



First Quarterly Report  
January - March  
2017



## Content

Corporate Information	01
Directors' Review	02
Condensed Interim Balance Sheet	03
Condensed Interim Profit and Loss Account	04
Condensed Interim Statement of Comprehensive Income	05
Condensed Interim Cash Flow Statement	06
Condensed Interim Statement of Changes in Equity	07
Notes to the Condensed Interim Financial Statements	08



## 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)  
Non-Executive Director

Mr. Mubashir Hasan Ansari  
Executive Director and  
Chief Executive Officer

### Board Audit Committee

Mr. Saad Amanullah Khan  
Chairman

Mrs. Ferial Ali Mehdi  
Member

Mr. Qaisar Mufti (Nominee NIT)  
Member

### Human Resource & Remuneration Committee

Mr. Kemal Shoaib  
Chairman

Mrs. Ferial Ali Mehdi  
Member

Syed Hasnain Ali  
Member

Mr. Mubashir Hasan Ansari  
Member

### Company Secretary & Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

Statutory Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

### Legal Advisors

Hussain & Haider, Advocates

### Registered Office

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

### Factory

Link Hali Road, Hyderabad - 71000

### Bankers

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

### Shares Registrars

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



## Directors' Review

The Directors of the Company are delighted to present the unaudited financial results of the company for the first quarter ended March 31, 2017.

### Summary of Business Performance

First quarter of 2017 witnessed a very timely re-launch of our main brand Capri with enhanced quality, introduced new fragrance, new bar shape and attractive pack design to further increase its consumer base.

Net sales revenue increased by 5% as compare to same period last year. Gross Profit ratio increased from 19.4% in 2016 to healthy 30% due to higher selling prices, supply chain decisions and various cost saving measures initiated in previous year. Fixed factory and marketing overheads remained under control. Good working capital management and reduced mark-up rates have yielded in shape of 15% reduction in Finance Costs as compare to first quarter of 2016.

### Financial Position at a Glance

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

	Three month period from January to March	
	2017	2016
Net Sales	317M	302M
Gross Profit	95M	59M
Gross Profit %	30%	19%
Profit/(Loss) after taxation	0.331M	(23.720M)

### Future Outlook

Management is confident that with Capri re-launch this year the company will be able to further expand its consumer base. The company is also simultaneously working internally to lower its costs to become more cost efficient.

Influx of imported soaps at cheaper prices is a continuous threat to local soap industry. 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 are still enjoying tax and duties evasion. There is, therefore, 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 Soap Manufacturers Association to persuade authorities to provide for level playing field to local soap industry.

### 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 24, 2017



## Condensed Interim Balance Sheet

As at 31 March 2017

	31 March 2017 (Unaudited)	31 December 2016 (Audited)	
Note	(Rs. in '000)		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	476,041	483,319
Intangible assets		482	578
Long term deposits		5,189	5,239
Long term loans to employees		112	93
Deferred tax asset - net	7	<u>31,212</u>	<u>31,372</u>
<b>Total non-current assets</b>		<b>513,036</b>	<b>520,601</b>
<b>CURRENT ASSETS</b>			
Stores and spares		18,119	17,000
Stock-in-trade	8	263,583	156,163
Trade debts	9	21,289	25,829
Advances, prepayments and other receivables	10	85,158	78,926
Cash and bank balances	11	<u>13,259</u>	<u>38,005</u>
<b>Total current assets</b>		<b>401,408</b>	<b>315,923</b>
<b>TOTAL ASSETS</b>		<b><u>914,444</u></b>	<b><u>836,524</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Authorised capital 10,000,000 (31 December 2016: 10,000,000) ordinary shares of Rs. 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital		61,226	61,226
Reserves		<u>80,199</u>	<u>77,940</u>
		<b>141,425</b>	<b>139,166</b>
Surplus on revaluation of property, plant and equipment - net of tax		201,445	203,371
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term deposits		50	450
Deferred staff liabilities		<u>91,683</u>	<u>91,252</u>
		<b>91,733</b>	<b>91,702</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<u>199,057</u>	<u>158,743</u>
Short term borrowings	13	<u>267,225</u>	<u>230,004</u>
Taxation		<u>13,559</u>	<u>13,538</u>
<b>TOTAL LIABILITIES</b>		<b>479,841</b>	<b>402,285</b>
		<b>571,574</b>	<b>493,987</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>914,444</u></b>	<b><u>836,524</u></b>

