



First Quarterly Report
January - March
2022



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Company Information

Board of Directors

Mrs. Feriel Ali-Mehdi
Chairman, Non-Executive Director

Mr. Mubashir Hasan Ansari
Executive Director & Chief Executive Officer

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Syed Hasnain Ali
Non-Executive Director

Mr. Mir Muhammad Ali
Independent, Non-Executive Director

Mr. Muhammad Salman H. Chawala
Independent, Non-Executive Director
(Representing NIT)

Mr. Ahsan Rashid
Non-Executive Director

Board Audit Committee

Mr. Muhammad Salman H. Chawala
Chairman
(Representing NIT)

Mrs. Feriel Ali-Mehdi
Member

Mr. Saad Amanullah Khan
Member

Human Resource and Remuneration Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Feriel Ali-Mehdi
Member

Mr. Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

Statutory Auditors

EY Ford Rhodes
Chartered Accountants

Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

Company Secretary

Mr. Muhammad Shahid

Head of Internal Audit

Mr. Syed Abid Raza Rizvi

Legal Advisors

Pinjani & Vadria Lawyers

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

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

Shares Registrar

THK Associates (Pvt) Limited
Plot No. 32, Jami Commercial Street 2,
D.H.A., Phase VII,
Karachi.
Ph: (021) 111-000-322

Directors' Review

The Directors of the Company are pleased to present the unaudited financial results of the Company for the first quarter ended March 31, 2022.

Summary of Business Review

During the period, the Company achieved robust growth of 50% in Net Sales value. This growth was achieved on account of increase in sales volume and price increases. The volumetric increase was through enhancing sales productivity of retail customers, growing e-commerce channel, running competitive consumer promotions and increasing retail penetration of the new products.

Despite healthy growth in the topline, tremendous pressure on margins persists from last year. Already sky rocketed Palm Oil prices, which serve as the main raw material in soap making, have continued to reduce margins.

The Company took several price increases, however they were not enough to restate margins to normal levels. As the margins remained under pressure, Management has continuously monitored the overhead costs and have maintained Administrative expenses to last year's level despite severe inflationary impacts. Similarly Selling and distribution expenses have been reduced from 16.2% of Net Sales in the same period last year to 12.8% of Net Sales in this year. Due to increased working capital requirements coupled with higher markup rates, the financial cost remained higher as compared to same period last year.

Financial Position at a Glance:

	Three month period from January to March		
	2022	2021	Growth %
Gross Sales	985M	664M	48%
Net Sales	751M	501M	50%
Gross Profit	116M	69M	69%
Gross Profit %	15.5%	13.7%	177 bps
Profit/(Loss) after taxation	(37.6)M	(60.6)M	-38%

Future Outlook:

As commodity prices continue to demonstrate increasing trend, the costs are expected to remain higher in the coming months. Therefore, the margins and profitability would continue to pose a major challenge for the balance of the year.


Management fully recognizes the current economic scenario and stands agile. Plans for managing the business in balance of the year are in place and continuous improvements in product mix and cost management, without compromising efficiency and quality, are being implemented. Management will remain focused on increasing the shareholder value and is committed to deliver improved results as compared to last year.

Due to operational difficulties of existing manufacturing facility located at Hyderabad, the Board has decided for the closure of the factory and shifting of all manufacturing operations through third party arrangements. Negotiations for the disposal of manufacturing facility are underway. The above decisions are to be executed on the final approval of the shareholders as required by Companies Act 2017. Related cash flows and associated gain or loss on the disposal shall be incorporated in future financial statements upon the finalization of negotiations and formal approval from the shareholders.

Acknowledgement

The Directors would like to place on record their sincere appreciation for the hard work and dedication shown by the Management and employees of the Company during the period. On behalf of the Board of Directors and employees of the Company, the Board expresses its gratitude and appreciation to all valued customers, distributors, dealers, bankers and all other stakeholders for the trust and confidence reposed in the Company.

