

FIRST QUARTERLY REPORT
JANUARY - MARCH
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. Shahid Nazir Ahmed
Non-Executive Director

Mrs. Ameena Saiyid
Independent, Non-Executive Director

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director

Mr. Mubashir Hasan Ansari
Chief Executive Officer

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Shahid Nazir Ahmed
Member

Human Resource & Remuneration Committee

Mrs. Ferial Ali Mehdi
Chairman

Mr. Kemal Shoaib
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

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.



Directors' Review

The directors of the company are pleased to present the unaudited financial results of the company for the quarter ended March 31, 2016.

Summary of Business Performance

The first quarter demonstrates a strong double digit volume-driven performance. We are accelerating momentum and strengthening our market share despite a tougher external environment including an influx of low priced imported soaps. This broad-based growth, include around 29% growth in net sales value and around 90% increase in gross profit value from 30.8m in same period last year to 58.5m during the current quarter.

During the period under review, we continued to focus on driving agility and resilience in our business through the key programs that we set out at the beginning of the current year which will result in better organizational performance. Fixed administrative and selling overheads remained well under control and registered a cumulative decrease of around 4.5% over last quarter.

Financial Position at a Glance

Financial results for the period under review are as follows:

	Three month period from January to March		
	<u>2016</u>	<u>2015</u>	<u>%Change</u>
Net sales	302.3M	234.7M	+ 29%
Gross profit	58.6M	30.9M	+ 90%
Gross profit %	19%	13%	+ 6%
Loss after taxation	23.7M	43.6M	- 46%

Future Outlook

Local soap market is anticipated to demonstrate same competitive intensity as last year with the imported soaps maintaining or even increasing their volume. This continues to present a threat to local soap industry. As a result of under-invoicing, tariffs are effectively much lower on imported soaps than tariff chargeable on raw material for locally manufactured soaps. Margins therefore, will remain under pressure and 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 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 of Directors

Mubashir Hasan Ansari
Chief Executive Officer

Karachi: April 26, 2016



Condensed Interim Balance Sheet

As at 31 March 2016

		31 March 2016 (Unaudited)	31 December 2015 (Audited)
	Note	(Rs. in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	364,366	367,884
Intangible assets		1,198	1,404
Long term deposits		5,156	5,156
Long term loans to employees		106	453
Deferred tax asset-net		67,717	57,675
Total Non-Current Assets		438,543	432,572
CURRENT ASSETS			
Stores and spares		18,470	16,619
Stock-in-trade	7	175,321	202,551
Trade debts	8	46,149	42,815
Advances, deposits, prepayments and other receivables	9	71,376	64,144
Cash and bank balances	10	13,856	27,996
Total Current Assets		325,173	354,125
TOTAL ASSETS		763,716	786,697
EQUITY			
Authorised capital 10,000,000 (31 Dec 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		48,580	71,300
		109,806	132,526
Surplus on revaluation of fixed assets - net of tax		120,947	121,943
NON-CURRENT LIABILITIES			
Long term deposits		450	450
Deferred staff liabilities		85,484	90,628
Total Non-Current Liabilities		85,934	91,078
CURRENT LIABILITIES			
Running Finance	10.1	15,450	29,622
Karobar and Salam Financing	10.2	260,000	250,000
Trade and other payables		158,041	147,990
Taxation		13,538	13,538
Total Current Liabilities		447,029	441,150
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		763,716	786,697

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



Condensed Interim Profit and Loss Account (Un-audited)

For the three months period ended 31 March 2016

	Note	Three months period ended	
		31 March 2016	31 March 2015
		(Rs. in '000)	
Net sales	12	302,248	234,742
Cost of Sales	13	(243,699)	(203,891)
Gross profit		<u>58,550</u>	<u>30,851</u>
Selling and distribution expenses	14	(66,710)	(69,936)
Administrative expenses		(20,993)	(21,873)
		<u>(87,703)</u>	<u>(91,810)</u>
		<u>(29,153)</u>	<u>(60,959)</u>
Other operating income		661	587
Other operating expenses		(1)	(333)
		<u>(28,494)</u>	<u>(60,705)</u>
Finance cost		(5,269)	(5,889)
loss before taxation		<u>(33,762)</u>	<u>(66,594)</u>
Taxation		10,042	22,947
loss after taxation		<u>(23,720)</u>	<u>(43,647)</u>
----- (Rupees) -----			
Earnings per share - basic and diluted		<u>(3.87)</u>	<u>(7.13)</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



**Condensed Interim Statement of
Comprehensive Income (Un-audited)**

For the three months period ended 31 March 2016

	<u>Three months period ended</u>	
	<u>31 March 2016</u>	<u>31 March 2015</u>
	(Rs. in '000)	
loss for the period	(23,720)	(43,647)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	<u><u>(23,720)</u></u>	<u><u>(43,647)</u></u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended 31 March 2016

