

# First Quarterly Report January - March 2019

## Rising Higher

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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. Kemal Shoaib Non-Executive Director

Mr. Syed Hasnain Ali Non-Executive Director

Mr. M. Qaysar Alam\* Independent, Non-Executive Director

Mr. Muhammad Salman H.Chawala\*\*

(Nominee NIT)

Independent, Non-Executive Director

#### **Board Audit Committee**

Mr. Saad Amanullah Khan Chairman Mrs. Feriel Ali Mehdi Member Mr. Muhammad Salman H.Chawala Member (Nominee NIT)

#### **Human Resource & Remuneration Committee**

Mr. Kemal Shoaib Chairman Mrs. Feriel Ali Mehdi Member Mr. Syed Hasnain Ali Member Mr. Mubashir Hasan Ansari Member

Joined in place of Mr. Mujahid Hamid who reisgned on May 2018. Joined in place of Mr. Qaisar Mufti (Nominee NIT) who resigned on Dec 2017.

<sup>\*</sup> Replaced Mr. Qaisar Mufti (Nominee NIT) who resigned on Dec 2017.

#### 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 National Bank of Pakistan 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 unaudited financial results of the company for the first quarter ended March 31, 2019.

#### Summary of Business Review:

We maintained momentum in sales and achieved a remarkable growth of 40% in Gross Sales in the first quarter 2019. This was on account of double digit volumetric growth in our flagship brand Capri. The significantly improved sales can be attributed to our efforts to enhance growth and improve sales productivity in pursuance of our "Unlocking Growth Potential" strategy. In the period since we launched this strategy in 2017 we have notably improved marketing mix, expanded retail outlets reach, and deployed updated sales automation system and strengthened competitive position as we celebrate the 50th Anniversary of our flagship brand Capri in 2019.

During the quarter gross profit of **31%** has been achieved as management took prompt decisions in response to the market dynamics. Efficient buying of raw materials, focused and on-time pricing, resulted in improved margins.

Consistent efforts by management on controlling costs have resulted in dilution of fixed factory overheads on higher production. Advertising expenses have been incurred as per the re-aligned advertising strategy, while other marketing expenses have been incurred as per annual plan. A considerable increase in administrative expenses is observed, as during the quarter management celebrated Capri's 50th Anniversary.

Financial performance during the first quarter has been outstanding as significant growth in profit after tax is achieved compared to same period last year.

#### **Financial Position at Glance:**

|                              | Three mo | onth period from January | to March |
|------------------------------|----------|--------------------------|----------|
|                              | 2019     | 2018                     | Growth % |
| Gross Sales                  | 661M     | 474                      | 40%      |
| Net Sales                    | 494M     | 356M                     | 39%      |
| Gross Profit                 | 151M     | 99M                      | 52%      |
| Gross Profit %               | 30.6%    | 27.9%                    | 273 bps  |
| Profit/(Loss) after taxation | 10.3M    | 1.0M                     | 910%     |

#### **Future Outlook:**

Uncertainty still remains attached to the macroeconomic environment in the country. During the first quarter the PKR continued its slide by further depreciating against US Dollar. Risk of more devaluation cannot be ignored in the balance of the year, therefore cost pressures persist. In spite of the above uncertainties, the Company hopes to maintain sustained growth and assures to achieve its strategic objectives.

Challenging, yet achievable business plans have been set by the management for the balance of the year. The management is continuously developing strategies for better cost management and to strengthen its retail penetration in order to achieve these plans.

#### Acknowledgement

Karachi: April 29, 2019

On behalf of the Board of Directors and employees of the company we would like to thank our customers for their persistent trust and loyalty to our brands. Further we express our gratitude and appreciation to all our valued distributors, dealers, bankers and all other stakeholders for the support and confidence reposed in the Company. Lastly we also appreciate our employees for their relentless dedication and immense contribution to the Company.

