



**Quarterly Report
January - September**

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

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
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 nine months period ended September 30, 2016.

Summary of Business Performance

The Company achieved a strong double digit growth in sales volume. This can be attributed to specific and effective trade channel promotional activities and sales and distribution improvements. Increase in net sales value however remained lower than volumetric growth due to price competition from local and imported soaps.

During the period under review, the company continued driving key operational efficiency programs that were set out at the beginning of the current year which are now delivering dividends. Despite relatively lower retail prices as compare to same period last year, Gross Profit margin grew by 7% on account of different cost saving measures and volumetric increase. Administrative and distribution expenses remained well under control. Efficient working capital management coupled with effective negotiations and reduced markup rates contributed towards 17% decrease in financial cost.

Financial Position at a Glance

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

	Nine Month period ended January to September		
	2016	2015	% Change
Net Sales	1,066 M	992 M	+7.5 %
Gross Profit	282 M	192 M	+47 %
Gross Profit in %	26.4 %	19.4 %	+7.0 %
Loss after tax	18.9 M	86.7 M	-78.5 %
EPS (per share)	-3.08	-14.16	-78.2%

Future Outlook

Although the authorities have revised the minimum import values to check easy influx of cheaper imported soaps it is however not proving sufficient enough and such imports still account for double digit market share. Therefore, there is an immediate need for taking further steps to protect local soap industry's due share to ensure its contribution in economic growth and revenue to national exchequer. Management is collaborating with Pakistan Manufacturers Association to persuade authorities to provide for level playing field to local soap industry.

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. The company is also committed to improve its sales and distributions systems which will serve to provide competitive edge.

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.

For and on behalf of the Board

Mubashir Hasan Ansari
Director and CEO

Karachi: October 27, 2016



Condensed Interim Balance Sheet (Un-audited)

As at 30 September 2016

	Un-audited 30 September 2016	Audited 31 December 2015
ASSETS	Note	(Rs. in '000)
NON-CURRENT ASSETS		
Property, plant and equipment	6	369,803
Intangible assets		367,884
Long term deposits		785
Long term loans to employees		1,404
Deferred tax asset - net	7	5,156
		31
		453
		57,675
		<u>441,529</u>
		<u>432,572</u>
CURRENT ASSETS		
Stores and spares		18,571
Stock-in-trade	8	166,853
Trade debts	9	42,388
Advances, prepayments and other receivables	10	77,645
Cash and bank balances	11	8,608
		16,619
		202,551
		42,815
		64,144
		27,996
		<u>314,065</u>
		<u>354,125</u>
TOTAL ASSETS		<u><u>755,594</u></u>
		<u><u>786,697</u></u>
FINANCED BY:		
SHARE CAPITAL AND RESERVES		
Authorised capital		
10,000,000 (31 December 2015: 10,000,000)		
ordinary shares of Rs. 10 each		100,000
		<u>100,000</u>
Issued, subscribed and paid up capital		61,226
Reserves		55,926
		<u>117,152</u>
		<u>132,526</u>
Surplus on revaluation of fixed assets - net of tax		118,860
		121,943
NON-CURRENT LIABILITIES		
Long-term deposits		450
Deferred staff benefit liabilities		87,002
		<u>87,452</u>
		450
		90,628
		91,078
CURRENT LIABILITIES		
Trade and other payables	12	182,633
Short term borrowings	13	235,946
Taxation		13,551
		147,990
		279,622
		13,538
		<u>432,130</u>
		<u>441,150</u>
		<u>755,594</u>
		<u>786,697</u>
CONTINGENCIES AND COMMITMENTS		
	14	
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 Profit and Loss Account (Un-audited)