	Note	Three months period ended	
		31 March 2016	31 March 2015
(Rs. in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	13,092	(82,616)
Income tax paid		(4,393)	(7,009)
Gratuity paid		(4,396)	(3,002)
Retirement benefits paid		(4,014)	(1,918)
Profit received on short term deposit		14	14
Mark-up paid		(6,096)	(4,900)
Net cash flows from operating activities		(18,885)	(99,431)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(4,193)	(2,313)
Sales proceeds of fixed assets		20	86
Net cash flows from investing activities		(4,173)	(2,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short Term Loan & Murabaha		10,000	30,000
Net cash flows from financing activities		10,000	30,000
Net (decrease) / increase in cash and cash equivalents		33	(71,658)
Cash and cash equivalents at beginning of the period		(1,626)	16,177
Cash and cash equivalents at end of the period		(1,593)	(55,481)
Cash and cash equivalents comprise of			
Cash and bank balances		13,856	44,926
Running finance under mark up arrangements		(15,450)	(100,407)
		(1,593)	(55,481)

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



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

For the three months period ended 31 March 2016

	Issued, subscribed and paid up capital	Revenue reserves General reserve	Un-appro- priated profit	Total reserves	Total
	(Rs. in '000)				
Balance as at 1 Jan 2015	61,226	6,000	183,969	189,969	251,195
Total comprehensive income for the three months period ended 31 March 2015-Loss for the period	-	-	(43,647)	(43,647)	(43,647)
Transferred from surplus on revaluation of fixed assets -net of deferred Tax	-	-	1,044	1,044	1,044
	-	-	(42,602)	(42,602)	(42,602)
Balance as at 31 March 2015	61,226	6,000	141,367	147,367	208,593
Balance as at 1 Jan 2016	61,226	6,000	65,300	71,300	132,526
Total comprehensive income for the three months period ended 31 March 2015-Loss for the period	-	-	(23,720)	(23,720)	(23,720)
Transferred from surplus on revaluation of fixed assets - net of deferred tax	-	-	999	999	999
Balance as at 31 March 2016	61,226	6,000	42,580	48,580	109,806

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Ferial Ali Mehdi
Chairman

Mubashir Hasan Ansari
Chief Executive Officer



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 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. 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 FOR PRESENTATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the approved international accounting standard "Interim Financial Reporting" (IAS 34) as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 Dec 2015.

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

2.2 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended 31 Dec 2015.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as for the year ended 31 Dec 2015.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 Dec 2015.



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2015

		31 March 2016 (Unaudited)	31 Dec 2015 (Audited)
		(Rs. in '000)	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	359,897	364,816
Capital work-in-progress	6.2	<u>4,469</u>	<u>3,068</u>
		<u>364,366</u>	<u>367,884</u>

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	-----	(Rs. in '000) -----	
Plant, Machinery & Equipment	1,388		
Furniture and Fixtures	192		
Building on Freehold Land	497		
Computers	340	120	98
Vehicles	-		
Capital Spares	<u>374</u>		
	<u>2,791</u>	<u>120</u>	<u>98</u>

		31 March 2016 (Unaudited)	31 Dec 2015 (Audited)
		(Rs. in '000)	
6.2 Capital work-in-progress			
Opening balance		3,068	9,082
Additions during the period		<u>4,193</u>	<u>11,856</u>
		<u>7,261</u>	<u>20,938</u>
Transfers during the period		<u>(2,791)</u>	<u>(17,870)</u>
		<u>4,469</u>	<u>3,068</u>



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	31 March 2016 (Unaudited)	31 Dec 2015 (Audited)
	(Rs. in '000)	
7. STOCK-IN-TRADE		
Raw materials – in hand	71,082	66,392
– in transit	479	19,515
	<u>71,562</u>	<u>85,907</u>
Packing materials	24,029	19,728
Work-in-process	14,473	26,567
Finished goods	70,322	75,413
	<u>180,385</u>	<u>207,615</u>
Provision against slow moving stock-in-trade	(5,064)	(5,064)
	<u>175,321</u>	<u>202,551</u>
8. TRADE DEBTS		
Considered good	46,149	42,815
Considered doubtful	4,133	4,133
	<u>50,282</u>	<u>46,948</u>
Provision against doubtful debts	(4,133)	(4,133)
	<u>46,149</u>	<u>42,815</u>
9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good:		
- Suppliers and contractors - net	1,893	1,514
Less: Provision held	(803)	(803)
	<u>1,091</u>	<u>714</u>
- Taxation	63,014	58,622
- To sales staff	508	508
Current maturity of loans to employees	307	446
Prepayments	5,996	2,366
Other receivables	460	1,488
	<u>71,376</u>	<u>64,144</u>



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	31 March 2016	31 Dec 2015
	(Rs. in '000)	
10. CASH AND BANK BALANCES		
Cash in hand	400	61
Cash at banks in – current accounts	3,818	6,352
– collection accounts	9,461	21,477
– profit and loss sharing account	177	106
	13,456	27,935
	13,856	27,996

10.1 Running finance under mark up arrangement facility carries mark up rate of 1 month's KIBOR +0.7%

10.2 Karobar and salam financing carries mark up rate of respective period's KIBOR + 0.5%.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Bank guarantees aggregating to Rs.7.02 million (31 Dec 2015:Rs.7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas.Bank guarantees have also been issued to in favour of Pakistan State Oil (PSO) Company for issuance of fleet cards aggregating Rs.1.3 Million (31 Dec 2015: Rs.1.3 million)

11.1.2 Post dated cheques of Rs. 16.359 million (31 Dec 2015: Rs. 16.359 million) have been issued to Collector of Customs against partial exemption of import levies.

