.

2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2015 has been extracted from the audited financial statements of the Company for the year ended 31 December 2015, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from the unaudited condensed interim financial information for the three months and six months period ended 30 June 2015 (as applicable).

2.5 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.



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

For the six months period ended 30 June 2016

2.6 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 2015.

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

New Standards, Interpretations and Amendments

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

- IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated

Financial Statements and IAS 28 – Investments in Associates and Joint Ventures);

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements';
- IAS 27 'Separate Financial Statements';
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41];
- IAS 12 'Income Taxes';
- IAS 7 'Statement of Cash Flows'; and
- IFRS 2 - Share-based Payment.

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 'Financial Instruments- Disclosures';
- IAS 19 'Employee Benefits'; and
- IAS 34 'Interim Financial Reporting'.

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

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 2015.



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

For the six months period ended 30 June 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 2015.

6. PROPERTY, PLANT AND EQUIPMENT

		30 June 2016 (Un-audited)	31 December 2015 (Audited)
(Rs. in '000)			
Operating fixed assets	6.1	357,155	364,816
Capital work-in-progress	6.2	14,802	3,068
		<u>371,957</u>	<u>367,884</u>

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
		(Rs. in '000)	
Building on freehold land	497	-	-
Plant, machinery and equipment	4,239	-	-
Capital Spares	895	-	-
Furniture and Fixtures	192	190	110
Computers	2,087	156	117
Vehicles	889	1,706	837
	<u>8,799</u>	<u>2,052</u>	<u>1,064</u>

6.2 Capital work-in-progress

		30 June 2016 (Un-audited)	31 December 2015 (Audited)
(Rs. in '000)			
Opening balance		3,068	9,082
Additions during the period		<u>20,533</u>	<u>11,856</u>
		23,601	20,938
Transfers during the period		<u>(8,799)</u>	<u>(17,870)</u>
	6.2.1	<u>14,802</u>	<u>3,068</u>

6.2.1 This represents plant, machinery and equipment, furniture and fixtures and vehicles.

6.2.2 Following are the details of the additions and transfers of capital work-in-progress during the period:



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

For the six months period ended 30 June 2016

	Additions	Transfers
	----- (Rupees in '000) -----	
Building on freehold land	-	-
Plant, machinery and equipment	4,910	4,736
Furniture and fixtures	438	191
Vehicle	12,202	889
Computers	2,087	2,087
Capital Spares	896	896
	<u>20,533</u>	<u>8,799</u>

7. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2016	Recognized in profit and loss	Balance at 30 June 2016
	----- (Rupees in 000') -----		
Taxable temporary differences on:			
- accelerated tax depreciation	(28,185)	535	(27,650)
- surplus on revaluation of property, plant and equipment	(25,360)	882	(24,478)
	<u>(53,545)</u>	<u>1,417</u>	<u>(52,128)</u>
Deductible temporary differences on:			
- provision for defined benefit plans	27,188	(1,615)	25,573
- provision against slow moving and obsolete stock and doubtful trade debts	4,498	-	4,498
- tax losses (note 7.1)	79,534	16,432	95,966
	<u>111,220</u>	<u>14,817</u>	<u>126,037</u>
Deferred tax asset - net	<u>57,675</u>	<u>16,234</u>	<u>73,909</u>

7.1 Includes deferred tax of Rs. 17.54 million (31 December 2015: Rs. 14.32 million) recorded on unabsorbed tax depreciation and amortisation.

7.2 Deferred tax asset (net) has been recognised at 30%, being the rate enacted at the balance sheet date and is expected to apply to the periods when the asset is realised or the liability is settled.

7.3 The tax credit for the period represents deferred tax asset (net) of Rs. 16.23 million (30 June 2015: Rs. 28.45 million) and charge of Rs. 0.068 million (30 June 2015: Rs. 0.066 million) representing a prior year item.



