



Half Yearly Report
January - June
2018

A Beautiful Journey





Content

Corporate Information	02
Directors' Review	03
Auditor's Report	04
Condensed Interim Balance Sheet	05
Condensed Interim Profit and Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Cash Flow Statement	08
Condensed Interim Statement of Changes in Equity	09
Notes to the Condensed Interim Financial Information	10



Corporate Information

Board of Directors

Mrs. Ferial Ali Mehdi
Chairman

Mr. Mubashir Hasan Ansari
Executive Director & Chief Executive Officer

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director

Mr. Syed Hasnain Ali
Non-Executive Director

Mr. Muhammad Qaysar Alam
Non-Executive Director

Mr. Muhammad Salman H.Chawala
(Nominee NIT)
Non-Executive Director

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Muhammad Salman H.Chawala
(Nominee NIT)
Member

Human Resource & Remuneration Committee

Mr. Kemal Shoaib
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

02

Company Secretary & Chief Financial officer

Mr. Ata-ur-Rehman Shaikh

Statutory Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

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
Standard Chartered Bank
Soneri Bank Limited

Shares Registrars

THK Associated (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 pleased to present the financial results of the company for the first six month period ended June 30, 2018.

Summary of Business Review:

The gross turnover of the company is increased by 16% over the corresponding period of last year. This is due to the double digit volumetric growth of our flagship brand CAPRI. In addition to this, timely changes in the pricing and effective trade and consumer promotions also proved to be advancing the sales growth momentum.

The entire market was affected with the dramatic decrease in rupee valuation suppressing the expected margins by increasing raw material prices as well as other supportive services cost. Gross profit remained under pressure at 27% as compared to the same period of last year which was 29%, company tried to overcome this shortcoming by increasing the absolute amount of gross profit from 206M in the last period to 220M during the current half year of 2018.

During the period under review selling and distribution costs are kept under control, whereas administrative costs increased by 15% as compared to the same period last year. Due to optimization of financial resources the financial cost declined by 16%. Accordingly overall financial performance can be termed satisfactory.

Financial Position at a Glance:

	Six month period from January to June	
	2018	2017
Gross Sales	1,118M	964M
Net Sales	823M	720M
Gross Profit	220M	206M
Gross Profit %	26.7%	28.6%
Profit/(Loss) after taxation	4.9M	(3.4M)

Future Outlook:

The year was predicted to be uncertain due to the election year. The balance of payment is observed to be the worst this year which plays a key role in the health of overall economy. This destabilization requires adaptable approach in order to be on track. Therefore, the management is continuously developing strategies for better cost management and increase in its retail penetration.

While rupee devaluation will continue to dampen the margins of the company however, it is expected that post-election certainties, will provide conducive environment for the industry and the company to grow.

Acknowledgement:

We wish to thank our customers 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
Director and CEO

Karachi: August 20, 2018



Independent Auditors' Review Report To the members of ZIL Limited Report on review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ZIL Limited ("the Company") as at June 30, 2018 and the related condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the accounts for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed. Interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting, our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The figures for the quarter ended June 30, 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Amyn Pirani.

Date: 20th August, 2018

Karachi

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



Condensed Interim Statement of Financial Position (Un-audited)

As at 30 June 2018

		30 June 2018 (Un-audited)	31 December 2017 (Audited) (Restated)
	Note	(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	482,786	484,275
Intangible assets	7	5,179	290
Long term deposits		5,298	5,306
Long term loans to employees		1,269	951
Deferred tax asset - net	8	13,684	9,025
<i>Total non-current assets</i>		<u>508,216</u>	<u>499,847</u>
CURRENT ASSETS			
Stores and spares		14,831	15,798
Stock-in-trade	9	145,675	173,431
Trade debts	10	47,818	33,543
Advances, prepayments and other receivables	11	122,660	115,488
Cash and bank balances	12	21,829	32,547
<i>Total current assets</i>		<u>352,813</u>	<u>370,807</u>
TOTAL ASSETS		<u><u>861,029</u></u>	<u><u>870,654</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Authorised capital 40,000,000 (31 December 2017: 10,000,000) ordinary shares of Rs. 10 each	13	<u>400,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital		61,226	61,226
Capital reserve - surplus on revaluation of property, plant and equipment - net of tax		188,551	192,954
Reserves		<u>101,197</u>	<u>97,737</u>
		<u>350,974</u>	<u>351,917</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred staff liabilities		86,783	103,013
CURRENT LIABILITIES			
Trade and other payables	14	183,892	192,186
Short term borrowings	15	225,842	210,000
Taxation		13,538	13,538
		<u>423,272</u>	<u>415,724</u>
TOTAL LIABILITIES		<u>510,055</u>	<u>415,724</u>
TOTAL EQUITY AND LIABILITIES		<u><u>861,029</u></u>	<u><u>870,654</u></u>
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



