



Half Yearly Report
January - June
2017



Content

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



Corporate Information

Board of Directors

Mrs. Ferial Ali Mehdi
Chairman

Syed Hasnain Ali
Non-Executive Director

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Mujahid Hamid
Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director

Mr. Qaisar Mufti (Nominee NIT)
Non-Executive Director

Mr. Mubashir Hasan Ansari
Executive Director and
Chief Executive Officer

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Qaisar Mufti (Nominee NIT)
Member

Human Resource & Remuneration Committee

Mr. Kemal Shoaib
Chairman

Mrs. Ferial Ali Mehdi
Member

Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

Company Secretary & Chief Financial Officer

Mr. Ata-ur-Rehman Shaikh

Statutory Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Hussain & Haider, Advocates

Registered Office

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

Factory

Link Hali Road, Hyderabad - 71000

Bankers

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

Shares Registrars

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



Directors' Review

The Directors of the Company are pleased to present the unaudited financial results of the company for the six month ended June 30, 2017.

Summary of Business Performance

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

Gross sales revenue increased by 5% as compare to same period last year. Gross profit ratio increased from 22% in 2016 to healthy 29% in 2017 due to timely implementation of pricing decisions, better supply chain decisions and various cost saving initiatives. Fixed factory and marketing over heads remained under control. Effective working capital management has contributed towards controlling of financial costs.

Financial Position at a Glance

	Six month period from January to June	
	2017	2016
Gross Sales	964M	919M
Net Sales	720M	688M
Gross Profit	206M	153M
Gross Profit %	29%	22%
Profit/(Loss) after taxation	(3.5M)	(38.7M)

Future Outlook

Management is confident that with this re-launch coupled with new advertisement on leading media channels, digital marketing, and more efficient trade promotion programs the company will able to further strengthen its consumer base.

Although the authorities have revised the minimum import values to check easy influx of cheaper imported soaps it is however still not proving sufficient enough and such imports are still enjoying tax and duties evasion. Management is collaborating with Pakistan Soap Manufacturers Association to persuade authorities to provide for level playing field to local soap industry.

To further strengthen the market share, the Company is committed in maintaining the quality of its products and will keep assessing the needs of consumers and trade customers.

Acknowledgement

We wish to thank our customer for their continued support. We also take this opportunity to thank our supplier, bankers, and distributors for providing us their valuable support. Finally we wish to thank our staff members for their commitment towards the development of the company.

For and on behalf of the Board of Directors

Mubashir Hasan Ansari
Chief Executive Officer

Karachi : August 25, 2017



Auditor's Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of ZIL Limited ("the Company") as at 30 June 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended 30 June 2017 have not been reviewed and we do not express a conclusion on them.

Date: 25th August, 2017

Karachi

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




Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2017

		30 June 2017 (Un-audited)	31 December 2016 (Audited)
	Note	(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	471,721	483,319
Intangible assets		418	578
Long term deposits		5,189	5,239
Long term loans to employees		778	93
Deferred tax asset - net	7	32,917	31,372
Total non-current assets		511,023	520,601
CURRENT ASSETS			
Stores and spares		19,483	17,000
Stock-in-trade	8	157,207	156,163
Trade debts	9	23,020	25,829
Advances, prepayments and other receivables	10	129,776	78,926
Cash and bank balances	11	41,833	38,005
Total current assets		371,319	315,923
TOTAL ASSETS		882,342	836,524
EQUITY AND LIABILITIES			
EQUITY			
Authorised capital 10,000,000 (31 December 2016: 10,000,000) ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital		61,226	61,226
Reserves		75,260	77,940
		136,486	139,166
Surplus on revaluation of property, plant and equipment - net of tax		199,518	203,371
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term deposits		50	450
Deferred staff liabilities		93,395	91,252
		93,445	91,702
CURRENT LIABILITIES			
Trade and other payables	12	176,519	158,743
Short term borrowings	13	262,848	230,004
Taxation		13,526	13,538
		452,893	402,285
TOTAL EQUITY AND LIABILITIES		882,342	836,524
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Saad Amanullah Khan
Director



Condensed Interim Profit and Loss Account (Un-audited)

For the three months and six months period ended 30 June 2017

		Six months period ended		Three months period ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
Note ----- (Rupees in '000) -----					
Sales - net	15	720,295	688,056	402,824	385,808
Cost of sales	16	(514,247)	(535,235)	(292,136)	(291,536)
Gross profit		206,048	152,821	110,688	94,272
Selling and distribution expenses	17	(156,272)	(154,512)	(87,994)	(87,802)
Administrative expenses		(49,692)	(43,909)	(26,361)	(22,916)
		(205,964)	(198,421)	(114,355)	(110,718)
		84	(45,600)	(3,667)	(16,446)
Other income		5,408	1,363	3,966	702
Other charges		(296)	(57)	(191)	(56)
		5,196	(44,294)	108	(15,800)
Finance cost		(10,110)	(10,534)	(5,652)	(5,265)
Loss before taxation		(4,914)	(54,828)	(5,544)	(21,065)
Taxation	7	1,440	16,166	1,739	6,124
Loss for the period		(3,474)	(38,662)	(3,805)	(14,941)
		(Rupees)		(Rupees)	
Loss per share - basic and diluted		(0.57)	(6.31)	(0.62)	(2.44)

