



Third Quarterly Report
January - September
2018

A Beautiful Journey





Content

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



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

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 nine month period ended September 30, 2018.

Summary of Business Review:

The gross turnover of the company registered an impressive increase of 17% over the corresponding period of last year. This is due to the robust double digit volumetric growth of our flagship brand CAPRI. In addition, timely changes in the pricing, expansion and restructuring in distribution coverage, effective trade and consumer promotions also proved helpful in accelerating the sales growth momentum.

The entire market was affected with the dramatic decrease in rupee valuation suppressing the expected margins. Gross profit remained under pressure at 27% as compared to the same period of last year which was 30%, company however successfully tried to overcome this shortcoming by increasing the absolute amount of gross profit from 347M in the last period to 365M during the current nine months 2018.

During the period under review selling and distribution costs increased by 16% mainly because of 21% increase in freight, handling & travelling expenses collectively as consequence of higher fuel prices and increased volumetric activity. Administrative costs increased by 13% as compared to the same period last year. Due to optimization of financial resources the financial cost declined by 8%.

Financial Position at a Glance:

Nine month period from January to September

| | 2018 | 2017 |
|------------------------------|--------|--------|
| Gross Sales | 1,823M | 1,556M |
| Net Sales | 1,339M | 1,162M |
| Gross Profit | 365M | 347M |
| Gross Profit % | 27% | 30% |
| Profit/(Loss) after taxation | 9.0M | 22.7M |

Future Outlook:

The economic situation, on account of worsening twin deficits, is going through its difficult phase with uncertainties increasing and rupee depreciating for the third time in a row, cumulatively 12% during current period. The unexpected measures, taken by authorities, and their consequential impact on the industry, have made the forecast difficult in the short-run.

The management, however, anticipates challenges ahead in the short-run with more inflated input costs. Management is therefore, focusing and supplementing its efforts toward cost efficiencies and further distribution penetration to continue momentum for its profitable volumetric growth.

Acknowledgement:

We wish to thank our customers for their continued support. We also take this opportunity to thank our suppliers, 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: October 29, 2018



Condensed Interim Statement of Financial Position (Un-audited)

As at 30 September 2018

| | | 30 September 2018 (Un-audited) | 31 December 2017 (Audited) (Restated) |
|---|------|--------------------------------------|--|
| | Note | (Rs. in '000) | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 491,193 | 484,275 |
| Intangible assets | 7 | 5,129 | 290 |
| Long term deposits | | 5,298 | 5,306 |
| Long term loans to employees | | 1,029 | 951 |
| Deferred tax asset - net | 8 | 7,599 | 9,025 |
| <i>Total non-current assets</i> | | <u>510,248</u> | <u>499,847</u> |
| CURRENT ASSETS | | | |
| Stores and spares | | 14,490 | 15,798 |
| Stock-in-trade | 9 | 162,247 | 173,431 |
| Trade debts | 10 | 53,708 | 33,543 |
| Advances, prepayments and other receivables | 11 | 139,114 | 115,488 |
| Cash and bank balances | 12 | 42,238 | 32,547 |
| <i>Total current assets</i> | | <u>411,797</u> | <u>370,807</u> |
| TOTAL ASSETS | | <u><u>922,045</u></u> | <u><u>870,654</u></u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Authorized 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 | | 186,851 | 192,954 |
| Reserves | | <u>107,772</u> | <u>97,737</u> |
| | | <u>355,849</u> | <u>351,917</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Deferred staff liabilities | | 90,310 | 103,013 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 222,348 | 192,186 |
| Short term borrowings | 15 | 240,000 | 210,000 |
| Taxation | | 13,538 | 13,538 |
| | | <u>475,886</u> | <u>415,724</u> |
| TOTAL LIABILITIES | | <u>566,196</u> | <u>518,737</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>922,045</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)