Condensed Interim Profit and Loss Account (Un-audited)

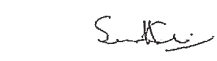
For the three months and six months period ended 30 June 2018

		Six months period ended		Three months period ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
Note ----- (Rupees in '000) -----					
Sales - net	17	822,650	720,295	466,549	402,824
Cost of sales	18	(603,073)	(514,247)	(346,247)	(292,136)
Gross profit		219,577	206,048	120,302	110,688
Selling and distribution expenses	19	(154,161)	(156,272)	(85,173)	(87,994)
Administrative expenses		(57,321)	(49,692)	(29,370)	(26,361)
		(211,482)	(205,964)	(114,543)	(114,355)
		8,095	84	5,759	(3,667)
Other income		4,367	5,408	982	3,966
Other charges		(1,886)	(296)	(1,663)	(191)
		10,576	5,196	5,078	108
Finance cost		(8,525)	(10,110)	(4,499)	(5,652)
Profit / (loss) before taxation		2,051	(4,914)	579	(5,544)
Taxation	8	2,821	1,440	3,268	1,739
Profit / (loss) for the period		4,872	(3,474)	3,847	(3,805)
		(Rupees)		(Rupees)	
Earnings per share - basic and diluted		0.80	(0.57)	0.63	(0.62)

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Chief Financial Officer


Director / CEO


Director



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months and six months period ended 30 June 2018

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	----- (Rupees in '000) -----			
Profit / (Loss) for the period after taxation	4,872	(3,474)	3,847	(3,805)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>4,872</u>	<u>(3,474)</u>	<u>3,847</u>	<u>(3,805)</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2018

	Six months period ended	
	30 June 2018	30 June 2017
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	2,051	(4,914)
Adjustments for:		
Finance costs	8,525	10,110
Depreciation and amortisation	19,440	18,086
Provision against staff gratuity	5,956	5,295
Provision against other staff retirement benefits	1,362	1,203
Return on bank deposits	(24)	(23)
Gain on disposal of operating fixed assets	(2,266)	(1,020)
	<u>32,993</u>	<u>33,651</u>
	35,044	28,737
<i>Decrease / (Increase) in assets:</i>		
Stores and spares	967	(2,483)
Stock-in-trade	27,756	(1,044)
Trade debts	(14,275)	2,809
Loans to employees	(664)	(1,649)
Long term deposits	8	50
Advances, prepayments and other receivables	10,936	(35,152)
	<u>24,728</u>	<u>(37,469)</u>
<i>(Decrease) / increase in current liabilities:</i>		
Trade and other payables	(8,776)	15,675
	<u>50,996</u>	<u>6,943</u>
Income tax paid	(17,762)	(14,850)
Staff gratuity paid	(12,700)	(2,465)
Other staff retirement benefits paid	(10,845)	(1,888)
Return received on bank deposits	24	23
Finance costs paid	(8,251)	(8,146)
	<u>(49,534)</u>	<u>(27,326)</u>
<i>Net cash flows from operating activities</i>	1,462	(20,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(29,253)	(7,751)
Proceeds from disposal of operating fixed assets	8,680	2,443
<i>Net cash flows from investing activities</i>	(20,573)	(5,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(7,449)	(2,925)
Long-term deposits paid	-	(400)
Short term borrowings - Istisna and Salam finances	15,000	(15,000)
<i>Net cash flows from financing activities</i>	7,551	(18,325)
Net (decrease) / increase in cash and cash equivalents during the period	(11,560)	(44,016)
Cash and cash equivalents at beginning of the period	32,547	38,001
Cash and cash equivalents at end of the period	<u>20,987</u>	<u>(6,015)</u>
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	21,829	41,833
- Short term borrowing - running finance	(842)	(47,848)
	<u>20,987</u>	<u>(6,015)</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