For and on behalf of the Board of Directors



Mubashir Hasan Ansari
Director and CEO

Karachi: April 28, 2022

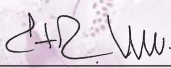
Quarterly Report March 31, 2022

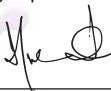


Condensed Interim Statement of Financial Position (Un-audited)
As at 31 March 2022

	31 March 2022 (Un-audited)	31 December 2021 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5 1,585,549	1,595,631
Intangible assets	3,882	4,597
Long term deposits	4,921	2,256
Long term loans to employees	524	494
Total non-current assets	1,594,876	1,602,978
CURRENT ASSETS		
Stores and spares	6,332	6,467
Stock-in-trade	6 244,597	315,081
Trade debts	7 126,277	116,439
Advances, prepayments and other receivables	8 128,052	98,390
Short term investment	-	90,000
Cash and bank balances	9 127,101	31,709
Total current assets	632,359	658,086
TOTAL ASSETS	2,227,235	2,261,064
EQUITY AND LIABILITIES		
EQUITY		
Authorised capital 40,000,000 (31 December 2021: 40,000,000) ordinary shares of Rs. 10 each	400,000	400,000
Issued, subscribed and paid up capital	61,226	61,226
Capital reserves		
Surplus on revaluation of property, plant and equipment - net of tax	992,499	997,902
Revenue reserves		
General Reserves	6,000	6,000
Un-appropriated profits	(140,594)	(108,353)
	919,131	956,775
LIABILITIES		
NON-CURRENT LIABILITIES		
Long Term Loan	10 56,291	113,058
Deferred tax liability - net	215,361	212,183
Deferred staff liabilities	92,948	99,750
Lease liabilities	31,550	30,986
	396,150	455,977
CURRENT LIABILITIES		
Current maturity of non-current liabilities	68,390	72,312
Trade and other payables	11 668,918	540,704
Contract liabilities	36,866	51,914
Short term borrowings	12 60,000	115,000
Taxation	76,317	66,919
Unclaimed dividends	1,463	1,463
	911,954	848,312
TOTAL LIABILITIES	1,308,104	1,304,289
CONTINGENCIES AND COMMITMENTS	13	
TOTAL EQUITY AND LIABILITIES	2,227,235	2,261,064

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


 Chief Financial Officer
 Quarterly Report March 31, 2022


 Chief Executive Officer


 Director

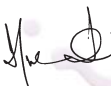


**Condensed Interim Statement of
Profit or Loss (Un-audited)
For the three months period ended 31 March 2022**

	Note	Three months period ended	
		31 March 2022	31 March 2021
		(Rs. in '000)	
Sales - net	14	750,880	500,958
Cost of sales	15	<u>(634,683)</u>	<u>(432,335)</u>
Gross profit		<u>116,197</u>	<u>68,623</u>
Selling and distribution expenses	16	<u>(95,977)</u>	<u>(81,081)</u>
Administrative expenses		<u>(39,771)</u>	<u>(39,741)</u>
		<u>(135,748)</u>	<u>(120,822)</u>
		<u>(19,551)</u>	<u>(52,199)</u>
Other income		2,658	1,010
Other charges		<u>(562)</u>	<u>(662)</u>
		<u>(17,455)</u>	<u>(51,851)</u>
Finance cost		<u>(7,620)</u>	<u>(4,098)</u>
Loss before taxation		<u>(25,075)</u>	<u>(55,949)</u>
Taxation		<u>(12,569)</u>	<u>(4,603)</u>
Loss for the period		<u><u>(37,644)</u></u>	<u><u>(60,552)</u></u>
		----- (Rupees) -----	
Loss per share - basic and diluted		<u><u>(6.15)</u></u>	<u><u>(9.89)</u></u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

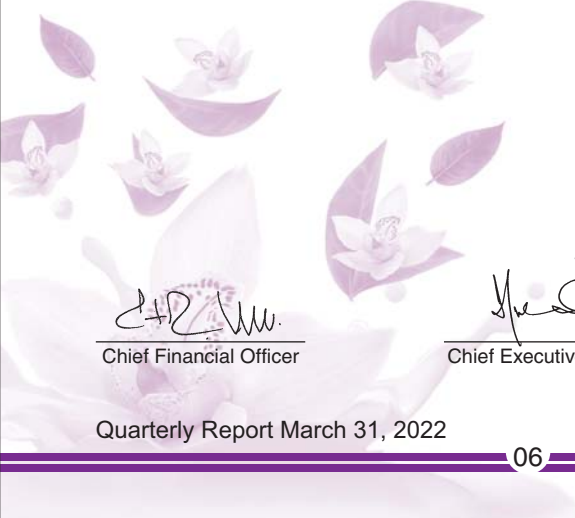
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**Condensed Interim Statement of
Comprehensive Income (Un-audited)
For the three months period ended 31 March 2022**