For and on behalf of the Board of Directors

Mubashir Hasan Ansari

Director and CEO



## Condensed Interim Statement of Financial Position (Un-audited)

As at 31 March 2019

|  |      | 31 March<br>2019<br>(Un-audited) | 31 December<br>2018<br>(Audited)             |
|--|------|----------------------------------|--|
| ASSETS   | Note | (Rupees                          | in '000)                                     |
| NON-CURRENT ASSETS   |      |                                  |  |
| Property, plant and equipment  | 6    | 704,558                          | 713,945                                      |
| Intangible assets  |      | 154                              | 228  |
| Long term deposits   |      | 5,442                            | 5,442  |
| Long term loans to employees   |      | 1,083                            | 784  |
| Total non-current assets   |      | 711,237                          | 720,399                                      |
| CURRENT ASSETS   |      |                                  |  |
| Stores and spares  |      | 13,450                           | 12,683                                       |
| Stock-in-trade   | 8    | 204,910                          | 186,932                                      |
| Trade debts  | 9    | 60,828                           | 46,188                                       |
| Advances, prepayments and other receivables                              | 10   | 119,093                          | 98,736                                       |
| Cash and bank balances   | 11   | 53,582                           | 43,599                                       |
| Total current assets   |      | 451,863                          | 388,138                                      |
| TOTAL ASSETS   |      | 1,163,100                        | 1,108,537                                    |
| EQUITY AND LIABILTIES  |      |                                  |  |
| EQUITY   |      |                                  |  |
| Authorised capital   |      |                                  |  |
| 40,000,000 (31 December 2018: 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     |      | 380,482                          | 382,962                                      |
| Revenue reserves   |      |                                  |  |
| General Reserves   |      | 6,000                            | 6,000  |
| Un-appropriated profits  |      | 130,109                          | 117,279                                      |
|  |      | 577,817                          | 567,467                                      |
| LIABILITIES  |      |                                  |  |
| NON-CURRENT LIABILITIES  | _    |                                  |  |
| Deferred tax liability – net   | 7    | 4,874                            | 980  |
| Deferred staff liabilities   |      | 100,070                          | 98,580                                       |
| Liability against asset subject to finance lease                         |      | 4,289                            | 4,515  |
|  |      | 109,233                          | 104,075                                      |
| CURRENT LIABILITIES  |      |                                  | <u>                                     </u> |
| Current maturity of liability against asset subject to finance lease     |      | 941                              | 941  |
| Trade and other payables   | 12   | 295,441                          | 231,482                                      |
| Short term borrowings  | 13   | 165,000                          | 190,000                                      |
| Taxation   |      | 13,634                           | 13,538                                       |
| Unclaimed dividends  |      | 1,034                            | 1,034  |
| TOTAL LIABILITIES  |      | 476,050<br>585,283               | 436,995                                      |
| TOTAL LIABILITIES  |      | 303,283                          | 541,070                                      |
| CONTINGENCIES AND COMMITMENTS  | 14   |                                  |  |
| TOTAL EQUITY AND LIABILITIES   |      | 1,163,100                        | 1,108,537                                    |
|  |      |                                  |  |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Financial Officer Director

Director



#### Condensed Interim Profit and Loss Account (Un-audited)

For the three months period ended 31 March 2019

|   |      | Three months | period ended |
|---|------|--------------|--------------|
|   | Note | 31 March     | 31 March     |
|   |      | 2019         | 2018         |
|   |      | (Rupees      | in '000)     |
| Sales – net                                 | 15   | 493,971      | 356,100      |
| Cost of sales                               | 16   | (342,783)    | (256,825)    |
| Gross profit                                |      | 151,188      | 99,275       |
| Selling and distribution expenses           | 17   | (84,324)     | (68,988)     |
| Administrative expenses                     | 17   | (46,824)     | (27,951)     |
| Administrative expenses                     |      | (131,148)    | (96,939)     |
|   |      | 20,040       | 2,336        |
| Other income                                |      | 655          | 3,385        |
| Other charges                               |      | (814)        | (223)        |
|   |      | 19,881       | 5,498        |
| Finance cost                                |      | (5,543)      | (4,026)      |
| Profit before taxation                      |      | 14,338       | 1,472        |
| Taxation                                    | 7.3  | (3,988)      | (447)        |
| Profit for the period                       |      | 10,350       | 1,025        |
|   |      | (Rup         | ees)         |
| Profit/(Loss) per share - basic and diluted |      | 1.69         | 0.17         |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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|-------------------------|----------|----------|
| Chief Financial Officer | Director | Director |