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

For the six months period ended 30 June 2018

	Issued, subscribed and paid up capital	Surplus on Revaluation of assets - Net of tax	Reserves		Total
			General reserve	Un-appro- priated profit	
(Rs. in '000)					
Balance as at 1 January 2017	61,226	203,371	6,000	71,940	342,537
Total comprehensive income for the period					
Loss after taxation	-	-	-	(3,474)	(3,474)
Cash dividend for the year ended 31 December 2016 (Rs. 0.5 per share) - approved in annual general meeting held on 27 April 2017	-	-	-	(3,062)	(3,062)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(3,856)	-	3,856	-
Balance as at 30 June 2017	<u>61,226</u>	<u>199,518</u>	<u>6,000</u>	<u>69,260</u>	<u>336,001</u>
Balance as at 1 January 2018	61,226	192,954	6,000	91,737	351,917
Total comprehensive income for the period					
Profit after taxation	-	-	-	4,872	4,872
Cash dividend for the year ended 31 December 2017 (Rs. 1.25 per share) - approved in annual general meeting held on 26 April 2018	-	-	-	(7,654)	(7,654)
Effect of change in future tax rate	-	-	-	1,408	1,408
Reversal of deferred tax liability recorded on revaluation of property, plant and equipment - (on sale of plant and machinery)	-	431	-	-	431
Transferred from surplus on revaluation of property, plant and equipment - (on sale of plant and machinery)	-	(1,435)	-	1,435	-
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(3,399)	-	3,399	-
Balance as at 30 June 2018	<u>61,226</u>	<u>188,551</u>	<u>6,000</u>	<u>95,197</u>	<u>350,974</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



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

For the six months period ended 30 June 2018

1. STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and was subsequently converted into a public limited company in November 1986. Its shares are listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is manufacture and sale of home and personal care products. The registered office of the company is situated at Ground Floor, Bahria Complex III, M.T. Khan Road, Karachi.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information of the Company for the six months period ended 30 June 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard.
- Board (IASB) as notified under the Companies Act, 2017; and Provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These are un-audited financial statements. However, a limited scope review has been carried out by the auditors in accordance with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. Further, the figures in the condensed interim financial information for the quarter ended 30 June 2017 and 30 June 2018 have not been reviewed by the auditors.

2.3 These condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2017.

2.4 The comparative balance sheet presented in these condensed interim financial information as at 31 December 2017 have been extracted from the audited financial statements of the Company for the year ended 31 December 2017, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from the unaudited condensed interim financial information for the three months and six months period ended 30 June 2017 (as applicable).

2.5 Functional and presentation currency

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



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

For the six months period ended 30 June 2018

2.6 Use of judgments and estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the audited financial statements of the Company for the year ended 31 December 2017.

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

During the period certain amendment and interpretation to approve accounting standards became effective. However these are either not relevant to the Company's operation and/or do not have any impact on the accounting policies of the company except for the changes mentioned in note 4 to the these condensed interim financial information.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these condensed interim financial information, except for the change mentioned in note 4.1 to these financial statements.

- 4.1 Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance related to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Earlier, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation surplus on property, plant and equipment has been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment". Due to the change, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', above explained changes in accounting policy has been accounted for retrospectively, with the restatement of the comparative information. As a result of the change, Company's equity as of 31 December 2017 and as of 30 June 2018 has increased by Rs. 192.954 million and Rs. 188.551 million respectively.



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

For the six months period ended 30 June 2018

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 2017.