	<u>Three months period ended</u>	
	<u>31 March 2022</u>	<u>31 March 2021</u>
	(Rs. in '000)	
(Loss) for the period after taxation	(37,644)	(60,552)
Other comprehensive income for the period	-	-
Total comprehensive income/(loss) for the period	<u><u>(37,644)</u></u>	<u><u>(60,552)</u></u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.





Chief Financial Officer



Chief Executive Officer




Director

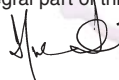



**Condensed Interim Statement of Cash Flow (Un-audited)
For the three months period ended 31 March 2022**

	Three months period ended	
	31 March 2022	31 March 2021
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(25,075)	(55,949)
Adjustments for:		
Finance Costs	7,620	4,098
Depreciation and amortization	20,379	15,460
Provision against staff gratuity	4,418	4,310
Provision against other staff retirement benefits	287	324
Amortization of Government grant	(505)	(697)
Profit on short term Investment	(267)	(405)
Dividend Income	(203)	-
Impairment expense	-	1,000
Provision of slow moving obsolete stock	-	1,327
(Gain)/Loss on disposal of operating fixed assets	(787)	308
	30,942	25,725
	5,867	(30,224)
Decrease / (Increase) in assets:		
Stores and spares	134	55
Stock-in-trade	70,485	(83,017)
Trade debts	(9,838)	(5,176)
Loans to employees	(377)	(601)
Long term deposits	(2,665)	-
Advances, prepayments and other receivables	(10,771)	(2,191)
	46,968	(90,930)
(Decrease) / increase in current liabilities:		
Trade and other payables	114,671	(33,568)
	167,506	(154,722)
Income tax paid	(18,543)	(1,918)
Staff gratuity paid	(11,221)	(3,979)
Other staff retirement benefits paid	(8,448)	(2,834)
Return received on bank deposits - under markup arrangements	267	405
Dividend received	203	-
Finance costs paid	(7,724)	(2,664)
	(45,466)	(10,990)
Net cash flows from operating activities	122,040	(165,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(11,752)	(26,350)
Short term investment	90,000	60,000
Proceeds from disposal of operating fixed assets	2,958	2,062
Net cash flows from investing activities	81,206	35,712
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease repayment	(5,501)	(5,112)
Long term loan	(47,353)	(5,240)
Short term borrowings - Karobar and Salam finances	(55,000)	100,000
Net cash generated from financing activities	(107,854)	89,648
Net increase / (decrease) in cash and cash equivalents during the period	95,392	(40,352)
Cash and cash equivalents at beginning of the period	31,709	103,230
Cash and cash equivalents at end of the period	127,101	62,878
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	127,101	62,878
- Short term borrowing - running finance	-	-
	127,101	62,878

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director
Quarterly Report March 31, 2022



**Condensed Interim Statement of
Changes in Equity (Un-audited)
For the three months period ended 31 March 2022**

	Capital Reserves		Reserves		Total 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 2021	61,226	354,672	6,000	184,390	190,390	606,288
Total comprehensive income for the period						
Loss after taxation	-	-	-	(60,552)	(60,552)	(60,552)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(2,091)	-	2,091	2,091	-
Balance as at 31 March 2021	61,226	352,581	6,000	125,930	131,930	545,736
Balance as at 1 January 2022	61,226	997,902	6,000	(108,353)	(102,353)	956,775
Total comprehensive income/(loss) for the period						
Loss after taxation	-	-	-	(37,644)	(37,644)	(37,644)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(5,403)	-	5,403	5,403	-
Balance as at 31 March 2022	61,226	992,499	6,000	(140,594)	(134,594)	919,131

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Director

Quarterly Report March 31, 2022

Notes to the Condensed Interim Financial Information (Un-audited) For the three months period ended 31 March 2022

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 (formerly Karachi and Lahore Stock Exchanges). The principal activity of the Company is manufacture and sale of home and personal care products.