The annexed notes from 1 to 19 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 period ended 31 March 2017

	Note	Three months period ended	
		31 March 2017	31 March 2016
		(Rs. in '000)	
Sales - net	15	317,471	302,248
Cost of sales	16	(222,111)	(243,699)
Gross profit		95,360	58,550
Selling and distribution expenses	17	(68,278)	(66,710)
Administrative expenses		(23,331)	(20,993)
		(91,609)	(87,703)
		3,751	(29,153)
Other income		1,442	661
Other charges		(105)	(1)
		5,088	(28,493)
Finance cost		(4,458)	(5,269)
Profit/(Loss) before taxation		630	(33,762)
Taxation	7.3	(299)	10,042
<b>Profit/(Loss) for the period</b>		<b>331</b>	<b>(23,720)</b>
----- (Rupees) -----			
<b>Profit/(Loss) per share - basic and diluted</b>		<b>0.05</b>	<b>(3.87)</b>

The annexed notes from 1 to 19 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 period ended 31 March 2017

	<u>Three months period ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
	(Rs. in '000)	
<b>Profit/(Loss) for the period after taxation</b>	<b>331</b>	<b>(23,720)</b>
Other comprehensive income for the period	-	-
<b>Total comprehensive income/(loss) for the period</b>	<u><u>331</u></u>	<u><u>(23,720)</u></u>

The annexed notes from 1 to 19 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 three months period ended 31 March 2017

	Three months period ended	
	31 March 2017	31 March 2016
	(Rs. in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit /(Loss) before taxation	630	(33,762)
<b>Adjustments for:</b>		
Finance Costs	4,458	5,269
Depreciation and amortisation	9,028	7,896
Provision against staff gratuity	2,647	2,560
Provision against other staff retirement benefits	601	709
Return on bank deposits - under markup arrangements	(9)	(14)
(Gain)/Loss on disposal of operating fixed assets	(408)	2
	<u>16,317</u>	<u>16,422</u>
	16,947	(17,341)
Decrease / (Increase) in assets:		
Stores and spares	(1,119)	(1,851)
Stock-in-trade	(107,420)	27,231
Trade debts	4,540	(3,334)
Loans to employees	(19)	486
Long term deposits	50	-
Advances, prepayments and other receivables	(808)	(2,976)
	<u>(104,776)</u>	<u>19,555</u>
(Decrease) / increase in current liabilities:		
Trade and other payables	40,460	10,878
	<u>(47,369)</u>	<u>13,092</u>
Income tax paid	(5,558)	(4,394)
Staff gratuity paid	(1,360)	(4,396)
Other staff retirement benefits paid	(1,456)	(4,014)
Return received on bank deposits - under markup arrangements	9	14
Finance costs paid	(4,588)	(6,096)
	<u>(12,953)</u>	<u>(18,885)</u>
<b>Net cash flows from operating activities</b>	<b>(60,322)</b>	<b>(5,794)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(1,960)	(4,193)
Proceeds from disposal of operating fixed assets	715	20
<b>Net cash flows from investing activities</b>	<b>(1,245)</b>	<b>(4,173)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term deposit	(400)	
Short term borrowings - Karobar and Salam finances	30,000	10,000
<b>Net cash generated from financing activities</b>	<b>29,600</b>	<b>10,000</b>
Net increase / (decrease) in cash and cash equivalents during the period	<u>(31,967)</u>	<u>33</u>
Cash and cash equivalents at beginning of the period	38,001	(1,626)
Cash and cash equivalents at end of the period	<u>6,034</u>	<u>(1,593)</u>
<b>Cash and cash equivalents at end of the period comprises of:</b>		
- Cash and bank balances	13,259	13,856
- Short term borrowing - running finance	(7,225)	(15,450)
	<u>6,034</u>	<u>(1,593)</u>

The annexed notes from 1 to 19 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 three months period ended 31 March 2017