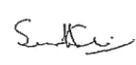
For the three months and nine months period ended 30 September 2018

| | | Nine months period ended | | Three months period ended | |
|--|----|--------------------------|-------------------------|---------------------------|-------------------------|
| | | 30 September 2018 | 30 September 2017 | 30 September 2018 | 30 September 2017 |
| Note ----- (Rupees in '000) ----- | | | | | |
| Sales – net | 17 | 1,339,134 | 1,161,824 | 516,484 | 441,529 |
| Cost of sales | 18 | <u>(974,154)</u> | <u>(814,417)</u> | <u>(371,082)</u> | <u>(300,169)</u> |
| Gross profit | | 364,980 | 347,407 | 145,402 | 141,360 |
| Selling and distribution Expenses | 19 | <u>(257,418)</u> | <u>(224,937)</u> | <u>(103,255)</u> | <u>(68,664)</u> |
| Administrative expenses | | <u>(87,710)</u> | <u>(77,852)</u> | <u>(30,390)</u> | <u>(28,160)</u> |
| | | <u>(345,128)</u> | <u>(302,789)</u> | <u>(133,645)</u> | <u>(96,824)</u> |
| | | 19,852 | 44,618 | 11,757 | 44,536 |
| Other income | | 11,079 | 5,701 | 6,712 | 292 |
| Other charges | | <u>(4,693)</u> | <u>(2,764)</u> | <u>(2,805)</u> | <u>(2,467)</u> |
| | | 26,238 | 47,555 | 15,644 | 42,361 |
| Finance cost | | <u>(13,227)</u> | <u>(14,364)</u> | <u>(4,701)</u> | <u>(4,254)</u> |
| Profit / (loss) before taxation | | 13,011 | 33,191 | 10,963 | 38,107 |
| Taxation | 8 | <u>(3,998)</u> | <u>(10,477)</u> | <u>(6,819)</u> | <u>(11,917)</u> |
| Profit / (loss) for the period | | <u>9,013</u> | <u>22,714</u> | <u>4,144</u> | <u>26,190</u> |
| | | (Rupees) | | (Rupees) | |
| Earning per share - basic and diluted | | <u>1.47</u> | <u>3.71</u> | <u>0.68</u> | <u>4.28</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 Comprehensive Income (Un-audited)

For the three months and nine months period ended 30 September 2018

| | <u>Nine months period ended</u> | | <u>Three months period ended</u> | |
|---|---------------------------------|------------------|----------------------------------|------------------|
| | <u>30</u> | <u>30</u> | <u>30</u> | <u>30</u> |
| | <u>September</u> | <u>September</u> | <u>September</u> | <u>September</u> |
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| | <u>(Rupees in '000)</u> | | | |
| Profit / (Loss) for the period after taxation | 9,013 | (22,714) | 4,381 | 26,190 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | <u>9,013</u> | <u>22,714</u> | <u>4,381</u> | <u>26,190</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 nine months period ended
30 September 2018

| | Nine months period ended | |
|--|--------------------------|----------------------|
| | 30 September 2018 | 30 September 2017 |
| | (Rs. in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (Loss) before taxation | 13,011 | 33,191 |
| Adjustments for: | | |
| Finance costs | 13,227 | 14,364 |
| Depreciation and amortization | 30,304 | 27,731 |
| Provision against staff gratuity | 8,934 | 7,943 |
| Provision against other staff retirement benefits | 2,043 | 1,805 |
| Return on bank deposits | (31) | (28) |
| Gain on disposal of operating fixed assets | (4,701) | (848) |
| | <u>49,776</u> | <u>50,967</u> |
| | <u>62,787</u> | <u>84,158</u> |
| <i>Decrease / (Increase) in assets:</i> | | |
| Stores and spares | 1,306 | (2,038) |
| Stock-in-trade | 11,183 | 3,051 |
| Trade debts | (20,166) | 4,144 |
| Loans to employees | (609) | (1,324) |
| Long term deposits | 8 | (230) |
| Advances, prepayments and other receivables | 8,015 | 6,703 |
| | <u>(263)</u> | <u>10,306</u> |
| <i>(Decrease) / increase in current liabilities:</i> | | |
| Trade and other payables | 27,581 | (7,212) |
| | <u>90,105</u> | <u>87,252</u> |
| Income tax paid | (31,113) | (20,932) |
| Staff gratuity paid | (12,833) | (2,627) |
| Other staff retirement benefits paid | (10,845) | (2,063) |
| Return received on bank deposits | 31 | 28 |
| Finance costs paid | (10,845) | (15,958) |
| | <u>(65,605)</u> | <u>(41,552)</u> |
| <i>Net cash flows from operating activities</i> | <u>24,500</u> | <u>45,700</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (50,589) | (23,712) |
| Proceeds from disposal of operating fixed assets | 13,228 | 2,479 |
| | <u>(37,361)</u> | <u>(21,233)</u> |
| <i>Net cash flows from investing activities</i> | <u>(37,361)</u> | <u>(21,233)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (7,449) | (2,925) |
| Long-term deposits paid | - | (400) |
| Short term borrowings - Istisna and Salam finances | 30,000 | (15,000) |
| <i>Net cash flows from financing activities</i> | <u>22,551</u> | <u>(18,325)</u> |
| Net (decrease) / increase in cash and cash equivalents during the period | <u>9,690</u> | <u>6,142</u> |
| Cash and cash equivalents at beginning of the period | <u>32,548</u> | <u>38,001</u> |
| Cash and cash equivalents at end of the period | <u>42,238</u> | <u>44,143</u> |
| Cash and cash equivalents at end of the period comprises of: | | |
| - Cash and bank balances | 42,238 | 44,143 |
| - Short term borrowing - running finance | - | - |
| | <u>42,238</u> | <u>44,143</u> |