11.2 Commitment

Commitments under letters of credit for the import of stock-in-trade items amounting to Rs. 32.669 million (31 Dec 2015: Rs. 9.4 million).

	<u>Three months period ended</u>	
	31 March 2016	31 March 2015
	(Rs. in '000)	
12. NET SALES		
Gross sales	405,574	312,285
Sales tax	(64,477)	(49,544)
Trade promotion discount	(36,485)	(22,441)
Rebate and sales return	(2,363)	(5,558)
	(103,325)	(77,542)
	302,248	234,742



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	<u>Three months period ended</u>	
	31 March 2016	31 March 2015
	(Rs. in '000)	
13. COST OF SALES		
Raw and packing materials consumed	180,480	169,259
Stores and spares consumed	1,187	1,598
Salaries, wages and other benefits	17,029	17,759
Contribution to the provident fund	526	556
3rd party contract labour	9,709	10,417
Repair and maintenance	158	255
Fuel and power	3,228	8,127
Water Charges	127	655
Rent, rates and taxes	10	443
Insurance	668	788
Product research and development	12	9
Traveling & conveyance	707	725
Printing & stationery	43	57
Postage & telephone	84	128
Legal charges	36	19
Subscription	15	14
Depreciation / Amortisation	4,450	5,136
Freight and handling material	2,466	1,025
Toll Manufacturing	5,477	-
Other expenses	68	160
	<u>226,478</u>	<u>217,129</u>
Opening stock of work-in-process	26,567	54,331
Closing stock of work-in-process	(14,473)	(58,809)
Cost of goods manufactured	<u>238,573</u>	<u>212,650</u>
Opening stock of finished goods	75,413	54,876
Closing stock of finished goods	(70,287)	(63,634)
	<u>243,699</u>	<u>203,891</u>



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	Three months period ended	
	31 March 2016	31 March 2015
	(Rs. in '000)	
14. SELLING AND DISTRIBUTION EXPENSES		
Advertising	12,329	22,135
Salaries, wages and other benefits	27,680	25,938
Freight, distribution and handling	15,448	11,794
Travelling and conveyance	3,287	4,084
Product research and development	2,475	727
Insurance	499	450
Depreciation / amortisation	1,385	1,550
Postage and telephone	411	387
Rent, rates and taxes	1,313	1,260
Repairs and maintenance	32	13
Printing and stationery	101	75
Contribution to the provident fund	592	633
Legal and professional charges	610	400
Utilities	147	125
Meetings related expenses	65	113
Other expenses	337	252
	<u>66,710</u>	<u>69,936</u>



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	<u>Three months period ended</u>	
	<u>31 March 2016</u>	<u>31 March 2015</u>
	(Rs. in '000)	
15. CASH GENERATED FROM OPERATIONS		
Profit/(loss) before taxation	(33,762)	(66,594)
Adjustments for:		
Mark-up expense	5,269	5,889
Depreciation / amortisation	7,896	9,053
Provision for gratuity	2,560	2,843
Provision for staff retirement benefits	709	746
Reversal of provision on disposal of provided stock		(4,291)
Profit on short term deposit		(14)
Mark-up on Short-term Deposit	(14)	
Dividend income		
Loss on disposal of fixed assets	2	58
	<u>16,421</u>	<u>14,284</u>
Operating profit before working capital changes	(17,341)	(52,310)
(Increase) / Decrease in operating assets:		
Stores and spares	(1,851)	(531)
Stock-in-trade	27,231	(2,818)
Trade debts	(3,334)	(5,922)
Loans and Advances	486	436
Long term advances and deposits	-	1,350
Advances, deposits, prepayments and other receivables	(2,976)	(4,516)
	<u>19,555</u>	<u>(12,002)</u>
Increase / (decrease) in operating liabilities:		
Trade and other payables	10,878	(18,304)
Cash generated from operations	<u>13,092</u>	<u>(82,616)</u>
16. TRANSACTIONS WITH RELATED PARTIES		
<p>Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel.</p> <p>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 are as follows:</p>		



Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended 31 March 2016

	Three months period ended	
	31 March 2016	31 March 2015
16.1. Transactions with related parties	(Rs. in '000)	
Associated Companies		
Services received	2,983	-
Staff Retirement Benefit Plans		
Contribution to employees' provident fund	1,382	1,448
Directors and Chief Executive Officer		
Remuneration	4,938	4,886
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	16,428	18,353
	31 March 2016 (Un-audited)	31 Dec 2015 (Audited)
	(Rs. in '000)	
16.2. Balances with related parties:		
Associated Companies:		
Receivable from associated company (other receivable)	-	1,200
Payable to associated company (trade creditors)	42	92

17. GENERAL

17.1. These condensed financial statements were authorised for issue by the Board of Directors of the company in their meeting held on April 26, 2016 .

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

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