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
(Rs. in '000)			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	470,599	458,029
Capital work-in-progress	6.3	12,159	26,246
		<u>482,758</u>	<u>484,275</u>

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	(Rs. in '000)		
Building on freehold land	3,933	-	-
Plant, machinery and equipment	16,228	2,968	298
Capital spares	3,372	-	-
Furniture and fixtures	126	-	-
Computers	4,948	1,285	972
Vehicles	10,666	11,546	8,105
	<u>39,273</u>	<u>15,799</u>	<u>9,375</u>

6.2 At 30 June 2018, the written down value of the temporarily idle property, plant and equipments comprising leasehold land and improvements on leasehold land and building thereon amounted to Rs. 84.254 million (31 December 2017: Rs. 85.494 million) and Rs 1.539 million (31 December 2017 Rs. 1.62 million) respectively.

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
(Rs. in '000)			
6.3 Capital work-in-progress			
Opening balance		26,246	22,196
Additions during the period		<u>25,186</u>	<u>48,961</u>
		51,432	71,157
Transfers during the period		<u>(39,273)</u>	<u>(44,911)</u>
	6.3.1	<u>12,159</u>	<u>26,246</u>



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

For the six months period ended 30 June 2018

6.3.1 This includes advance for computers of Rs. 2.23 million and advance of Rs. 9.204 million for the purchase of vehicles.

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

	Additions (Rs. in '000)	Transfers
Building on freehold land	523	3,933
Plant, machinery and equipment	1,217	16,228
Capital Spares	3,372	3,372
Furniture and fixtures	397	126
Computers	7,345	4,948
Vehicles	12,332	10,666
	<u>25,186</u>	<u>39,273</u>
	30 June 2018 (Un-audited)	31 December 2017 (Audited)

7. INTANGIBLE ASSETS

	(Rs. in '000)	
Intangible assets	376	290
Advance payment	<u>4,803</u>	<u>-</u>
	<u>5,179</u>	<u>290</u>

8. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2018	Recognized in Profit and Loss	Transferred to unappropriated profit	Balance at 30 June 2018 (Unaudited)
----- (Rs. in '000) -----				
Taxable temporary differences on:				
- accelerated tax depreciation	(24,680)	2,939	-	(21,741)
- surplus on revaluation of property, plant and equipment	(44,104)	7,223	1,838	(35,043)
	<u>(68,784)</u>	<u>10,162</u>	<u>1,838</u>	<u>(56,784)</u>
Deductible temporary differences on:				
- provision for defined benefit plans	30,904	(7,895)	-	23,009
- provision against slow moving and obsolete stock and doubtful trade debts	10,967	(366)	-	10,601
- tax losses (note 8.1)	35,938	920	-	36,858
	<u>77,809</u>	<u>(7,341)</u>	<u>-</u>	<u>70,468</u>
Deferred tax asset - net	<u>9,025</u>	<u>2,821</u>	<u>1,838</u>	<u>13,684</u>



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

For the six months period ended 30 June 2018

- 8.1** Includes deferred tax of Rs. 17.1 million (31 December 2017: Rs. 13.45 million) recorded on unabsorbed tax depreciation and amortisation.
- 8.2** Deferred tax balance has been recognised at the rates at which these are expected to be settled / realised.
- 8.3** 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.
- 8.4** 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 accounting years ended 31 December 2016, 31 December 2017 and for the current period ended 30 June 2018, provision for minimum tax amounting to Rs. 15.865 million, Rs. 17.722 million and Rs. 10.3 million respectively has not been made since the Company expects to adjust the same against its future tax liability under normal tax regime within the time limit as specified for adjustment of minimum tax under Income Tax Ordinance, 2001.

Income Tax Assessments of the Company have been completed up to and including the tax year 2017 (accounting period ended 31 December 2016 & 2015) with the exception of tax years 2007, 2011 and 2012. For tax year 2011, 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 which is pending decision. Based on the Company's tax advisor's view, a favourable decision is expected and therefore the subject demand is expected to be quashed.