For the nine months period ended 30 September 2016

		Nine months period ended		Three months period ended	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
	Note	----- (Rupees in '000) -----			
Net sales	15	1,066,176	992,348	378,121	405,193
Cost of sales	16	(784,567)	(800,220)	(249,332)	(312,225)
Gross profit		<u>281,609</u>	<u>192,128</u>	<u>128,789</u>	<u>92,968</u>
Selling and distribution cost	17	(228,534)	(221,695)	(74,022)	(60,715)
Administrative expenses		(67,401)	(69,264)	(23,493)	(23,228)
		<u>(295,935)</u>	<u>(290,959)</u>	<u>(97,515)</u>	<u>(83,943)</u>
		<u>(14,326)</u>	<u>(98,831)</u>	<u>31,274</u>	<u>9,025</u>
Other income		3,471	4,144	2,107	774
Other expenses		(135)	(1,174)	(78)	(383)
		<u>(10,990)</u>	<u>(95,861)</u>	<u>33,303</u>	<u>9,416</u>
Finance cost		(15,486)	(18,072)	(4,952)	(5,382)
Profit/(Loss) before taxation		<u>(26,476)</u>	<u>(113,933)</u>	<u>28,351</u>	<u>4,034</u>
Taxation	7	8,017	27,227	(8,152)	(1,294)
Profit/(Loss) for the period		<u>(18,459)</u>	<u>(86,706)</u>	<u>20,199</u>	<u>2,740</u>
Profit/(Loss) per share - basic and diluted	Rupees	<u>(3.01)</u>	<u>(14.16)</u>	<u>3.30</u>	<u>0.45</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 Statement of Comprehensive Income (Un-audited)

For the nine months period ended 30 September 2016

	<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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>----- (Rupees in '000) -----</u>			
Profit/(Loss) after tax for the period	(18,459)	(86,706)	20,199	2,740
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/ loss for the period	<u>(18,459)</u>	<u>(86,706)</u>	<u>20,199</u>	<u>2,740</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 Nine months period ended
30 September 2016

Nine months period ended
30 September 2016 **30 September 2015**
(Rs. in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(26,476)	(113,933)
Adjustments for:		
Finance cost	15,486	18,072
Depreciation / amortisation	24,096	26,302
Provision for gratuity	7,679	8,529
Provision for staff retirement benefits	2,126	2,237
Provision for slow moving stock in trade	-	817
Reversal of provision on sales of provided stock	-	(4,291)
Mark-up on short term deposit	(41)	(31)
Gain on disposal of fixed assets	(1,223)	(929)
	<u>48,123</u>	<u>50,706</u>
Operating loss before working capital changes	21,647	(63,227)
Decrease / (increase) in operating assets:		
Stores and spares	(1,952)	(2,611)
Stock-in-trade	35,700	78,368
Trade debts	427	(27,206)
Long term loan to employees	153	(593)
Long term deposit	-	1,350
Advances, prepayments and other receivables	(3,895)	2,195
	<u>30,433</u>	<u>51,503</u>
(Decrease) / increase in operating liabilities:		
Trade and other payables	36,129	28,148
	<u>88,209</u>	<u>16,424</u>
Income tax refund / (paid)	(9,391)	(18,122)
Gratuity paid	(9,413)	(3,938)
Staff retirement benefits paid	(4,014)	(2,617)
Profit received on short term deposits	41	31
Mark-up paid	(16,919)	(17,074)
	<u>(39,696)</u>	<u>(41,720)</u>
Net cash used in operating activities	48,513	(25,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(28,770)	(7,551)
Proceeds from disposal of fixed assets	4,597	1,959
Net cash used in investing activities	(24,173)	(5,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(52)	-
Short term borrowings	(30,000)	25,000
Net cash generated from financing activities	(30,052)	25,000
Net decrease in cash and cash equivalents	(5,712)	(5,888)
Cash and cash equivalents at beginning of the period	(1,626)	16,177
Cash and cash equivalents at end of the period	<u>(7,338)</u>	<u>10,289</u>
Cash and cash equivalents comprises:		
Cash and bank balances	8,608	17,331
Running finance under mark-up arrangements	(15,946)	(7,042)
	<u>(7,338)</u>	<u>10,289</u>