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

For the three months period ended 31 March 2019

|  | Three months period ended |       |
|--|---------------------------|-------|
|  | 31 Mar 31 Mar             |       |
|  | 2019                      | 2018  |
|  | (Rupees in '000)          |       |
| Profit/(Loss) for the period after taxation      | 10,350                    | 1,025 |
| Other comprehensive income for the period        | -                         | -     |
| Total comprehensive income/(loss) for the period | 10,350                    | 1,025 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Financial Officer Director Director



#### **Condensed Interim Cash Flow Statement (Un-audited)**

For the three months period ended 31 March 2019

| For the three months period ended 31 March 2019                | Three months                             | period ended |
|--|--|--------------|
|  | 31 March                                 | 31 March     |
|  | 2019                                     | 2018         |
|  | (Rupees                                  | in '000)     |
| CASH FLOWS FROM OPERATING ACTIVITIES                           |  |              |
| Profit /(Loss) before taxation                                 | 14,338                                   | 1,472        |
| Adjustments for  |  |              |
| Adjustments for: Finance Costs                                 | 5,543                                    | 4,026        |
| Depreciation and amortisation                                  | 11,964                                   | 9,265        |
| Provision against staff gratuity                               | 3,495                                    | 2,978        |
| Provision against other staff retirement benefits              | 618                                      | 681          |
| Return on bank deposits - under markup arrangements            | (10)                                     | (11)         |
| (Gain)/Loss on disposal of operating fixed assets              | (107)                                    | (2,413)      |
| (,   | 21,503                                   | 14,526       |
|  | 35,841                                   | 15,998       |
| Decrease / (Increase) in assets:                               |  |              |
| Stores and spares  | (768)                                    | 1,608        |
| Stock-in-trade   | (17,977)                                 | (36,162)     |
| Trade debts  | (14,640)                                 | 9,434        |
| Loans to employees   | (616)                                    | (416)        |
| Long term deposits   | -  | 7            |
| Advances, prepayments and other receivables                    | (2,840)                                  | 6,603        |
|  | (36,841)                                 | (18,926)     |
| (Decrease) / increase in current liabilities:                  | 20.000                                   | 00.557       |
| Trade and other payables                                       | 62,229                                   | 36,557       |
|  | 61,229                                   | 33,629       |
| Income tax paid  | (17,200)                                 | (14,473)     |
| Staff gratuity paid  | (1,277)                                  | (8,521)      |
| Other staff retirement benefits paid                           | (1,346)                                  | (8,234)      |
| Return received on bank deposits - under markup arrangement    | nts 10                                   | 11           |
| Finance costs paid   | (3,782)                                  | (4,377)      |
|  | (23,595)                                 | (35,594)     |
| Net cash flows from operating activities                       | 37,634                                   | (1,965)      |
| CASH FLOWS FROM INVESTING ACTIVITIES                           |  |              |
| Capital expenditure  | (5,410)                                  | (8,832)      |
| Proceeds from disposal of operating fixed assets               | 2,984                                    | 8,332        |
| Net cash flows from investing activities                       | (2,426)                                  | (500)        |
| -  | (-, :)                                   | ()           |
| CASH FLOWS FROM FINANCING ACTIVITIES                           |  |              |
| Dividend paid  | -  | (1)          |
| Lease repayment  | (226)                                    | (22.222)     |
| Short term borrowings - Karobar and Salam finances             | (25,000)                                 | (30,000)     |
| Net cash generated from financing activities                   | (25,226)                                 | (30,001)     |
| Net increase / (decrease) in cash and cash equivalents during  | g the period 9,982                       | (32,466)     |
| Cash and cash equivalents at beginning of the period           | 43,600                                   | 32,547       |
| Cash and cash equivalents at end of the period                 | 53,582                                   | 81           |
| Cash and cash equivalents at end of the period comprise        | es of:                                   | <del></del>  |
|  |  | 00.000       |
| - Cash and bank balances                                       | 53,582                                   | 20,088       |
| - Short term borrowing - running finance                       | -  | (20,007)     |
|  | <u>53,582</u>                            | 81           |
| The annexed notes from 1 to 19 form an integral part of this c | condensed interim financial information. |              |
| Part of this c   | S. S.                                    | _            |
|  | 2/2                                      |              |