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

For the six months period ended 30 June 2018

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

Return for the financial year ended 30 June 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order dated 30 March 2009 was passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company filed an appeal before the Commissioner Inland Revenue, Appeal (CIR-A) and also filed an appeal before the CIR-A against the refusal of the Taxation Officer to rectify certain mistakes. The CIR-A vide his order No. 15 and 16 dated 25 October 2011 deleted all the additions except for the alleged unreconciled production of manufactured goods amounting to Rs. 3.3 million. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) vide letter AT 84 dated 13 July 2012 for not allowing relief in respect of 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.

Returns for the financial years ended 30 June 2014 and 2015 were selected for audit under section 177 of Income Tax Ordinance 2001 and amended assessment orders dated 22 September 2017 and 18 April 2017 respectively were passed in which certain disallowances aggregating to Rs.53.559 million were made by the taxation authorities. Disagreeing to the above, the Company filed appeals before the CIR-A dated 13 October 2017 and 27 March 2017 respectively which is pending decision. However, the Company expects no material adverse impact as sufficient provisions against the above orders have already been recorded in this financial statement.

The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, which was amended through Finance Act, 2018 and applicable for tax year 2019 and onwards. The amendment has imposed tax at five percent of the accounting profit before tax on every public company other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least 20 percent of its after tax profit within six months of the end of the tax year through cash or bonus. The Company intends to distribute sufficient dividend for the accounting year ending 31 December 2018 to comply with the above stated requirement. Accordingly, no provision for taxation has been recognised in these condensed interim financial information.



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

For the six months period ended 30 June 2018

	30 June 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
9. STOCK-IN-TRADE		
Raw material - in hand	59,816	80,646
- in transit	<u>577</u>	<u>5,789</u>
	60,393	86,435
Packing material	22,885	20,969
Work-in-progress	7,920	6,379
Finished goods	<u>72,792</u>	<u>77,963</u>
	163,990	191,746
Provision against slow moving items of stock-in-trade	<u>(18,315)</u>	<u>(18,315)</u>
	145,675	173,431
10. TRADE DEBTS		
Considered good	47,818	33,543
Considered doubtful	<u>8,239</u>	<u>8,239</u>
	56,057	41,782
Provision against doubtful debts	<u>(8,239)</u>	<u>(8,239)</u>
	47,818	33,543
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Advance		
- for taxation	115,029	97,267
- to sales staff	502	502
Advances to suppliers and contractors	2,762	1,545
Prepayments	3,395	2,491
Current maturity of loans to employees	821	475
Other receivables	<u>151</u>	<u>13,208</u>
	122,660	115,488
Considered doubtful		
Advances to suppliers and contractors	<u>803</u>	<u>803</u>
Less: Provision held	<u>(803)</u>	<u>(803)</u>
	-	-
	122,660	115,488



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

For the six months period ended 30 June 2018

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
(Rs. in '000)			
12. CASH AND BANK BALANCES			
Cash in hand		170	62
Cash at banks			
- collection accounts		15,625	26,427
- current accounts		5,540	5,983
- profit and loss sharing account	12.1	494	75
		<u>21,659</u>	<u>32,485</u>
		<u>21,829</u>	<u>32,547</u>
12.1	This carries profit rate at 4.5% (31 December 2017: 4.5%) per annum.		
13. AUTHORISED SHARE CAPITAL			
	13.1	<u>400,000</u>	<u>100,000</u>
13.1	During the year, authorized capital of the Company was increased from Rs. 100 million to Rs. 400 million.		
14. TRADE AND OTHER PAYABLES			
Trade creditors		54,210	50,445
Accrued expenses		54,000	71,531
Advance from customers		32,304	32,586
Sales tax payable (subsequently paid)		32,540	23,921
Deposit from employees against vehicles and equipments		2,884	4,621
Accrued mark-up on short term borrowings		3,275	3,001
Unclaimed dividend		914	914
Workers' welfare fund		2,240	2,198
Workers' Profit Participation Fund		109	2,241
Other liabilities		1,416	728
		<u>183,892</u>	<u>192,186</u>
15. SHORT TERM BORROWINGS			
Istisna and Salam finances - under shariah arrangements	15.1	225,000	210,000
Running finance - under mark-up arrangements	15.2	842	-
		<u>225,842</u>	<u>210,000</u>