	Issued, subscribed and paid up capital	Revenue reserves General reserve	Un-appro- priated profit	Total reserves	Total
	(Rs. in '000)				
Balance as at 1 January 2016	61,226	6,000	65,300	71,300	132,526
Total comprehensive income for the period					
Loss after taxation	-	-	(23,720)	(23,720)	(23,720)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	-	999	999	999
<b>Balance as at 31 Mar 2016</b>	<b>61,226</b>	<b>6,000</b>	<b>42,580</b>	<b>48,580</b>	<b>109,806</b>
<b>Balance as at 1 January 2017</b>	<b>61,226</b>	<b>6,000</b>	<b>71,940</b>	<b>77,940</b>	<b>139,166</b>
Total comprehensive income for the period					
Profit after taxation	-	-	331	331	331
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	-	1,928	1,928	1,928
<b>Balance as at 31 Mar 2017</b>	<b>61,226</b>	<b>6,000</b>	<b>74,199</b>	<b>80,199</b>	<b>141,425</b>

The annexed notes from 1 to 19 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 three months period ended 31 March 2017

### 1. STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies 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 and Lahore Stock Exchanges). 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 three months period ended 31 March 2017 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 and Lahore Stock Exchanges).

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 2016.

2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2016 has been extracted from the audited financial statements of the Company for the year ended 31 December 2016, 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 period ended 31 March 2016 (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.

#### 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.



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

For the three months period ended 31 March 2017

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

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

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

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:



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

For the three months period ended 31 March 2017

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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 2016.

#### 5. FINANCIAL RISK MANAGEMENT

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



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

For the three months period ended 31 March 2017

		<b>31 March 2017 (Unaudited)</b>	31 Dec 2016 (Audited)
		(Rs. in '000)	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	<b>457,888</b>	461,123
Capital work-in-progress	6.2	<b>18,153</b>	22,196
		<b><u>476,041</u></b>	<u>483,319</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	87	-	-
Plant, machinery and equipment	5,380	3	1
Vehicles	63	864	589
Computers	189	432	402
Capital Spares	284	-	-
	<u>6,003</u>	<u>1,299</u>	<u>992</u>

		<b>31 March 2017 (Unaudited)</b>	31 Dec 2016 (Audited)
		(Rs. in '000)	
<b>6.2 Capital work-in-progress</b>			
Opening balance		<b>22,196</b>	3,068
Additions during the period		<b>1,960</b>	48,705
		<b><u>24,156</u></b>	<u>51,773</u>
Transfers during the period		<b>(6,003)</b>	(29,577)
	6.2.1	<b><u>18,153</u></b>	<u>22,196</u>



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

For the three months period ended 31 March 2017

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:

	Additions (Rs. in '000)	Transfers
Building on freehold land	-	87
Plant, machinery and equipment	1,586	5,380
Furniture and fixtures	48	-
Vehicles	-	63
Computers	42	189
Capital Spares	284	284
	<u>1,960</u>	<u>6,003</u>

### 7. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2017	Recognized in Profit and Loss	Balance at 31 March 2017
	----- (Rs. in '000) -----		
<b>Taxable temporary differences on:</b>			
- accelerated tax depreciation	(25,830)	41	(25,789)
- surplus on revaluation of property, plant and equipment	(48,569)	894	(47,675)
	<u>(74,399)</u>	<u>935</u>	<u>(73,464)</u>
<b>Deductible temporary differences on:</b>			
- provision for defined benefit plans	27,375	130	27,505
- provision against slow moving and obsolete stock and doubtful trade debts	10,267	-	10,267
- tax losses (note 7.1)	68,129	(1,225)	66,904
	<u>105,771</u>	<u>(1,095)</u>	<u>104,676</u>
<b>Deferred tax asset - net</b>	<u>31,372</u>	<u>(160)</u>	<u>31,212</u>



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

For the three months period ended 31 March 2017

- 7.1 Includes deferred tax of Rs. 14.31 million (31 December 2016: Rs. 14.31 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 expense for the period represents deferred tax expense (net) of Rs. 0.16 million (31 March 2016 tax credit: Rs.10 million), current tax of Rs.0.035 million and charge of Rs.0.105 million representing a prior year item.
- 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 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. Similarly for the year ended 31 December 2016 provision for minimum tax amounting to Rs. 15.865 million has not been made in these financial statements since the Company expects to adjust the same against its future tax liability under normal tax regime within the time limit as specified for adjustment of minimum tax under Income Tax Ordinance, 2001.