The registered office of the Company is situated at Ground Floor, Bahria Complex III, M.T. Khan Road, Karachi.

During the period the Board of Directors in their meeting has discussed and reviewed the operational difficulties of existing manufacturing facility (comprising of freehold land, building and plant and machinery) located at Hyderabad due to housing society built in its surrounding area and approved the closure of factory, offering of Voluntarily Separation Scheme to factory staff and shifting of all manufacturing operations to toll manufacturing through third party arrangements. Negotiations for the sale of manufacturing facility located at Hyderabad are in progress. The above decisions to be executed upon final approval of the shareholders under section 183 (3) of Companies Act, 2017.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim statement financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards 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 Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited.

Notes to the Condensed Interim Financial Information (Un-audited) For the three months period ended 31 March 2022

2.3 This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2021.

2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2021 has been extracted from the audited financial statements of the Company for the year ended 31 December 2021, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from the unaudited condensed interim financial information for the three months period ended 31 March 2021 (as applicable).

2.5 Functional and presentation currency

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

2.6 Use of judgments and estimates

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

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 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2021.

4. 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 2021.

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2022**

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
(Rs. in '000)			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,465,916	1,479,883
Right of use assets		34,927	38,762
Capital work-in-progress	5.2	84,706	76,986
		<u>1,585,549</u>	<u>1,595,631</u>

5.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	----- (Rs. in '000) -----		
Building on freehold land	-	-	-
Plant, machinery and equipment	1,660	79	1
Furniture and Fixtures	77	114	77
Dies & change parts	2,200	-	-
Vehicles	95	4,033	2,186
Computers	-	524	314
Capital Spares	-	-	-
	<u>4,032</u>	<u>4,750</u>	<u>2,578</u>

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
(Rs. in '000)			
5.2 Capital work-in-progress			
Opening balance		76,986	10,084
Additions during the period		11,751	108,212
		88,737	118,296
Transfers during the period		(4,031)	(41,310)
	5.2.1	<u>84,706</u>	<u>76,986</u>

5.2.1 This represents building ,plant ,machinery & equipment and vehicles.

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2022**

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
(Rs. in '000)			
6. STOCK-IN-TRADE			
Raw material - in hand		74,345	108,289
- in transit		<u>1,522</u>	<u>19,653</u>
		75,867	127,942
Packing material		53,920	48,174
Work-in-progress		1,429	13,085
Finished goods		<u>139,699</u>	<u>152,198</u>
		270,915	341,399
Provision against slow moving items of stock-in-trade		<u>(26,318)</u>	<u>(26,318)</u>
		<u>244,597</u>	<u>315,081</u>
7. TRADE DEBTS			
Considered good		126,277	116,439
Considered doubtful		<u>9,397</u>	<u>9,397</u>
		135,674	125,836
Provision against doubtful debts		<u>(9,397)</u>	<u>(9,397)</u>
		<u>126,277</u>	<u>116,439</u>
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advance			
- for taxation		108,360	89,817
Advances to suppliers and contractors		3,275	3,212
Prepayments		3,634	448
Current maturity of loans to employees		1,018	671
Deposit to Sui Southern Gas Company Limited		10,158	2,786
Other receivables		<u>1,607</u>	<u>1,456</u>
		128,052	98,390
Considered doubtful			
Advances to suppliers and contractors		803	803
Less: Provision held		<u>(803)</u>	<u>(803)</u>
		-	-
Advances, prepayments and other receivables - net		<u>128,052</u>	<u>98,390</u>

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2022**

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
(Rs. in '000)			
9. CASH AND BANK BALANCES			
Cash in hand		252	210
Cash at banks			
- Current / Collection accounts		125,363	8,610
- Profit & loss sharing accounts	9.1	1,486	22,889
		<u>126,849</u>	<u>31,499</u>
		<u>127,101</u>	<u>31,709</u>