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

Ferial Ali Mehdi
Chairman

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Mubashir Hasan Ansari
Chief Executive Officer



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

For the nine months period ended 30 September 2016

	Issued, subscribed and paid up capital	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 loss for the period					
Loss for the nine months period ended 30 September 2015	-	-	(86,706)	(86,706)	(86,706)
Transferred from surplus on revaluation of fixed assets - net of deferred tax (incremental depreciation on property, plant and equipment)					
	-	-	3,277	3,277	3,277
Balance as at 30 September 2015	61,226	6,000	100,540	106,540	167,766
Balance as at 1 January 2016	61,226	6,000	65,300	71,300	132,526
Total comprehensive loss for the period					
Loss for the nine months period ended 30 September 2016	-	-	(18,459)	(18,459)	(18,459)
Transferred from surplus on revaluation of fixed assets - net of deferred tax (incremental depreciation on property, plant and equipment)					
	-	-	3,085	3,085	3,085
Balance as at 30 September 2016	61,226	6,000	49,926	55,926	117,152

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 Information (Un-audited)

For the nine months period ended 30 September 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 Karachi and Lahore Stock Exchanges. The principal activity of the Company is the manufacture and sale of home and personal care products.

The registered office of the company is situated at 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 nine months period ended 30 September 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 have been followed.

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 Pakistan Stock Exchange (Formerly Karachi and Lahore Stock exchanges).

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.

These condensed interim financial statements have been prepared under the historical cost convention except for land, buildings and plant and machinery which are stated at revalued amount less any subsequent depreciation and impairment loss, if any.

2.2 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial

information 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 Information (Un-audited)

For the nine months period ended 30 September 2016

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. ESTIMATES AND JUDGMENTS

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 judgments 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.

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

	Un-audited 30 September 2016	Audited 31 December 2015
	(Rs. in ‘000)	
Operating fixed assets	6.1 357,133	364,816
Capital work-in-progress	6.2 <u>12,670</u>	<u>3,068</u>
	<u>369,803</u>	<u>367,884</u>



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

For the nine months period ended 30 September 2016

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	(Rs. in '000)		
Building	497		
Plant, machinery & equipment	6,336	-	-
Capital spares	1,097	-	-
Furniture & fixtures	322	279	144
Computers	2,087	156	117
Vehicle	9,025	8,808	5,608
	<u>19,364</u>	<u>9,243</u>	<u>5,869</u>

	Un-audited	Audited
	30 September 2016	31 December 2015
	(Rs. in '000)	
Opening balance	3,068	9,082
Additions during the period	27,869	11,856
	<u>30,937</u>	<u>20,938</u>
Transfers during the period	(12,267)	(17,870)
	<u>18,670</u>	<u>3,068</u>

6.2.1 This represents plant and machinery, advance for capital expenditure, furniture and fixture and vehicles.

7. DEFERRED TAX ASSET - net

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

	Balance at 1st January 2016	Recognized in the profit and loss	Balance at 30th September 2016
	(Rs. in '000)		
Taxable temporary differences			
- on accelerated tax depreciation	(28,185)	621	(27,564)
- on surplus on revaluation of fixed assets	(25,360)	1,321	(24,045)
	<u>(53,545)</u>	<u>1,942</u>	<u>(51,609)</u>
Deductible temporary differences (including deferred tax asset on tax losses)			
- on provision for defined benefit plan	27,188	(1,087)	26,102
- on provision against slow moving stock and doubtful debts	4,498	-	4,498
- on tax losses	79,534	7,228	86,763
	<u>111,220</u>	<u>6,141</u>	<u>117,363</u>
Deferred tax asset / (Liability) - Net	<u>57,675</u>	<u>8,083</u>	<u>65,754</u>

Accordingly tax credit recognised in the profit and loss account for the current period is as follows:

Net deferred tax income (as above)	8,083
Prior year tax	(66)
	<u>8,017</u>



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

For the nine months period ended 30 September 2016

	Un-audited 30 September 2016	Audited 31 December 2015
8. STOCK-IN-TRADE		
(Rs. in '000)		
Raw material - in hand	49,133	66,392
- in transit	18,316	19,515
	<u>67,449</u>	<u>85,907</u>
Packing material	25,211	19,728
Work-in-progress	10,839	26,567
Finished goods	68,418	75,413
	<u>171,917</u>	<u>207,615</u>
Provision against slow moving items of stock-in-trade	(5,064)	(5,064)
	<u>166,853</u>	<u>202,551</u>
9. TRADE DEBTS		
Considered good	42,388	42,815
Considered doubtful	4,133	4,133
	<u>46,521</u>	<u>46,948</u>
Provision against doubtful debts	(4,133)	(4,133)
	<u>42,388</u>	<u>42,815</u>
10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good:		
- Suppliers and contractors - net	3,444	1,517
Less: Provision held	(803)	(803)
	<u>2,641</u>	<u>714</u>
- taxation	67,958	58,622
- to sales staff	502	508
Current maturity of loans to employees	714	446
Prepayments	4,534	2,366
Other receivables	1,296	1,488
	<u>77,645</u>	<u>64,144</u>



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

For the nine months period ended 30 September 2016

	Un-audited 30 September 2016	Audited 31 December 2015
(Rs. in '000)		
11. CASH AND BANK BALANCES		
Cash in hand	77	61
Cash at banks in - current/collection accounts	<u>8,506</u>	<u>27,829</u>
- profit and loss sharing accounts	10.1 <u>25</u>	<u>106</u>
	<u>8,531</u>	<u>27,935</u>
	<u>8,608</u>	<u>27,996</u>

11.1 The balance carries profit varying from 4% to 5% per annum (31 December 2015: 4.5% to 6.% per annum).

12. TRADE AND OTHER PAYABLES

Trade creditors	98,319	68,164
Accrued expenses	43,169	19,062
Advances from customers	18,278	34,659
Sales tax payable	11,242	12,935
Deposit from employees against vehicles and equipments	6,833	7,360
Workers' Welfare Fund	728	728
Unclaimed dividend	856	909
Accrued mark-up liability	2,122	3,556
Other liabilities	1,086	617
	<u>182,633</u>	<u>147,990</u>

13. SHORT TERM BORROWINGS

Istisna and Salam finances - under shariah arrangements	13.1	220,000	250,000
Running finance - under mark-up arrangements	13.2	15,946	29,622
		<u>235,946</u>	<u>279,622</u>

13.1 These facilities, representing Istisna 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 09 November 2016 to 06 Feb 2017 (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 September 2016, unutilised facilities aggregated to Rs. 160 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.



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

For the nine months period ended 30 September 2016

- 13.2 At 30 September 2016, unutilised facilities for running finance aggregated to Rs. 434 million (31 December 2015: Rs. 420 million).
- 13.3 At 30 September 2016, unutilised letter of credit facilities from certain banks amounted to Rs. 689.395 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. 730 million (31 December 2015: Rs. 730 million).

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 reverification. 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 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.



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

For the nine months period ended 30 September 2016

	Nine months period ended		Three months period ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015

14.2 Commitment

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

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 17.607 million (31 December 2015 : Rs. 9.4 million).

15. NET SALES

Gross sales	1,430,515	1,329,173	511,324	533,423
Sales tax	227,984	211,176	81,654	84,257
Trade promotion discount	124,285	103,900	47,209	40,935
Rebate and sales return	12,070	21,749	4,340	3,038
	(364,339)	(336,825)	(133,203)	(128,230)
	<u>1,066,176</u>	<u>992,348</u>	<u>378,121</u>	<u>405,193</u>