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

07

Chief Financial Officer

Director / CEO

Director



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

For the nine months period ended
30 September 2018

| | Capital Reserves | | Reserves | | Total |
|---|--|---|-----------------|------------------------|----------------|
| | Issued, subscribed and paid up capital | Surplus on Revaluation of assets - Net of tax | General reserve | Un-appropriated 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 | | | | | |
| Profit after taxation | - | - | - | 22,714 | 22,714 |
| 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) | - | (5,784) | - | 5,784 | - |
| Balance as at 30 September 2017 | <u>61,226</u> | <u>197,587</u> | <u>6,000</u> | <u>97,376</u> | <u>362,189</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 | - | - | - | 9,013 | 9,013 |
| 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 | - | - | - | 2,142 | 2,142 |
| 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) | - | (5,099) | - | 5,099 | - |
| Balance as at 30 September 2018 | <u>61,226</u> | <u>186,851</u> | <u>6,000</u> | <u>101,772</u> | <u>355,849</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 nine months period ended 30 September 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 nine months period ended 30 September 2018 have been prepared in accordance with the

- International Financial Reporting Standards (IFRS 34) Interim Financial Reporting issued by IASB.
- 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 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.

2.3 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 nine months period ended September 30 2017 (as applicable).

2.4 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.

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



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

For the nine months period ended 30 September 2018

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 September 2018 has increased by Rs. 192.954 million and Rs. 186.85 million respectively.



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

For the nine months period ended 30 September 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.

| | 30 September Note 2018 (Un-audited) | 31 December 2017 (Audited) |
|---|--|----------------------------------|
| (Rs. in '000) | | |
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets | 6.1 485,102 | 458,029 |
| Capital work-in-progress | 6.3 6,091 | 26,246 |
| | <u>491,193</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 | 17,876 | 3,177 | 369 |
| Capital spares | 3,859 | - | - |
| Furniture and fixtures | 575 | - | - |
| Computers | 8,812 | 1,285 | 972 |
| Vehicles | 31,673 | 18,538 | 13,135 |
| | <u>66,728</u> | <u>23,000</u> | <u>14,476</u> |

6.2 At 30 Sept 2018, the written down value of the temporarily idle property, plant and equipment's comprising leasehold land and improvements on leasehold land and building thereon amounted to Rs. 83.63 million (31 December 2017: Rs. 85.494 million) and Rs 1.498 million (31 December 2017 Rs. 1.62 million) respectively.

| | 30 September Note 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>46,573</u> | <u>48,961</u> |
| | 72,819 | 71,157 |
| Transfers during the period | <u>(66,728)</u> | <u>(44,911)</u> |
| | 6.3.1 <u>6,091</u> | <u>26,246</u> |



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

For the nine months period ended 30 September 2018

6.3.1 This includes advance for computers of Rs. 0.33 million and advance of Rs. 4.86 million for the purchase of vehicles.