9.1 This carries interest rate ranging from 5.75% to 7.25% (31 December 2021: 5.75 % to 7.25 %) per annum.

10. LONG TERM LOAN

Diminishing musharaka	11,096	11,944
Loan from director	100,000	100,000
Refinance scheme for the payment of salaries and wages	-	44,895
	<u>111,096</u>	<u>156,839</u>
Less: current maturity shown under current liability	<u>(54,805)</u>	<u>(43,781)</u>
	<u>56,291</u>	<u>113,058</u>

11. TRADE AND OTHER PAYABLES

Trade creditors	554,969	421,587
Accrued expenses	79,695	93,890
Sales tax payable	23,649	17,268
Deposit from employees against vehicles	1,020	779
Accrued mark-up on short term borrowings	2,325	3,823
Workers' welfare fund	1,833	1,834
Workers' profit participation fund	112	112
Other liabilities	5,315	1,411
	<u>668,918</u>	<u>540,704</u>

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2022**

Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
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(Rs. in '000)

12. SHORT TERM BORROWINGS

Salam financing - under shariah arrangements	12.1	60,000	115,000
Running finance - under mark-up arrangements	12.2	-	-
		<u>60,000</u>	<u>115,000</u>

12.1 These facilities, representing Salam, Istisna and Karobar financing facilities, are available from certain commercial banks up to Rs. 150 million (2021: Rs. 245 million) and carries mark-up of 6 Months' KIBOR+0.5% (2020: 6 Months KIBOR+0.5% - 1%) per annum. The facilities are secured by way of first pari passu charge over present and future current assets of the Company . At 31 March 2021, unutilised facilities aggregated to Rs. 90 million (2021: Rs. 245 million) and utilised portion of Salam and Istisna facilities amounted to Rs. 90 million from Soneri bank (2020: Rs. 150 million) , These facilities, being sub limit of the above available facility of Rs. 150 million, include Salam, Istisna, Karobar finance of Rs. 150 million from Soneri bank. Above facilities are valid upto 30 April 2022 and are generally renewable.

12.2 The facility for running finance available from a commercial bank of Rs. 200 million (2021: Rs. 200 million) carries mark-up at 1 month KIBOR+1% (2020: 1 month KIBOR+1%) per annum valid until 30 April 2022 and is generally renewable . The facility is secured by first pari passu charge by way of hypothecation over all present and future current assets of the Company of Rs. 400 million and first pari passu charge of Rs. 113.33 million over all plant and machinery of the Company. At 31 March 2022, unutilised facility for running finance aggregated to Rs. 200 million (2021: Rs. 200 million). At 31 March 2022, LC sight and usance facility available amounted to Rs. 200 million (31 December 2021: Rs. 200 million).

12.3 At 31 March 2022, unutilised letter of credit facilities from certain banks amounted to Rs. 315.15 million (31 December 2021: Rs. 272.8 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2021: Rs. 350 million).

**Notes to the Condensed Interim
Financial Information (Un-audited)
For the three months period ended 31 March 2022**

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** Bank guarantees aggregating to Rs. 7.02 million (31 December 2021: Rs. 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas. A bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2021: Rs. 1.3 million).
- 13.1.2** In view of loss for the financial year ended 31 December 2015, provision for tax for the then 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. However, CIR had levied minimum tax on the Company vide an amended assessment order, against which the Company has filed an appeal with the CIR Appeals. The Company filed appeal before ITR(A) who vide an order dated 5 October 2018 has confirmed the levy of minimum tax. Disagreeing with this, the Company has filed an appeal with the Appellate Tribunal Inland Revenue, since the management believes that the minimum tax for the year ended 31 December 2015 is not payable due to the reason given above. Accordingly, no provision of above demand, has been made in these financial statements.
- 13.1.3** Income Tax Assessments of the Company have been completed up to and including the financial year ended 31 December 2020 with the exception of accounting years 2007, 2011, 2012, 2014, 2015, and 2016. For tax year ended 2011, audit proceedings were initiated and completed vide order passed under section 122(1)(5) of the Income Tax Ordinance, 2001 in which certain disallowances were made amounting to Rs. 12.289 million against which appeal was filed by the Company. The appeal was heard and then subsequently the CIR Appeals passed a revised order 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 to Deputy Commissioner Inland Revenue (DCIR). In respect of the remaining amount, the Company has already filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) 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. Accordingly, no provision of above demand, has been made in these financial statements.