Chief Financial Officer

Director

Director



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

For the three months period ended 31 Mar 2019

|  | Issued,                               | Capital<br>Reserve                     | Reserves           |                       | Total             |         |
|--|---------------------------------------|--|--------------------|-----------------------|-------------------|---------|
|  | Subscribed<br>and paid-<br>up capital | Surplus on revaluation of fixed assets | General<br>reserve | Unappropriated profit | Total<br>Reserves |         |
|  |                                       |  | (Rupee             | s in '000)            |                   |         |
| Balance as at 1 January 2018   | 61,226                                | 192,957                                | 6,000              | 91,737                | 97,737            | 351,920 |
| Total comprehensive income for the period<br>Profit after taxation   | -                                     |  | -                  | 1,025                 | 1,025             | 1,025   |
| Transferred from surplus on revaluation of property, plant and equipment (on disposal of revalued assets)        |                                       | (1,004)                                |                    | 1,434                 | 1,434             | 430     |
| Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation) | -                                     | (1,700)                                | -                  | 1,700                 | 1,700             | -       |
| Balance as at 31 Mar 2018  | 61,226                                | 190,253                                | 6,000              | 95,897                | 101,897           | 353,375 |
| Balance as at 1 January 2019   | 61,226                                | 382,962                                | 6,000              | 117,279               | 123,279           | 567,467 |
| Total comprehensive income for the period<br>Profit after taxation   | -                                     |  | -                  | 10,350                | 10,350            | 10,350  |
| Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation) | -                                     | (2,480)                                | -                  | 2,480                 | 2,480             | -       |
| Balance as at 31 Mar 2019  | 61,226                                | 380,482                                | 6,000              | 130,109               | 136,109           | 577,817 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director

Director

Sulte



For the months period ended 31 March 2019

#### STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a public limited company in November 1986. Its shares are listed on the Pakistan Stock Exchange Limited (formerly Karachi and Lahore Stock Exchanges). The principal activity of the Company is manufacture and sale of home and personal care products.

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

#### 2. BASIS OF PRESENTATION

#### 2.1 Statement of compliance

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 (formerly Karachi and Lahore Stock Exchanges).
- 2.3 This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2018
- 2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2018 has been extracted from the audited financial statements of the Company for the year ended 31 December 2018, 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 2018 (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.



#### Notes to the Condensed Interim Financial Information (Un-audited) For the months period ended 31 March 2019

#### 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 judgment's 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 2018.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning / ending on or after 01 January 2019:

- 'IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- 'IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programme's. Based on an initial assessment, the management is of the view that the impact on the adoption of the standard would not be significant.
- 'IFRS 9 'Financial Instruments' and amendment Prepayment Features with Negative Compensation (effective for annual periods ending on or after 30 June 2019). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Based on an initial assessment of changes required in classification and measurement of financial instruments on the adoption of the standard, the management considers that the impact would not be significant.
- 'IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.



Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Based on an initial assessment, the management is of the view that the impact of this change is not likely to be material.

- 'Amendment to IAS 28 'Investments in Associates and Joint Ventures' Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- 'Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- 'Amendment to IFRS 3 'Business Combinations' Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- 'Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgment's when preparing their general purpose financial statements in accordance with IFRS Standards.
- 'Annual Improvements to IFRS Standards 2015–2017 Cycle the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement the
    amendment aims to clarify the accounting treatment when a company
    increases its interest in a joint operation that meets the definition of a
    business. A company remeasures its previously held interest in a joint
    operation when it obtains control of the business. A company does not
    remeasure its previously held interest in a joint operation when it
    obtains joint control of the business.



- IAS 12 Income Taxes the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

The above amendments are not likely to have an impact on Company's financial statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2018.

#### 5. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial risk management objectives and policies are consistent with those disclosed in 'the financial statements for the year ended 31 December 2018.