| 7. INTANGIBLE ASSETS | 30 September 2018 (Un-audited) | 31 December 2017 (Audited) |
|----------------------|--------------------------------------|----------------------------------|
| | (Rs. in '000) | |
| Intangible assets | 326 | 290 |
| Advance payment | <u>4,803</u> | <u>-</u> |
| | <u>5,129</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 September 2018 (Unaudited) |
|---|----------------------------------|-------------------------------------|--|---|
| | (Rs. in '000) | | | |
| Taxable temporary differences on: | | | | |
| - accelerated tax depreciation | (24,680) | 4,003 | - | (20,677) |
| - surplus on revaluation of property, plant and equipment | (44,104) | 6,387 | 2,572 | (35,145) |
| - On lease rentals | | (1,742) | | (1,742) |
| | <u>(68,784)</u> | <u>8,648</u> | <u>2,572</u> | <u>(57,564)</u> |
| Deductible temporary differences on: | | | | |
| - provision for defined benefit plans | 30,904 | (7,263) | - | 23,641 |
| - provision against slow moving and obsolete stock and doubtful trade debts | 10,967 | (366) | - | 10,601 |
| - tax losses (note 8.1) | 35,938 | (5,017) | - | 30,921 |
| | <u>77,809</u> | <u>(12,646)</u> | <u>-</u> | <u>65,163</u> |
| Deferred tax asset – net | <u>9,025</u> | <u>(3,998)</u> | <u>2,572</u> | <u>7,599</u> |



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

For the nine months period ended 30 September 2018

- 8.1** Includes deferred tax of Rs. 12.1 million (31 December 2017: Rs. 13.45 million) recorded on unabsorbed tax depreciation and amortization.
- 8.2** Deferred tax balance has been recognized at the rates at which these are expected to be settled / realized.
- 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, labor 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 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 favorable decision is expected and therefore the subject demand is expected to be quashed.



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

For the nine months period ended 30 September 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 favorable 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 favor 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 favor 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 judgment 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 favor.

In the financial years ended 31 December 2014 and 2015 additional commissioner issued notices u/s 122 (9) 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 recognized in these condensed interim financial information.



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

For the nine months period ended 30 September 2018

9. STOCK-IN-TRADE

| | 30 September 2018 (Un-audited) | 31 December 2017 (Audited) |
|---|--------------------------------------|----------------------------------|
| | (Rs. in '000) | |
| Raw material - in hand | 60,502 | 80,646 |
| - in transit | <u>1,883</u> | <u>5,789</u> |
| | 62,385 | 86,435 |
| Packing material | 26,180 | 20,969 |
| Work-in-progress | 11,259 | 6,379 |
| Finished goods | <u>80,738</u> | <u>77,963</u> |
| | 180,562 | 191,746 |
| Provision against slow moving items of stock-in-trade | <u>(18,315)</u> | <u>(18,315)</u> |
| | <u>162,247</u> | <u>173,431</u> |

10. TRADE DEBTS

| | | |
|----------------------------------|----------------------|----------------------|
| Considered good | 53,708 | 33,543 |
| Considered doubtful | <u>8,239</u> | <u>8,239</u> |
| | 61,947 | 41,782 |
| Provision against doubtful debts | <u>(8,239)</u> | <u>(8,239)</u> |
| | <u>53,708</u> | <u>33,543</u> |

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Considered good

| | | |
|--|----------------|----------------|
| Advance | | |
| - for taxation | 128,379 | 97,267 |
| - to sales staff | 502 | 502 |
| Advances to suppliers and contractors | 2,743 | 1,545 |
| Prepayments | 3,865 | 2,491 |
| Current maturity of loans to employees | 1,006 | 475 |
| Other receivables | <u>2,620</u> | <u>13,208</u> |
| | 139,115 | 115,488 |

Considered doubtful

| | | |
|---------------------------------------|-----------------------|-----------------------|
| Advances to suppliers and contractors | <u>803</u> | <u>803</u> |
| Less: Provision held | <u>(803)</u> | <u>(803)</u> |
| | - | - |
| | <u>139,115</u> | <u>115,488</u> |



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

For the nine months period ended 30 September 2018

12. CASH AND BANK BALANCES

| | 30 September Note 2018 (Un-audited) | 31 December 2017 (Audited) |
|-----------------------------------|---|----------------------------------|
| | (Rs. in '000) | |
| Cash in hand | 246 | 62 |
| Cash at banks | | |
| - collection accounts | 37,936 | 26,427 |
| - current accounts | 4,013 | 5,983 |
| - profit and loss sharing account | 12.1 43 | 75 |
| | 41,992 | 32,485 |
| | <u>42,238</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 | 81,748 | 50,445 |
| Accrued expenses | 70,316 | 71,531 |
| Advance from customers | 33,633 | 32,586 |
| Sales tax payable (subsequently paid) | 22,869 | 23,921 |
| Deposit from employees against vehicles and equipment's | 3,036 | 4,621 |
| Accrued mark-up on short term borrowings | 5,383 | 3,001 |
| Unclaimed dividend | 1,119 | 914 |
| Workers' welfare fund | 2,404 | 2,198 |
| Workers' Profit Participation Fund | 696 | 2,241 |
| Other liabilities | 1,094 | 728 |
| | <u>222,298</u> | <u>192,186</u> |