16. COST OF SALES

Raw and packing material consumed	618,019	648,492	232,193	249,468
Stores and spares consumed	3,357	4,840	1,101	1,138
Salaries, wages and other benefits	81,589	88,353	27,841	29,235
Contribution to the provident fund	1,532	1,640	505	526
Repairs and maintenance	430	966	154	313
Fuel and power	13,218	37,188	5,183	14,537
Water Charges	491	2,777	163	959
Rent, rates and taxes	1,303	1,794	838	608
Insurance	1,996	2,416	674	807
Product research and development	44	25	17	4
Travelling and conveyance	2,358	2,379	1,054	747
Printing and stationery	121	270	59	82
Postage and telephones	346	386	125	130
Legal charges	41	72	3	22
Subscription	27	25	3	2
Depreciation / amortisation	13,374	14,859	4,418	4,957
Freight and handling material	9,557	2,187	3,824	379
Provision for slow moving stock in trade	-	-	-	-
Toll manufacturing	13,592	817	4,740	817
Other expenses	448	373	228	168
	<u>761,843</u>	<u>809,859</u>	<u>283,123</u>	<u>304,898</u>
Opening stock of work-in-process	26,567	54,331	9,745	55,068
Closing stock of work-in-process	(10,839)	(50,603)	(10,839)	(50,603)
Cost of good manufactured	<u>777,571</u>	<u>813,587</u>	<u>282,029</u>	<u>309,363</u>
Opening stock of finished goods	75,413	54,876	35,720	71,105
Closing stock of finished goods	(68,417)	(68,243)	(68,417)	(68,243)
	<u>6,996</u>	<u>(13,367)</u>	<u>(32,697)</u>	<u>2,862</u>
	<u>784,567</u>	<u>800,220</u>	<u>249,332</u>	<u>312,225</u>



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

For the nine months period ended 30 September 2016

	Nine months period ended		Three months period ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
----- (Rupees in '000) -----				
17. SELLING AND DISTRIBUTION COST				
Salaries, wages and other benefits	77,643	77,363	26,674	25,503
Utilities	522	578	245	261
Contribution to the provident fund	1,758	1,832	595	578
Repairs and maintenance	185	306	62	105
Rent, rates and taxes	3,807	3,306	1,408	1,041
Depreciation / amortisation	4,370	4,553	1,589	1,530
Legal & professional fee	1,364	2,560	328	985
Postage and telephone	1,509	1,872	525	580
Printing and stationery	292	294	93	91
Travelling and conveyance	11,629	13,100	3,957	4,020
Insurance	1,496	1,349	511	450
Advertising	69,580	68,634	19,728	8,901
Freight, distribution and handling	44,347	42,121	15,347	15,733
Product research and development	6,699	1,912	1,535	53
Other expenses	2,867	1,546	1,360	836
Meeting related expenses	466	369	65	48
	<u>228,534</u>	<u>221,695</u>	<u>74,022</u>	<u>60,715</u>

18. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Employees Provident Fund, directors and key management personnel. details of transaction with related parties are as follows:

	Nine months period ended	
	30 September 2016	30 September 2015
(Rs. in '000)		
Associated Companies		
Services received	-	4,105
Other related parties		
Contribution to the employees' provident fund	4,099	4,687
Directors and Chief Executive Officer (Key management personnel)		
Remuneration	14,090	12,923
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	45,460	46,120



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

For the nine months period ended 30 September 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 Sept 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				
Long term deposits		4,506	-	4,506	-
Loans to employees		31	-	31	-
Trade debts		42,388	-	42,388	-
Other receivables		1,296	-	1,296	-
Cash and bank balances (including security deposit)		9,258	-	9,258	-
		<u>57,479</u>	<u>-</u>	<u>57,479</u>	<u>-</u>



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

For the nine months period ended 30 September 2016

30 Sept 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		-	143,430	143,430	-
Short term borrowings (including mark-up)		-	238,068	238,068	-
		<u>-</u>	<u>381,948</u>	<u>381,948</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 Information (Un-audited)

For the nine months period ended 30 September 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	-
		<u>-</u>	<u>372,380</u>	<u>372,380</u>	<u>-</u>

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 27th October 2016 by the board of directors of the Company.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



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