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

Ata-ur-Rehman Shaikh
Chief Financial Officer

Mubashir Hasan Ansari
Chief Executive Officer

Saad Amanullah Khan
Director




Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months and six months period ended 30 June 2017

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----			
Loss for the period after taxation	(3,474)	(38,662)	(3,805)	(14,941)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u><u>(3,474)</u></u>	<u><u>(38,662)</u></u>	<u><u>(3,805)</u></u>	<u><u>(14,941)</u></u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Saad Amanullah Khan
Director



Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2017

	Six months period ended	
	30 June 2017	30 June 2016
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,914)	(54,828)
Adjustments for:		
Finance Costs	10,110	10,534
Depreciation and amortisation	18,086	15,888
Provision against staff gratuity	5,295	5,119
Provision against other staff retirement benefits	1,203	1,417
Return on bank deposits	(23)	(22)
Gain on disposal of operating fixed assets	(1,020)	(135)
	<u>33,651</u>	<u>32,801</u>
	28,737	(22,027)
(Increase) / decrease in assets:		
Stores and spares	(2,483)	(1,612)
Stock-in-trade	(1,044)	63,116
Trade debts	2,809	(12,382)
Loans to employees	(1,649)	189
Long term deposits	50	-
Advances, prepayments and other receivables	(35,152)	(4,138)
	<u>(37,469)</u>	<u>45,173</u>
(Decrease) / increase in current liabilities:		
Trade and other payables	15,675	32,730
	<u>6,943</u>	<u>55,876</u>
Income tax paid	(14,850)	(7,620)
Staff gratuity paid	(2,465)	(7,905)
Other staff retirement benefits paid	(1,888)	(4,014)
Return received on bank deposits	23	22
Finance costs paid	(8,146)	(8,996)
	<u>(27,326)</u>	<u>(28,513)</u>
Net cash flows from operating activities	(20,383)	27,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(7,751)	(20,533)
Proceeds from disposal of operating fixed assets	2,443	1,123
Net cash flows from investing activities	(5,308)	(19,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,925)	(53)
Long-term deposits paid	(400)	-
Short term borrowings - Istisna and Salam finances	(15,000)	25,000
Net cash flows from financing activities	(18,325)	24,947
Net (decrease) / increase in cash and cash equivalents during the period	<u>(44,016)</u>	<u>32,900</u>
Cash and cash equivalents at beginning of the period	38,001	(1,626)
Cash and cash equivalents at end of the period	(6,015)	31,274
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	41,833	31,274
- Short term borrowing - running finance	(47,848)	-
	<u>(6,015)</u>	<u>31,274</u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.

Ata-ur-Rehman Shaikh
Chief Financial Officer

Mubashir Hasan Ansari
Chief Executive Officer

Saad Amanullah Khan
Director

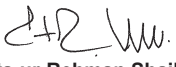


Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 30 June 2017

	Issued, subscribed and paid up capital	Reserves		Total
		General reserve	Un-appro- priated profit	
(Rs. in '000)				
Balance as at 1 January 2016	61,226	6,000	65,300	132,526
Total comprehensive income for the period				
Loss after taxation	-	-	(38,662)	(38,662)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)				
	-	-	1,998	1,998
Balance as at 30 June 2016	<u>61,226</u>	<u>6,000</u>	<u>28,636</u>	<u>95,862</u>
Balance as at 1 January 2017	61,226	6,000	71,940	139,166
Total comprehensive income for the period				
Loss after taxation	-	-	(3,474)	(3,474)
Cash dividend for the year ended 31 December 2016 (Rs. 0.5 per unit) - approved in annual general meeting held on 27 April 2017	-	-	(3,062)	(3,062)
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)				
	-	-	3,856	3,856
Balance as at 30 June 2017	<u><u>61,226</u></u>	<u><u>6,000</u></u>	<u><u>69,260</u></u>	<u><u>136,486</u></u>

The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Saad Amanullah Khan
Director



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

For the six months period ended 30 June 2017

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed interim financial information of the Company for the six months period ended 30 June 2017 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 These are un-audited financial statements. However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. Further, the figures in the condensed interim financial information for the quarter ended 30 June 2016 and 30 June 2017 have not been reviewed by the auditors.

2.3 These condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016.

2.4 The comparative balance sheet presented in these condensed interim financial information as at 31 December 2016 have been extracted from the audited financial statements of the Company for the year ended 31 December 2016, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement have been extracted from the unaudited condensed interim financial information for the three months and six months period ended 30 June 2016 (as applicable).