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

For the six months period ended 30 June 2016

- 7.4 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.
- 7.5 In view of loss for the year ended 31 December 2015, provision for current 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 year 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. Further, provision for minimum tax amounting to Rs. 7.47 million under the Income Tax Ordinance, 2001 for the six months period ended 30 June 2016 has not been made as the management expects to adjust it within the next five tax years permissible under the above ordinance (against the normal tax liabilities of those years).

	30 June 2016 (Un-audited)	31 December 2015 (Audited)
	(Rs. in '000)	
8. STOCK-IN-TRADE		
Raw material - in hand	65,295	66,392
- in transit	<u>11,024</u>	<u>19,515</u>
	76,319	85,907
Packing material	22,715	19,728
Work-in-progress	9,745	26,567
Finished goods	<u>35,720</u>	<u>75,413</u>
	144,499	207,615
Provision against slow moving items of stock-in-trade	<u>(5,064)</u>	<u>(5,064)</u>
	<u>139,435</u>	<u>202,551</u>



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

For the six months period ended 30 June 2016

	30 June 2016 (Un-audited)	31 December 2015 (Audited)
	(Rs. in '000)	
9. TRADE DEBTS		
Considered good	55,197	42,815
Considered doubtful	4,133	4,133
	<u>59,330</u>	<u>46,948</u>
Provision against doubtful debts	<u>(4,133)</u>	<u>(4,133)</u>
	<u>55,197</u>	<u>42,815</u>
10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Advance		
- for taxation	66,174	58,622
- to sales staff	502	508
Advances to suppliers and contractors	3,331	714
Prepayments	4,998	2,366
Current maturity of loans to employees	424	446
Other receivables	383	1,488
	<u>75,812</u>	<u>64,144</u>
Considered doubtful		
Advances to suppliers and contractors	803	803
Less: Provision held	<u>(803)</u>	<u>(803)</u>
	<u>75,812</u>	<u>64,144</u>
Advances, prepayments and other receivables - net	<u>75,812</u>	<u>64,144</u>
11. CASH AND BANK BALANCES		
Cash in hand	113	61
Cash at banks		
- current accounts	30,692	27,829
- profit and loss sharing account - under mark-up arrangement	469	106
	<u>31,161</u>	<u>27,935</u>
	<u>31,274</u>	<u>27,996</u>

11.1 This carries interest rate ranging from 4% to 5% (31 December 2015: 4.5% to 6%) per annum.



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

For the six months period ended 30 June 2016

	30 June 2016 (Un-audited)	31 December 2015 (Audited)
(Rs. in '000)		
12. TRADE AND OTHER PAYABLES		
Trade creditors	96,178	68,164
Accrued expenses	31,600	19,062
Advance from customers	21,426	34,659
Sales tax payable	17,373	12,935
Deposit from employees against vehicles and equipments	7,839	7,360
Accrued mark-up on short term borrowings	5,094	3,556
Unclaimed dividend	856	909
Workers' welfare fund	728	728
Other liabilities	1,111	617
	<u>182,205</u>	<u>147,990</u>

13. SHORT TERM BORROWINGS

Karobar and Salam finances - under shariah arrangements	13.1	275,000	250,000
Running finance - under mark-up arrangements	13.2	-	29,622
		<u>275,000</u>	<u>279,622</u>

13.1 These facilities, representing Karobar and Salam facilities, are available from certain commercial banks up to Rs. 380 million (31 December 2015: Rs. 380 million) and carries mark-up of respective KIBOR+0.5% (31 December 2015: respective KIBOR+0.5%) per annum and are repayable on 12 July 2016 to 05 October 2016 (31 December 2015: 08 January 2016 to 07 March 2016). The facilities are secured by way of first pari passu charge over present and future current assets of the Company.

At 30 June 2016, unutilised facilities aggregated to Rs. 105 million (31 December 2015: Rs. 130 million).

These unutilised facilities, being sub limit of the above available facility of Rs. 380 million, include Murabaha, Istisna, Salam, Karobar and LC usance facilities.