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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 Appeals 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 before the ATIR 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. Accordingly, no provision of above demand, has been made in these financial statements.

13.1.4 Return for the tax year 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) 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) 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 management believes that there is no merit in above demands. Accordingly, no provision has been made in these financial statements.

13.1.5 Returns for the financial years ended 31 December 2014 and 31 December 2015 were amended under section 122(9) of Income Tax Ordinance 2001 and amended assessment orders dated 22 September 2017 and 18 April 2017 respectively were passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company had filed appeals before the CIR Appeals. During the year 2018, these appeals were partly decided in favour of the Company by the CIR(A), allowing the Company expenses amounting to Rs. 15.70 million (for year ended 31 December 2014) and Rs. 36.6 million (for year ended 31 December 2015). The tax authorities have filed appeals before the ATIR against the CIR(A)'s order to allow relief to the Company. The management believes that there is no merit in above demands. Accordingly, no provision has been made in these financial statements.

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13.1.6 During the year ended 31 December 2019, on 25 September 2019 an order under sub section (1) of section 122 of the Income Tax Ordinance, 2001 was passed by the Deputy Commissioner Inland Revenue (DCIR) for the financial year 2016 in which certain disallowances amounting to Rs. 9.83 million were made. Disagreeing to the above, the Company has filed an appeal before the Commissioner Inland Revenue - Appeals against the alleged order of DCIR, which is pending decision. However, adequate provision is being held by the Company.

13.1.7 During the year 2015, a show cause notice was issued by the Office Inland Revenue, Large Taxpayers' Unit, Karachi [OIR] for seeking information for the purposes of monitoring of withholding taxes for the tax year 2014. The Company submitted all the requisite details and explanations. However, the OIR had passed order under section 161/205 of the Income Tax Ordinance, 2001 vide order No. 11/77 dated 25 March 2015 and raised the demand in aggregate of Rs. 2.675 million including default surcharge and penalty.

The Company has filed an appeal before the Commissioner Inland Revenue - Appeals [CIRA] against the above-mentioned order dated 25 March 2015. The CIRA has passed order dated 10 September 2015 through which he had deleted aforesaid tax demand. However, the tax department had filed an appeal dated 23 February 2016 in Appellate Tribunal Inland Revenue [ATIR] against the aforesaid order, which is still pending. The management believes that there is no merit in above demands. Accordingly, no provision has been made in these financial statements.

13.1.8 On 8 January 2019, the Company received a show cause notice from Additional Commissioner - I (AC-I) Punjab Revenue Authority (PRA) for failure to deduct and deposit withholding tax in full for the period 01 January 2015 to 31 December 2017 amounting to Rs. 70.401 million. The above show cause notice was converted into demand on 03 September 2019, creating demand of Rs. 60.241 million (including penalty of Rs. 2.869 million) and default surcharge to be calculated at the time of payment.

Being aggrieved, the Company filed an appeal before Commission Appeals-PRA who modified the above order of AC-I by reducing the amount of sales tax to Rs. 45.551 million along with default surcharge to be calculated at the time of payment.

The Company filed appeal before Appellate Tribunal - PRA against the above order of Commission Appeals which is pending adjudication. The Company, based on the opinion of tax advisor expects a favourable outcome on legal grounds which were not addressed by the Commission Appeals. Accordingly, no provision, in respect of above demand, has been made in these financial statements.

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13.1.9 During the year ended December 31, 2020, orders under sub section (1) of section 122(5A) of the Income Tax Ordinance, 2001 were passed by Additional Commissioner Inland Revenue (ACIR) for the tax year 2018 and 2019 (corresponding financial year 2017 and 2018) in which certain disallowances amounting to Rs. 7.463 million and Rs. 5.91 million respectively were made. Being aggrieved, the Company filed appeals before the Commissioner Inland Revenue - Appeals (CIR-A) against the alleged order of ACIR. During the year, these appeals were partly decided in favour of the Company by allowing the expenses amounting to Rs. 1.768 million and Rs 1.635 million respectively and remaining issues remanded back to the department for re examination after providing opportunity of being heard to the Company. Till date, the Department has not initiated set aside proceedings. Based on the Company's tax advisor's view, reasonable grounds are available to contest the remand back issues. Being prudent, the management has provided Rs.1.01 million in these financial statements.