15. SHORT TERM BORROWINGS

| | | |
|---|----------------|----------------|
| Istisna and Salam finances - under shariah Arrangements | 15.1 240,000 | 210,000 |
| Running finance - under mark-up arrangements | 15.2 - | - |
| | <u>240,000</u> | <u>210,000</u> |



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

For the nine months period ended 30 September 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 Oct 2018 to 28 December 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, unutilized facilities aggregated to Rs. 30 (31 December 2017: Rs. 60 million). These unutilized 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 mark-up at 1 month KIBOR+0.75% (31 December 2017: 1 month KIBOR+0.75%) per annum and are valid until 1 Oct 2018 and are generally renewable. Above limit include sublimit for bank guarantee of Rs. 15 million. These facilities are secured by first pari passu charge by way of hypothecation over stocks and book debts of the Company with a margin of 25% and first pari passu hypothecation charges over all present and future current assets of the Company. At 30 Sept 2018, unutilized facilities for running finance (including the above sub-limit) amounted to Rs. 300 million (31 December 2017: Rs. 300 million).
- 15.3** At 30 September 2018, unutilized letter of credit facilities from certain banks amounted to Rs. 258 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. 300 million (31 December 2017: Rs. 300 million).

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

Bank guarantees have been issued in favor 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 favor 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 September 2018 amounted to Rs. 29.88million (31 December 2017: Rs.16 million).



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

For the nine months period ended 30 September 2018

17. SALES – net

| Note | Nine months period ended | | Three months period ended | |
|-------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
| | 30 September 2018 | 30 September 2017 | 30 September 2018 | 30 September 2017 |
| | (Rupees in '000) | | | |
| Gross sales | 1,823,290 | 1,556,480 | 705,738 | 592,346 |
| Sales tax | (290,062) | (248,581) | (111,926) | (94,628) |
| Trade discount | (187,608) | (145,820) | (72,923) | (56,061) |
| Sales return and rebate | (6,486) | (255) | (4,405) | (128) |
| | <u>(484,156)</u> | <u>(394,656)</u> | <u>(189,254)</u> | <u>(150,817)</u> |
| | <u>1,339,134</u> | <u>1,161,824</u> | <u>516,484</u> | <u>441,529</u> |

18. COST OF SALES

| | | | | |
|------------------------------------|----------------|-----------------|----------------|-----------------|
| Raw & packing material consumed | 818,722 | 692,658 | 326,071 | 281,291 |
| Salaries, wages and other benefits | 89,623 | 85,413 | 30,939 | 30,258 |
| Finished goods purchased | 14,055 | 6,056 | 1,540 | 656 |
| Depreciation and amortization | 19,663 | 15,640 | 7,008 | 5,578 |
| Fuel and power | 14,905 | 11,512 | 7,107 | 4,397 |
| Freight and handling charges | 11,302 | 6,991 | 4,651 | 2,366 |
| Stores and spares consumed | 4,204 | 3,157 | 1,455 | 1,204 |
| Rent, rates and taxes | 3,167 | 1,464 | 995 | 192 |
| Travelling and conveyance | 2,266 | 1,904 | 781 | 744 |
| Insurance | 1,760 | 1,662 | 611 | 469 |
| Repair and maintenance | 521 | 217 | 245 | 164 |
| Postage and telephones | 405 | 438 | 193 | 241 |
| Others | 815 | 360 | 636 | 107 |
| Legal and professional charges | 149 | 87 | 43 | 17 |
| Printing and stationery | 169 | 99 | 64 | 50 |
| Subscription charges | 40 | 35 | 3 | 3 |
| Product research and development | 43 | 317 | 25 | 48 |
| | <u>981,809</u> | <u>828,010</u> | <u>382,367</u> | <u>327,785</u> |
| Opening stock of work-in-process | 6,379 | 8,785 | 7,920 | 8,451 |
| Closing stock of work-in-process | (11,259) | (7,981) | (11,259) | (7,981) |
| Cost of good manufactured | <u>976,929</u> | <u>828,814</u> | <u>379,028</u> | <u>328,255</u> |
| Opening stock of finished goods | 77,963 | 64,137 | 72,792 | 50,448 |
| Closing stock of finished goods | (80,738) | (78,534) | (80,738) | (78,534) |
| | <u>(2,775)</u> | <u>(14,397)</u> | <u>(7,946)</u> | <u>(28,086)</u> |
| | <u>974,154</u> | <u>814,417</u> | <u>371,082</u> | <u>300,169</u> |



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

For the nine months period ended 30 September 2018

18.1 Salaries, wages and other benefits include Rs. 5.5 million (30 Sept 2017: Rs. 5.9 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.6 million (30 Sept 2017: Rs. 1.4 million) to the provident fund.