13.2 At 30 June 2016, unutilised facilities for running finance aggregated to Rs. 450 million (31 December 2015: Rs. 420 million).

13.3 At 30 June 2016, unutilised letter of credit facilities from certain banks amounted to Rs. 691.145 million (31 December 2015: Rs. 720.6 million). These are secured against the import bills of the Company.

Total facilities sanctioned to the Company amounted to Rs. 830 million (31 December 2015: Rs. 830 million).



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

For the six months period ended 30 June 2016

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- 14.1.1 Bank guarantees aggregating to Rs. 7.02 million (31 December 2015: Rs. 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas. A 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 2015: Rs. 1.3 million).
- 14.1.2 Post dated cheques of Nil (31 December 2015: Rs. 72.485 million) have been issued to Collector of Customs against partial exemption of import levies.
- 14.1.3 Income Tax Assessments of the Company have been completed up to and including the tax year 2015 (accounting period ended 31 December 2014) with the exception of tax years 2011 and 2007, for which the audit proceedings were initiated on 09 March 2012 and are still under compliance and pending before the Large Taxpayers Unit, Karachi till date. The management believes that no adverse inference is expected.

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, hearing of which has been conducted and the case has been argued, order of which is still awaited. 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 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 disallowance of Rs. 3.3 million on account of unreconciled production of manufactured goods. 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 re-verification. In response to it the department filed MA in response to which, ATIR passed AO dated 5 May 2015 by remanding back the issue for re-verification 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.

14.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 38.855 million (31 December 2015 : Rs. 21.537 million).



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

For the three months and six months period ended 30 June 2016

Note	Six months period ended		Three months period ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
----- (Rupees in '000) -----				
15. SALES - net				
Gross sales	919,191	795,750	513,617	483,465
Sales tax	(146,330)	(126,920)	(81,853)	(77,376)
Trade discount	(77,075)	(62,965)	(40,590)	(40,524)
Sales return and rebate	(7,730)	(18,711)	(5,366)	(13,153)
	(231,135)	(208,596)	(127,809)	(131,053)
	<u>688,056</u>	<u>587,154</u>	<u>385,808</u>	<u>352,412</u>
16. COST OF SALES				
Raw material consumed	323,277	343,950	171,994	196,348
Packing material consumed	62,548	55,073	33,351	33,416
Stores and spares consumed	2,256	3,701	1,069	2,103
Salaries, wages and other benefits 16.1	54,775	60,232	27,511	31,500
Repair and maintenance	276	654	118	399
Fuel and power	8,035	22,651	4,807	15,687
Water Charges	328	1,818	201	-
Rent, rates and taxes	465	1,186	455	743
Insurance	1,323	1,609	655	821
Product research and development	28	22	16	13
Travelling and conveyance	1,304	1,631	597	906
Printing and stationery	63	188	20	131
Postage and telephones	221	256	137	128
Legal and professional charges	38	50	2	31
Subscription charges	24	23	9	9
Depreciation and amortisation	8,954	9,903	4,504	4,767
Freight and handling charges	5,733	1,808	3,267	783
Toll manufacturing	8,852	-	3,376	-
Others	220	205	152	45
	<u>478,720</u>	<u>504,960</u>	<u>252,241</u>	<u>287,830</u>
Opening stock of work-in-process	26,567	54,330	14,473	58,809
Closing stock of work-in-process	(9,745)	(55,068)	(9,745)	(55,068)
Cost of good manufactured	<u>495,542</u>	<u>504,222</u>	<u>256,969</u>	<u>291,571</u>
Opening stock of finished goods	75,413	54,876	70,287	63,634
Closing stock of finished goods	(35,720)	(71,105)	(35,720)	(71,105)
	<u>39,693</u>	<u>(16,229)</u>	<u>34,567</u>	<u>(7,471)</u>
	<u>535,235</u>	<u>487,993</u>	<u>291,536</u>	<u>284,100</u>

16.1 Salaries, wages and other benefits include Rs. 4.560 million (30 June 2015: Rs. 5.112 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.028 million (2015: Rs. 1.114 million) to the provident fund.