	<b>31 March 2017 (Unaudited)</b>	31 Dec 2016 (Audited)
	<b>(Rs. in '000)</b>	
8. <b>STOCK-IN-TRADE</b>		
Raw material - in hand	<b>109,738</b>	55,581
- in transit	<b>63,694</b>	22,581
	<b>173,432</b>	78,162
Packing material	<b>25,257</b>	18,525
Work-in-progress	<b>8,598</b>	8,785
Finished goods	<b>69,742</b>	64,137
	<b>277,029</b>	169,609
Provision against slow moving items of stock-in-trade	<b>(13,446)</b>	(13,446)
	<b>263,583</b>	156,163



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

For the three months period ended 31 March 2017

	31 March 2017 (Unaudited)	31 Dec 2016 (Audited)
	(Rs. in '000)	
<b>9. TRADE DEBTS</b>		
Considered good	21,289	25,829
Considered doubtful	13,529	13,529
	<u>34,818</u>	<u>39,358</u>
Provision against doubtful debts	(13,529)	(13,529)
	<u>21,289</u>	<u>25,829</u>
<b>10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
<b>Considered good</b>		
Advance		
- for taxation	76,114	70,690
- to sales staff	502	502
Advances to suppliers and contractors	2,036	4,006
Prepayments	5,609	2,591
Current maturity of loans to employees	714	714
Other receivables	183	423
	<u>85,158</u>	<u>78,926</u>
<b>Considered doubtful</b>		
Advances to suppliers and contractors	803	803
Less: Provision held	(803)	(803)
	-	-
Advances, prepayments and other receivables - net	<u>85,158</u>	<u>78,926</u>
<b>11. CASH AND BANK BALANCES</b>		
Cash in hand	273	21
Cash at banks		
- Collection accounts (current accounts)	10,436	28,399
- Current accounts	2,538	9,471
- Profit & loss sharing accounts	12	114
	11.1 <u>12,986</u>	<u>37,984</u>
	<u>13,259</u>	<u>38,005</u>

11.1 This carries interest rate ranging from 4.5% to 6% (31 December 2016: 4.5% to 6%) per annum.





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

For the three months period ended 31 March 2017

	31 March 2017 (Unaudited)	31 Dec 2016 (Audited)
(Rs. in '000)		
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade creditors	134,391	60,841
Accrued expenses	27,293	30,213
Advance from customers	15,917	30,722
Sales tax payable	7,922	21,956
Deposit from employees against vehicles	6,738	6,755
Accrued mark-up on short term borrowings	3,477	3,607
Unclaimed dividend	856	856
Workers' welfare fund	865	851
Workers' profit participation fund	360	325
Other liabilities	1,238	2,617
	<u>199,057</u>	<u>158,743</u>

### 13. SHORT TERM BORROWINGS

Karobar and Salam finances - under shariah arrangements	13.1	260,000	230,000
Running finance - under mark-up arrangements	13.2	7,225	4
		<u>267,225</u>	<u>230,004</u>

**13.1** These facilities, representing Karobar and Salam facilities, are available from certain commercial banks up to Rs. 270 million (31 December 2016: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (31 December 2016: 6 months KIBOR+0.5%) per annum and are repayable on 26 April 2017 to 30 June 2017 (31 December 2016: 12 January 2017 to 26 April 2017). The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 31 March 2017, unutilised facilities aggregated to Rs. 10 million (31 December 2016: Rs. 40 million). These unutilised facilities, being sub limit of the above available facility of Rs. 270 million, include Murabaha, Istisna, Salam, Karobar and LC usance facilities.

**13.2** At 31 March 2017, unutilised facilities for running finance aggregated to Rs. 342.77 million (31 December 2016: Rs. 349.996 million).

**13.3** At 31 March 2017, unutilised letter of credit facilities from certain banks amounted to Rs. 309.5 million (31 December 2016: Rs. 311.5 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2016: Rs. 350 million).



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

For the three months period ended 31 March 2017

### 14. CONTINGENCIES AND COMMITMENTS

#### 14.1 Contingencies

14.1.1 Bank guarantees aggregating to Rs. 7.02 million (31 December 2016: 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 2016: Rs. 1.3 million).

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

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

Return for the financial year ended 30 June 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order dated 30 March 2009 was passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company filed an appeal before the Commissioner Inland Revenue, Appeal (CIR-A) and also filed an appeal before the CIR-A against the refusal of the Taxation Officer to rectify certain mistakes. The CIR-A vide his order No. 15 and 16 dated 25 October 2011 deleted all the additions except for the alleged unreconciled production of manufactured goods amounting to Rs. 3.3 million.



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

For the three months period ended 31 March 2017

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 alleged 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.