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

For the six months period ended 30 June 2018

- 15.1** These facilities, representing Istisna and Salam facilities, are available from certain banks up to Rs. 270 million (31 December 2017: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (2017: 6 months KIBOR+0.5%) per annum and are repayable between 4 July 2018 to 10 November 2018. The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 30 June 2018, unutilised facilities aggregated to Rs. 45 million (31 December 2017: Rs. 60 million). These unutilised facilities include Murabaha, Istisna, Salam and Karobar facilities.
- 15.2** The facility for running finance of Rs. 300 million (31 December 2017: Rs. 300 million) available from certain commercial banks carries markup at 1 month KIBOR+0.75 (31 December 2017: 1 month KIBOR+0.75) per annum and are valid until 30 June 2018 and are generally renewable. Above limits include sub-limits for bank guarantee of Rs. 15 million. These facilities are secured by first pari passu charge by way of hypothecation over present and future current asset of the company and further secured by all plant and machinery of the company. At 30 June 2018, unutilized facilities for running finance (include the above sub-limit amounting to Rs. 299.15 million (31 December 2017: Rs. 300 million).
- 15.3** At 30 June 2018, unutilised letter of credit facilities from certain banks amounted to Rs. 322.748 million (31 December 2017: Rs. 250.17 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2017: Rs. 300 million).

16. CONTINGENCIES AND COMMITMENTS

The facility is secured by 1st pari passu charge by way of hypothecation.

16.1 Contingencies

Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs. 7.02 million (31 December 2017: Rs. 7.02 million) in addition to which security deposit of Rs. 2.786 million has also been given to Sui Southern Gas Company Limited. Bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2017: Rs. 1.3 million) against which security deposit of Rs. 0.65 million have been given.

16.2 Commitment

Commitments under letters of credit for the import of stock in trade items at 30 June 2018 amounted to Rs. 27.252 million (31 December 2017: Rs. 16 million).



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

For the six months period ended 30 June 2018

17. SALES - net

Note	Six months period ended		Three months period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	----- (Rupees in '000) -----			
Gross sales	1,117,552	964,134	643,769	549,581
Sales tax	(178,136)	(153,954)	(102,483)	(87,733)
Trade discount	(114,685)	(89,759)	(72,656)	(58,898)
Sales return and rebate	(2,081)	(126)	(2,081)	(126)
	(294,902)	(243,839)	(177,220)	(146,757)
	<u>822,650</u>	<u>720,295</u>	<u>466,549</u>	<u>402,824</u>

18. COST OF SALES

Raw material consumed	438,037	361,987	233,849	203,373
Packing material consumed	54,614	49,380	28,001	24,497
Salaries, wages and other benefits	18.1 58,685	55,155	28,658	28,171
Finished goods purchased	12,515	5,400	7,392	2,400
Depreciation and amortisation	12,655	10,062	7,327	5,060
Fuel and power	7,762	6,733	4,269	3,877
Freight and handling charges	6,651	4,625	3,287	1,471
Stores and spares consumed	2,749	1,953	1,428	954
Rent, rates and taxes	2,172	1,271	1,329	913
Travelling and conveyance	1,485	1,160	740	568
Insurance	1,149	1,193	549	597
Repair and maintenance	276	53	195	34
Postage and telephones	212	197	109	121
Others	179	252	39	152
Legal and professional charges	107	70	16	-
Printing and stationery	104	50	54	14
Water charges	36	382	-	240
Subscription charges	36	32	23	3
Product research and development	19	269	2	250
	<u>599,443</u>	<u>500,224</u>	<u>317,267</u>	<u>272,695</u>
Opening stock of work-in-process	6,379	8,785	4,118	8,598
Closing stock of work-in-process	(7,920)	(8,451)	(7,920)	(8,451)
Cost of good manufactured	<u>597,902</u>	<u>500,558</u>	<u>313,465</u>	<u>272,842</u>
Opening stock of finished goods	77,963	64,137	105,574	69,742
Closing stock of finished goods	(72,792)	(50,448)	(72,792)	(50,448)
	<u>5,171</u>	<u>13,689</u>	<u>32,782</u>	<u>19,294</u>
	<u>603,073</u>	<u>514,247</u>	<u>346,247</u>	<u>292,136</u>



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

For the six months period ended 30 June 2018

18.1 Salaries, wages and other benefits include Rs. 4.717 million (30 June 2017: Rs. 4.401 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.06 million (30 June 2017: Rs. 1.079 million) to the provident fund.