For the three months period ended 31 Mar 2019

| 6. | PROPERTY, PLANT AND EQUIPMENT |     | 31 March<br>2018<br>(Un-audited)<br>(Rupees | 31 December<br>2018<br>(Audited)<br>in '000) |
|----|-------------------------------|-----|---|--|
|    | Operating fixed assets        | 6.1 | 694,246                                     | 702,474                                      |
|    | Capital work-in-progress      | 6.2 | 10,312                                      | 11,471                                       |
|    |                               |     | 704,558                                     | 713,945                                      |

#### 6.1 Operating fixed assets

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

|     |                                |           | Dispos           | sposals                  |  |
|-----|--------------------------------|-----------|------------------|--------------------------|--|
|     |                                | Additions | Cost             | Accumulated depreciation |  |
|     |                                | (         | (Rupees in '000) |                          |  |
|     | Plant, machinery and equipment | 2,197     | 112              | 21                       |  |
|     | Furniture and Fixtures         | 397       | 146              | 86                       |  |
|     | Vehicles                       | 3,270     | 4,123            | 1,656                    |  |
|     | Computers                      | 705       | 461              | 211                      |  |
|     |                                | 6,569     | 4,842            | 1,974                    |  |
| 6.2 | Capital work-in-progress       |           |                  |                          |  |
|     | Opening balance                |           | 11,471           | 26,246                   |  |
|     | Additions during the period    |           | 5,410            | 65,161                   |  |
|     |                                | _         | 16,881           | 91,407                   |  |
|     | Transfers during the period    |           | (6,569)          | (79,936)                 |  |
|     |                                | 6.2.1     | 10,312           | 11,471                   |  |

**<sup>6.2.1</sup>** This represents plant, machinery and equipment, furniture and fixtures .

#### **6.2.2** Following are the details of the additions and transfers of capital work-in-progress during the period:

|                                | Additions<br>(Rupees i | Transfers<br>n '000) |
|--------------------------------|------------------------|----------------------|
| Plant, machinery and equipment | 4,692                  | 2,197                |
| Furniture and fixtures         | 13                     | 397                  |
| Vehicles                       | -                      | 3,270                |
| Computers                      | 705                    | 705                  |
|                                | 5,410                  | 6,569                |



8.

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

For the three months period ended 31 Mar 2019

7. DEFERRED TAX ASSET - net

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

|  | Balance at<br>01 January<br>2019 | Recognized<br>in profit and<br>loss | Balance at 31<br>March 2019 |
|--|----------------------------------|-------------------------------------|-----------------------------|
|  |                                  | (Rupees in '000)                    |                             |
| Taxable temporary differences on:            |                                  |                                     |                             |
| - accelerated tax depreciation               | (19,822)                         | 257                                 | (19,565)                    |
| - surplus on revaluation of property, plant  |                                  |                                     |                             |
| and equipment                                | (60,899)                         | 879                                 | (60,020)                    |
| - Leased Vehicle                             | (67)                             | 15                                  | (52)                        |
|  | (80,788)                         | 1,151                               | (79,637)                    |
| Deductible temporary differences on:         |                                  |                                     |                             |
| - provision for defined benefit plans        | 25,660                           | 377                                 | 26,037                      |
| - provision against slow moving and obsolete |                                  |                                     |                             |
| stock and doubtful trade debts               | 8,651                            | -                                   | 8,651                       |
| - tax losses (note 7.1)                      | 45,497                           | (5,422)                             | 40,075                      |
|  | 79,808                           | (5,045)                             | 74,763                      |
| Deferred tax asset - net                     | (980)                            | (3,894)                             | (4,874)                     |
|  |                                  |                                     |                             |

- 7.1 This includes deferred tax of Rs. 12.24million (2018: Rs. 12.24 million) recorded on unabsorbed tax depreciation and amortisation.
- **7.2** Deferred tax liability(net) has been recognised at the rate applicable when the asset is realised or the liability is expected to be settled
- 7.3 The tax expense for the period includes deferred tax expense (net) of Rs. 3.894 million.
- 7.4 The management has recorded deferred tax asset based on financial projections indicating the absorption of deferred tax asset over a number of future years against future expected taxable profits. The financial projections involve certain key assumptions such as sales price and composition, raw materials, 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.