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

For the three months and six months period ended 30 June 2016

17. SELLING AND DISTRIBUTION EXPENSES

Note	Six months period ended		Three months period ended		
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	
(Rupees in '000)					
Salaries, wages and other benefits	17.1	52,133	53,115	23,861	26,544
Utility charges		276	316	129	191
Repair and maintenance		123	201	91	188
Rent, rates and taxes		2,399	2,265	1,086	1,005
Depreciation and amortisation		2,781	3,023	1,396	1,473
Legal and Professional fee		1,036	1,575	426	1,175
Postage, telegram and telephone		985	1,292	574	905
Printing and stationery		199	203	98	128
Travelling and conveyance		7,672	9,080	4,385	4,996
Insurance expense		985	899	486	449
Advertising expense		49,852	59,732	37,523	37,597
Freight and handling charges		29,000	26,387	13,552	14,593
Product research and development		5,164	1,859	2,689	1,132
Meeting expenses		401	322	336	209
Others		1,506	711	1,170	459
		<u>154,512</u>	<u>160,980</u>	<u>87,802</u>	<u>91,044</u>

17.1 Salaries, wages and other benefits include Rs. 0.926 million (30 June 2015: Rs. 0.92 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.164 million (2015: Rs. 1.254 million).

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 the related parties are as follows:



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

For the six months period ended 30 June 2016

	Six months period ended	
	30 June 2016	30 June 2015
	(Rs. in '000)	
Associated Companies		
Services received	-	3,877
Other related parties		
Contribution to the employees' provident fund	3,003	3,161
Directors and Chief Executive Officer (Key management personnel)		
Remuneration	11,065	8,840
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	39,358	32,531
Balances with related parties:		
	Unaudited 30 June 2016	Audited 31 December 2015
	(Rs. in '000)	
Associated Companies		
Receivable from associated company (other receivable)	-	1,200
Payable to associated company (trade creditors)	-	92

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.



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

For the six months period ended 30 June 2016

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.

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:

30 June 2016	Note	Carrying Amount		Fair value	
		Loans and receivables	Other financial liabilities	Total	Total
----- (Rupees in '000) -----					
On-balance sheet financial and non-financial instruments					
Financial assets not measured at fair value					
	19.1				
		4,506	-	4,506	-
		710	-	710	-
		55,197	-	55,197	-
		383	-	383	-
		31,924	-	31,924	-
		92,720	-	92,720	-



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

For the six months period ended 30 June 2016

30 June 2016	Note	Carrying Amount		Fair value	
		Loans and receivables	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		-	129,745	129,745	-
Short term borrowings (including mark-up)		-	280,094	280,094	-
		<u>-</u>	<u>410,289</u>	<u>410,289</u>	<u>-</u>

31 December 2015	Note	Carrying Amount		Fair value	
		Loans and receivables	Other financial liabilities	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		4,506	-	4,506	-
Loans to employees		899	-	899	-
Trade debts		42,815	-	42,815	-
Other receivables		1,488	-	1,488	-
Cash and bank balances (including security deposit)		28,646	-	28,646	-
		<u>78,354</u>	<u>-</u>	<u>78,354</u>	<u>-</u>



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

For the six months period ended 30 June 2016

31 December 2015	Note	Carrying Amount		Fair value	
		Loans and receivables	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		-	88,752	88,752	-
Short term borrowings (including mark-up)		-	283,178	283,178	-
		-	372,380	372,380	-

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

20. GENERAL

This condensed interim financial information were authorised for issue on August 29, 2016 by the board of directors of the Company.


Ferial Ali Mehdi
 Chairman


Mubashir Hasan Ansari
 Chief Executive Officer



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

CORPORATE