### 14.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 40.5 million (31 December 2016 : Rs. 14.498 million).

	<u>Three months period ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
	(Rs. in '000)	
<b>15. SALES - net</b>		
Gross sales	414,553	405,574
Sales tax	(66,221)	(64,477)
Trade discount	(30,860)	(36,485)
Sales return and rebate	-	(2,363)
	<u>(97,081)</u>	<u>(103,325)</u>
	<u>317,471</u>	<u>302,248</u>



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

For the three months period ended 31 March 2017

	<u>Three months period ended</u>	
	<u>31 March 2017</u>	<u>31 March 2016</u>
	(Rs. in '000)	
<b>16. COST OF SALES</b>		
Raw & packing material consumed	183,497	180,480
Stores and spares consumed	999	1,187
Salaries, wages and other benefits	16,778	17,029
Contribution to provident fund	535	526
3rd party contract labour	9,671	9,709
Repair and maintenance	19	158
Fuel and power	2,998	3,228
Water Charges	-	127
Rent, rates and taxes	358	10
Insurance	596	668
Product research and development	19	12
Travelling and conveyance	592	707
Printing and stationery	36	43
Postage and telephones	76	84
Legal and professional charges	70	36
Subscription charges	29	15
Depreciation and amortisation	5,002	4,450
Freight and handling charges	3,154	2,466
Toll manufacturing	3,000	5,477
Others	100	68
	<u>227,529</u>	<u>226,478</u>
Opening stock of work-in-process	8,785	26,567
Closing stock of work-in-process	<u>(8,598)</u>	<u>(14,473)</u>
Cost of good manufactured	<u>227,716</u>	<u>238,572</u>
Opening stock of finished goods	64,137	75,413
Closing stock of finished goods	<u>(69,742)</u>	<u>(70,287)</u>
	(5,605)	5,126
	<u>222,111</u>	<u>243,699</u>

**16.1** Salaries, wages and other benefits include Rs. 2.2 million (31 March: Rs.2.28 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.535 million (2015: Rs. 0.526 million) to the provident fund.



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

For the three months period ended 31 March 2017

	<b>Three months period ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(Rs. in '000)</b>	
<b>17. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and other benefits	<b>25,620</b>	27,680
Utility charges	<b>117</b>	147
Repair and maintenance	<b>60</b>	32
Rent, rates and taxes	<b>1,351</b>	1,313
Depreciation and amortisation	<b>1,663</b>	1,385
Legal and Professional fee	<b>384</b>	610
Postage, telegram and telephone	<b>534</b>	411
Printing and stationery	<b>61</b>	101
Travelling and conveyance	<b>3,491</b>	3,287
Contribution to Provident Fund	<b>668</b>	592
Insurance expense	<b>470</b>	499
Advertising expense	<b>15,350</b>	12,329
Freight and handling charges	<b>13,617</b>	15,448
Product research and development	<b>1,874</b>	2,475
Meeting expenses	<b>2,725</b>	65
Others	<b>293</b>	337
	<b><u>68,278</u></b>	<u>66,710</u>

**17.1** Salaries, wages and other benefits include Rs. 0.346 million (31 March 2016: Rs. 0.463 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.668 million (2016: Rs. 0.592 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 three months period ended 31 March 2017

	Three months period ended	
	31 March 2017	31 March 2016
	(Rs. in '000)	
<b>Associated Companies</b>		
Services received	-	2,983
<b>Other related parties</b>		
Contribution to the employees' provident fund	1,698	1,382
<b>Directors and Chief Executive Officer (Key management personnel)</b>		
Remuneration	5,388	5,058
<b>Other Key Management Personnel</b>		
Managerial remuneration (excluding directors and Chief Executive Officer)	20,698	16,428

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

### 19 GENERAL

#### 19.1 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 28, 2017 had proposed a cash dividend of Re0.50 per share (31 Dec 2015: Nil) amounting to Rs.3.061 million (31 Dec 2015 :Nil) for approval by the members of the company in forthcoming Annual General Meeting scheduled on April 27 2017. The financial statements for the quarter ended March 31, 2017 donot include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the period ending 30 June 2017.

- 19.2 This condensed interim financial information were authorised for issue on 24 April 2017 by the board of directors of the Company.

**Ferial Ali Mehdi**  
Chairman

**Mubashir Hasan Ansari**  
Chief Executive Officer



**ZIL**  
LIMITED

CORPORATE

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

 [www.zil.com.pk](http://www.zil.com.pk)