| STOCK-IN-TRADE  | 31 March         | 31 December                           |  |
|---|------------------|---------------------------------------|--|
|   | 2019             | 2018                                  |  |
|   | (Un-audited)     | (Audited)                             |  |
|   | (Rupees in '000) |                                       |  |
| Raw material - in hand                                | 82,032           | 64,303                                |  |
| - in transit  | 3,105            | 24,875                                |  |
|   | 85,137           | 89,178                                |  |
| Packing material                                      | 24,514           | 20,874                                |  |
| Work-in-progress                                      | 10,062           | 7,814                                 |  |
| Finished goods  | 101,560          | 85,429                                |  |
|   | 221,273          | 203,295                               |  |
| Provision against slow moving items of stock-in-trade | (16,363)         | (16,363)                              |  |
|   | 204,910          | 186,932                               |  |
|   |                  | · · · · · · · · · · · · · · · · · · · |  |



For the three months period ended 31 Mar 2019

| 9.  | TRADE DEBTS  |         | 30 March<br>2019<br>(Un-audited)<br>(Rupees | 31 December<br>2018<br>(Audited)<br>5 in '000) |
|-----|--|---------|---|--|
|     | Considered good Considered doubtful  |         | 60,828<br>8,239                             | 46,188<br>8,239                                |
|     |  |         | 69,067                                      | 54,427   |
|     | Provision against doubtful debts   |         | (8,239)                                     | (8,239)  |
|     |  |         | 60,828                                      | 46,188   |
| 10. | ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES  |         |   |  |
|     | Considered good<br>Advance   |         |   |  |
|     | - for taxation   |         | 107,940                                     | 90,740   |
|     | - to sales staff   |         | 502   | 502  |
|     | Advances to suppliers and contractors  |         | 2,098                                       | 3,489  |
|     | Prepayments  |         | 6,753                                       | 2,859  |
|     | Current maturity of loans to employees Other receivables                           |         | 1,323<br>477                                | 1,006<br>140                                   |
|     | Other receivables  |         | 119,093                                     | 98,736   |
|     | Considered doubtful  |         |   |  |
|     | Advances to suppliers and contractors Less: Provision held                         |         | 803<br>(803)                                | 803<br>(803)                                   |
|     | Edds. Frovision field  |         | -   | -  |
|     | Advances, prepayments and other receivables - net                                  |         | 119,093                                     | 98,736   |
| 11. | CASH AND BANK BALANCES   |         |   |  |
|     | Cash in hand   |         | 356   | 165  |
|     | Cash at banks  |         | 40 F4C                                      | 20.744   |
|     | <ul><li>Collection accounts ( current accounts)</li><li>Current accounts</li></ul> |         | 48,516<br>4,672                             | 36,711<br>6,639                                |
|     | - Profit & loss sharing accounts   | 11.1    | 38  | 84   |
|     | 1 Total & 1000 origining doodding  | , , , , | 53,226                                      | 43,434   |
|     |  |         |   |  |
|     |  |         | 53,582                                      | 43,599   |

**11.1** This carries interest rate ranging from 7.0% to 8.75% (31 December 2018: 3.5% to 4.5%) per annum.



For the three months period ended 31 Mar 2019

| 12. | TRADE AND OTHER PAYABLES                     |      | 31 March<br>2019<br>(Un-audited)<br>(Rupee | 31 December<br>2018<br>(Audited)<br>es in '000) |
|-----|--|------|--|---|
|     | Trade creditors                              |      | 112,124                                    | 58,348  |
|     | Accrued expenses                             |      | 109,543                                    | 89,472  |
|     | Advance from customers                       |      | 38,827                                     | 43,147  |
|     | Sales tax payable                            |      | 23,700                                     | 28,256  |
|     | Deposit from employees against vehicles      |      | 3,141                                      | 3,089   |
|     | Accrued mark-up on short term borrowings     |      | 4,264                                      | 2,502   |
|     | Workers' welfare fund                        |      | 940  | 918   |
|     | Workers' profit participation fund           |      | 1,674                                      | 3,116   |
|     | Other liabilities                            |      | 1,178                                      | 2,634   |
|     |  |      | 295,391                                    | 231,482   |
| 13. | SHORT TERM BORROWINGS                        |      |  |   |
|     | Istisna and Salam finances - under shariah   |      |  |   |
|     | arrangements                                 | 13.1 | 165,000                                    | 190,000   |
|     | Running finance - under mark-up arrangements | 13.2 | <del></del> -                              | -   |
|     |  |      | <u>165,000</u>                             | 190,000   |