Note	Six months period ended		Three months period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
----- (Rupees in '000) -----				

19. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and other benefits	19.1	62,464	52,771	32,494	26,483
Advertising expense		38,302	54,150	25,260	38,800
Freight and handling charges		28,950	25,472	15,897	11,855
Travelling and conveyance		8,972	7,020	4,836	3,529
Product research and development		3,981	3,814	401	1,940
Depreciation and amortisation		3,371	3,331	1,527	1,668
Rent, rates and taxes		2,780	2,844	1,303	1,493
Insurance expense		1,010	918	496	448
Legal and Professional fee		860	668	491	284
Postage, telegram and telephone		794	1,105	544	571
Meeting expenses		532	2,759	481	34
Utility charges		284	312	202	195
Repair and maintenance		275	126	170	66
Printing and stationery		186	173	108	112
Others		1,400	809	963	516
		<u>154,161</u>	<u>156,272</u>	<u>85,173</u>	<u>87,994</u>

19.1 Salaries, wages and other benefits include Rs. 1.003 million (30 June 2017: Rs. 0.824 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.397 million (30 June 2017: Rs. 1.307 million) to the provident fund.

20. TRANSACTIONS WITH RELATED PARTIES

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



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

For the six months period ended 30 June 2018

	Note	Six months period ended	
		30 June 2018	30 June 2017
(Rs. in '000) (Un-audited)			
Transactions with related parties			
Contribution to the employees' provident fund	20.1	<u>3,561</u>	<u>3,378</u>
Directors and Chief Executive Officer (key management personnel)			
Total remuneration	20.1	<u>13,799</u>	<u>11,007</u>
Dividend paid		<u>1,581</u>	<u>729</u>
Other Key Management Personnel			
Managerial remuneration (excluding directors and Chief Executive Officer)	20.1	<u>51,151</u>	<u>37,274</u>

20.1 Contribution to the provident fund is made in accordance with the requirements of staff service rules.

20.2 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.

20.3 Other transactions with the related parties are at the agreed terms.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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



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

For the six months period ended 30 June 2018

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

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

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

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

30 June 2018	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	21.1			
Long term deposits		4,648	4,648	-
Loans to employees		2,090	2,090	-
Trade debts		47,818	47,818	-
Other receivables		151	151	-
Cash and bank balances (including security deposit)		22,479	22,479	-
		<u>77,186</u>	<u>77,186</u>	<u>-</u>



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

For the six months period ended 30 June 2018

<u>30 June 2018</u>	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	21.1			
Trade and other payables		110,540	110,540	-
Short term borrowings (including mark-up)		229,117	229,117	-
		<u>339,657</u>	<u>339,657</u>	<u>-</u>

<u>31 December 2017</u>	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	21.1			
Long term deposits		4,656	4,656	-
Loans to employees		1,426	1,426	-
Trade debts		33,545	33,545	-
Other receivables		13,208	13,208	-
Cash and bank balances (including security deposit)		32,547	32,547	-
		<u>85,382</u>	<u>85,382</u>	<u>-</u>



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

For the six months period ended 30 June 2018

31 December 2017	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	21.1			
Trade and other payables		122,704	122,704	-
Short term borrowings (including mark-up)		213,001	213,001	-
		<u>335,705</u>	<u>335,705</u>	<u>-</u>

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

22. GENERAL

This condensed interim financial information were authorised for issue on 20 August, 2018 by the board of directors of the Company.

Chief Financial Officer

Director / CEO

Director



CORPORATE

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