13.1.10 The Additional Commissioner Inland Revenue selected income tax affairs for tax year 2014 and served show cause notice on 04 December 2019. On 12 December 2019, the learned ADC passed order u/s 122(5A) to conclude proceedings and made certain disallowances amounting to Rs.1.56 million. The management of the Company has filed an appeal against the above order which is pending for adjudication. The management based on the opinion of its tax advisor, believes that they have good case to argue before Commissioner Appeals. Accordingly, no provision, in respect of above demand, has been made in these financial statements.

13.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 27.75 million (31 December 2021: Rs19.18 million)

14. SALES - net

Gross sales

Sales tax

Trade discount

Sales return and rebate

Three months period ended

31 March 2022 **31 March 2021**
(Rs. in '000)

984,777	664,141
(157,397)	(105,980)
(76,179)	(57,203)
(321)	-
(233,897)	(163,183)
750,880	500,958

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	Three months period ended	
	31 March 2022	31 March 2021
	(Rs. in '000)	
15. COST OF SALES		
Raw & packing material consumed	538,331	390,061
Stores and spares consumed	146	1,208
Salaries, wages and other benefits	38,510	28,424
Repair and maintenance	11	170
Fuel and power	1,976	2,711
Rent, rates and taxes	173	1,515
Insurance	427	501
Product research and development	247	58
Travelling and conveyance	1,111	863
Printing and stationery	47	58
Postage and telephones	97	109
Legal and professional charges	60	107
Subscription charges	7	56
Depreciation and amortisation	12,672	7,964
Freight and handling charges	417	2,147
Provision for slow moving stock in trade	-	1,327
Finished Goods purchased for resale	16,146	9,531
Others	243	181
	610,621	446,991
Opening stock of work-in-process	13,085	9,554
Closing stock of work-in-process	(1,522)	(13,384)
Cost of good manufactured	622,184	443,161
Opening stock of finished goods	152,198	108,548
Closing stock of finished goods	(139,699)	(119,374)
	12,499	(10,826)
	634,683	432,335

15.1 Salaries, wages and other benefits include Rs.1.0 million (31 March 2021: Rs.2.134 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs.0.594 million (31 March,2021: Rs. 0.615 million) to the provident fund.

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	Three months period ended	
	31 March 2022	31 March 2021
	(Rs. in '000)	
16. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits	44,264	42,152
Utility charges	208	170
Repair and maintenance	98	72
Rent, rates and taxes	170	40
Depreciation and amortisation	3,407	2,989
Legal and Professional fee	360	428
Postage, telegram and telephone	327	421
Printing and stationery	105	86
Travelling and conveyance	6,750	5,659
Insurance expense	519	559
Advertising expense	18,499	10,678
Freight and handling charges	20,364	16,852
Product research and development	515	710
Meeting expenses	273	145
Others	118	120
	<u>95,977</u>	<u>81,081</u>

16.1 Salaries, wages and other benefits include Rs. 0.45 million (31 March 2021: Rs. 0.711 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.960 million (31 March, 2021: Rs. 0.978 million).



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17. 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. Details of transactions with the related parties are as follows:

	Three months period ended	
	31 March 2022	31 March 2021
	(Rs. in '000)	
Other related parties		
Contribution to the employees' provident fund	<u>2,317</u>	<u>2,314</u>
Directors and chief executive officer (key management personnel)		
Remuneration	<u>8,734</u>	<u>7,360</u>
Other directors remuneration -meeting fees	<u>420</u>	<u>420</u>
Other key management personnel		
Managerial remuneration (excluding directors and chief executive officer)	<u>17,941</u>	<u>17,203</u>


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

17.2 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.

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

18 GENERAL


18.1 This condensed interim financial information was authorised for issue on 28th April 2022 by the board of directors of the Company.



Chief Financial Officer



Chief Executive Officer



Director

Quarterly Report March 31, 2022



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SAAW PEINTURES