- These facilities, representing Istisna and Salam facilities, are available from certain commercial banks up to Rs. 270 million (31 December 2018: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% to 1% (31 December 2018: 6 months KIBOR+0.5% to 1%) per annum and are repayable on 12 April 2018 to 23 July 2019 (31 December 2018: 18 February 2019 to 10 June 2019). The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 31 March 2019, unutilised facilities aggregated to Rs. 105 million (31 December 2018 Rs. 80 million). These unutilised facilities, being sub limit of the above available facility of Rs. 270 million, include Murabaha, Istisna, Salam, Karobar and LC usance facilities.
- **13.2** At 31 March 2019, unutilised facilities for running finance aggregated to Rs. 200 million (31 December 2018: Rs. 200 million).
- 13.3 At 31 March 2019, unutilised letter of credit facilities from certain banks amounted to Rs. 260 million (31 December 2018: Rs. 357.85 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 300 million (31 December 2018: Rs. 300 million).

#### 14. CONTINGENCIES AND COMMITMENTS

#### 14.1 Contingencies

**14.1.1** Bank guarantees aggregating to Rs. 7.02 million (31 December 2018: Rs. 7.02 million) have been issued in favor of Sui Southern Gas Company Limited for the supply of natural gas. A 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 2018: Rs. 1.3 million).



For the three months period ended 31 Mar 2019

14.1.2 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. During the current year ended 31 December 2018, CIR(A) 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.

14.1.3 Income Tax Assessments of the Company have been completed up to and including the financial year ended 31 December 2017 with the exception of accounting years 2007, 2011, 2012, 2014, and 2015. For financial 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 favorable decision is expected and therefore the subject demand is expected to be quashed.

Furthermore, on 21 April 2015, an order under sub-section (5A) of section 122 of the Income Tax Ordinance, 2001 was passed by the Additional Commissioner Inland Revenue for the financial 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 favorable decision is expected and therefore the subject demand is expected to be quashed.

14.1.4 Return for the financial 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 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 alledged 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 alledged 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.

14.1.5 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 current year, these appeals were partly decided in favor of the Company by the CIR(A), allowing the Company expenses amounting to Rs. 15.70 million (for year ended 31 December 2015) and Rs. 36.6 million (for year ended 31 December 2016). The tax authorities have filed appeals before the ATIR against the CIR(A)'s order to allow relief to the Company. The Company expects a decision in its favor. Due to the allowance of these losses, the Company during the year has recognised the related tax benefit for the losses.

#### 14.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 37.7 million (31 December 2018 : Rs. 25.657 million).

Three months period ended

| 15. | SALES - net                 | 31 March<br>2019                   | 31 March<br>2018                  |
|-----|-----------------------------|------------------------------------|-----------------------------------|
|     |                             | (Rupees i                          | in '000)                          |
|     | Gross sales                 | 660,728                            | 473,783                           |
|     | Sales tax<br>Trade discount | (105,217)<br>(61,540)<br>(166,757) | (75,653)<br>(42,029)<br>(117,682) |
|     |                             | 493,971                            | 356,100                           |