19. SELLING AND DISTRIBUTION EXPENSES

| | 19.1 Nine months period ended | | Three months period ended | |
|------------------------------------|-------------------------------|----------------------|---------------------------|-------------------------|
| | 30 September 2018 | 30 September 2017 | 30 September 2018 | 30 September 2017 |
| | ----- (Rupees in '000) ----- | | | |
| Salaries, wages and other benefits | 19.1 94,351 | 79,826 | 31,887 | 27,056 |
| Advertising expense | 77,299 | 70,879 | 38,997 | 16,729 |
| Freight and handling charges | 47,188 | 40,344 | 18,238 | 14,872 |
| Travelling and conveyance | 14,502 | 10,568 | 5,530 | 3,548 |
| Product research and development | 6,877 | 4,189 | 2,896 | 375 |
| Depreciation and amortization | 5,114 | 5,026 | 1,743 | 1,696 |
| Rent, rates and taxes | 4,241 | 4,318 | 1,461 | 1,474 |
| Insurance expense | 1,549 | 1,302 | 539 | 384 |
| Legal and Professional fee | 1,185 | 968 | 325 | 300 |
| Postage, telegram and telephone | 1,362 | 1,636 | 568 | 530 |
| Meeting expenses | 692 | 3,038 | 160 | 279 |
| Utility charges | 532 | 526 | 248 | 214 |
| Repair and maintenance | 307 | 278 | 31 | 152 |
| Printing and stationery | 280 | 283 | 93 | 109 |
| Others | 1,939 | 1,756 | 539 | 946 |
| | <u>257,418</u> | <u>224,937</u> | <u>103,225</u> | <u>68,664</u> |

19.1 Salaries, wages and other benefits include Rs. 1.169 million (30 Sept 2017: Rs.1.24 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 2.078 million (30 Sept 2017: Rs. 1.75 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 is 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 nine months period ended 30 September 2018

| | Note | Nine months period ended | |
|---|------|-------------------------------|-------------------|
| | | 30 September 2018 | 30 September 2017 |
| | | (Rs. in '000) (Un-audited) | |
| Transactions with related parties | | | |
| Contribution to the employees' provident fund | 20.1 | <u>4,792</u> | <u>3,995</u> |
| Directors and Chief Executive Officer (key management personnel) | | | |
| Total remuneration | 20.1 | <u>19,755</u> | <u>16,490</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>71,787</u> | <u>54,721</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 nine months period ended 30 September 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,
- 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:

| | Note | Carrying Amount | | Fair value |
|---|------|-----------------------|----------------|------------|
| | | Loans and receivables | Total | Total |
| 30 September 2018 | | (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 | | 2,035 | 2,035 | - |
| Trade debts | | 53,708 | 53,708 | - |
| Other receivables | | 2,620 | 2,620 | - |
| Cash and bank balances (including security deposit) | | <u>42,888</u> | <u>42,888</u> | - |
| | | <u>105,899</u> | <u>105,899</u> | - |



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

For the nine months period ended 30 September 2018

| <u>30 September 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 | | 154,277 | 154,277 | - |
| Short term borrowings (including mark-up) | | 245,383 | 245,383 | - |
| | | <u>399,660</u> | <u>399,660</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 | | 33,543 | 33,543 | - |
| Other receivables | | 13,208 | 13,208 | - |
| Cash and bank balances (including security deposit) | | 32,547 | 32,547 | - |
| | | <u>85,380</u> | <u>85,380</u> | <u>-</u> |



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

For the nine months period ended 30 September 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> |

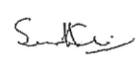
21.1 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced, periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

22. GENERAL

This condensed interim financial information were authorized for issue on 29th, October 2018 by the board of directors of the Company.


Chief Financial Officer


Director / CEO


Director



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CORPORATE