For the three months period ended 31 Mar 2019

|                                     | Three months period ended |           |
|-------------------------------------|---------------------------|-----------|
|                                     | 31 March                  | 31 March  |
| 16. COST OF SALES                   | 2019                      | 2018      |
|                                     | (Rupees                   | in '000)  |
| Raw & packing material consumed     | 300,583                   | 235,924   |
| Stores and spares consumed          | 994                       | 1,321     |
| Salaries, wages and other benefits  | 36,715                    | 29,502    |
| Contribution to provident fund      | 617                       | 525       |
| Repair and maintenance              | 71                        | 81        |
| Fuel and power                      | 4,055                     | 3,493     |
| Water Charges                       | -                         | 36        |
| Rent, rates and taxes               | 405                       | 843       |
| Insurance                           | 664                       | 600       |
| Product research and development    | -                         | 17        |
| Travelling and conveyance           | 720                       | 745       |
| Printing and stationery             | 29                        | 50        |
| Postage and telephones              | 97                        | 103       |
| Legal and professional charges      | 11                        | 91        |
| Subscription charges                | 34                        | 13        |
| Depreciation and amortization       | 8,228                     | 5,328     |
| Freight and handling charges        | 3,173                     | 3,364     |
| Finished Goods purchased for resale | 4,299                     | -         |
| Others                              | 466                       | 140       |
|                                     | 361,161                   | 282,174   |
| Opening stock of work-in-process    | 7,814                     | 6,379     |
| Closing stock of work-in-process    | (10,062)                  | (4,118)   |
| Cost of good manufactured           | 358,913                   | 284,435   |
| Opening stock of finished goods     | 85,430                    | 77,963    |
| Closing stock of finished goods     | (101,560)                 | (105,574) |
|                                     | (16,130)                  | (27,611)  |
|                                     | 342,783                   | 256,825   |

**<sup>16.1</sup>** Salaries, wages and other benefits include Rs.2.389 million (31 March 2017: Rs.2.358 million) in respect of the accrual defined benefit obligations of the Company and contribution of Rs.0.607million (31 March,2017: Rs. 0.525 million) to the fund.

#### 17. SELLING AND DISTRIBUTION EXPENSES

| Salaries, wages and other benefits | 34,321 | 29,251 |
|------------------------------------|--------|--------|
| Utility charges                    | 115    | 82     |
| Repair and maintenance             | 15     | 105    |
| Rent, rates and taxes              | 1,812  | 1,477  |
| Depreciation and amortization      | 1,928  | 1,844  |
| Legal and Professional fee         | 300    | 369    |
| Postage, telegram and telephone    | 477    | 250    |
| Printing and stationery            | 72     | 78     |
| Travelling and conveyance          | 4,409  | 4,136  |
| Contribution to Provident Fund     | 895    | 719    |
| Insurance expense                  | 478    | 514    |
| Advertising expense                | 22,583 | 13,042 |
| Freight and handling charges       | 15,024 | 13,053 |
| Product research and development   | 895    | 3,580  |
| Meeting expenses                   | 105    | 51     |
| Others                             | 895    | 437    |
|                                    | 84,324 | 68,987 |

<sup>17.1</sup> Salaries, wages and other benefits include Rs. 0.627 million (31 March 2017: Rs. 0.51million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.884 million



For the three months period ended 31 Mar 2019

#### 18. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Details of transactions with the related parties are as follows:

|  | Three months period ended |        |
|--|---------------------------|--------|
|  | 31 Mar                    | 31 Mar |
|  | 2019                      | 2018   |
|  | (Rupees in '000)          |        |
| Other related parties  |                           |        |
| Contribution to the employees' provident fund                    | <u>2,126</u>              | 1,799  |
| Directors and Chief Executive Officer (Key management personnel) |                           |        |
| Remuneration   | 10,578                    | 7,748  |
| Other directors remuneration -Meeting Fees                       | 280                       | 240    |
| Other Key Management Personnel                                   |                           |        |
| Managerial remuneration (excluding directors                     |                           |        |
| and Chief Executive Officer)                                     | 15,782                    | 13,727 |
|  |                           |        |

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

#### 19 GENERAL

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

The Board of Directors in its meeting held on March 27, 2019 had proposed a cash dividend of Rs1.50 per share (31 Dec 2017: Rs 1.25 per share) amounting to Rs.9.184 million (31 Dec 2018:7.653 Mn) for approval of the members and the members of the company approved the same in Annual General Meeting held on April 29, 2019. The financial statements for the quarter ended March 31, 2019 do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the period ending 30 June 2019.

**19.2** This condensed interim financial information were authorised for issue on 29, April 2019 by the board of directors of the Company.

Chief Financial Officer Director Director





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