2.5 Functional and presentation currency

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

2.6 Use of judgments and estimates

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



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

For the six months period ended 30 June 2017

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

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

New Standards, Interpretations and Amendments

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

- Amendments to IAS 12 'Income Taxes';
- Amendments to IAS 7 'Statement of Cash Flows';
- Amendments to IFRS 2 'Share-based Payment';
- Amendments to IAS 40 'Investment Property' - Transfers of Investment Property ;

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities'; and
- Amendments to IAS 28 'Investments in Associates and Joint Ventures'.

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

Companies Act, 2017 was enacted on 30 May 2017 and is applicable with immediate effect SECP through its press release and vide its circular 17 of 2017 has clarified that the companies whose financial year including the quarterly and other interim period, closes on or before 30 June 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirement of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after 30 June 2017.

Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to the treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of property, plant and equipment to bring it in line with the requirements of IAS 16 – Property, plant and equipment. This would result in increase in equity by Rs. 199.518 million (31 December 2016: 203.371 million).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

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



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

For the six months period ended 30 June 2017

	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	448,887	461,123
Capital work-in-progress	6.3	22,834	22,196
		<u>471,721</u>	<u>483,319</u>

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
		(Rs. in '000)	
Building on freehold land	87	-	-
Plant, machinery and equipment	5,795	-	-
Capital Spares	366	-	-
Furniture and Fixtures	94	32	3
Computers	771	432	402
Vehicles	-	3,628	2,264
	<u>7,113</u>	<u>4,092</u>	<u>2,669</u>

6.2 At 30 June 2017, the written down value of the temporarily idle property, plant and equipments comprising leasehold land and building and improvements on leasehold land thereon amounted to Rs. 86.8 million and Rs 1.7 million respectively.

	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
6.3 Capital work-in-progress			
Opening balance		22,196	3,068
Additions during the period		<u>7,751</u>	<u>48,705</u>
		29,947	51,773
Transfers during the period		<u>(7,113)</u>	<u>(29,577)</u>
	6.3.1	<u>22,834</u>	<u>22,196</u>



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

For the six months period ended 30 June 2017

6.3.1 This represents plant, machinery and equipment of Rs. 21.006 million and advance of Rs. 1.828 million for the purchase of vehicles.

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

	Additions (Rs. in '000)	Transfers
Building on freehold land	-	87
Plant, machinery and equipment	4,924	5,795
Capital Spares	366	366
Furniture and fixtures	79	94
Computers	574	771
Vehicles	1,808	-
	<u>7,751</u>	<u>7,113</u>

7. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2017	Recognized in Profit and Loss	Balance at 30 June 2017
	----- (Rs. in '000) -----		
Taxable temporary differences on:			
- accelerated tax depreciation	(25,830)	1,125	(24,705)
- surplus on revaluation of property, plant and equipment	(48,569)	1,652	(46,917)
	<u>(74,399)</u>	<u>2,777</u>	<u>(71,622)</u>
Deductible temporary differences on:			
- provision for defined benefit plans	27,375	643	28,018
- provision against slow moving and obsolete stock and doubtful trade debts	10,267	-	10,267
- tax losses (note 7.1)	68,129	(1,875)	66,254
	<u>105,771</u>	<u>(1,232)</u>	<u>104,539</u>
Deferred tax asset - net	<u>31,372</u>	<u>1,545</u>	<u>32,917</u>

7.1 Includes deferred tax of Rs. 13.6 million (31 December 2016: Rs. 14.31 million) recorded on unabsorbed tax depreciation and amortisation.



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

For the six months period ended 30 June 2017

- 7.2** The management has recorded deferred tax asset based on financial projections indicating the absorption of deferred tax asset over a number of future years against future expected taxable profits. The financial projections involve certain key assumptions such as sales price and composition, raw materials, labour prices and distribution channels, etc. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset. Nonetheless, the management is confident of the achievement of its targeted results.
- 7.3** In view of loss for the year ended 31 December 2015, provision for tax for the year ended 31 December 2015, including the minimum tax under the Income Tax Ordinance, 2001, was not made in the financial statements for the year ended 31 December 2015. The Company had obtained an opinion from a tax advisor based on which it believes that it is not required to pay tax under section 113 of the Income Tax Ordinance, 2001, in view of gross loss for the year ended 31 December 2015, before the set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001 (as under the above section minimum tax is not payable in case of gross loss before the set off of depreciation and other inadmissible expenses). However, Finance Act 2016 has deleted the said proviso of gross loss. The management, believes that the minimum tax for the years 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. 13.531 million has not been made. Similarly for the accounting year ended 31 December 2016 and for the current six months period ended 30 June 2017 provision for minimum tax amounting to Rs. 15.865 million and Rs. 9.771 million respectively has not been made since the Company expects to adjust the same against its future tax liability under normal tax regime within the time limit as specified for adjustment of minimum tax under Income Tax Ordinance, 2001.

During the period, the Additional Commissioner Inland revenue passed an order under section 122(5A) of the Income Tax Ordinance, 2001 against the income tax return filed for the tax year 2016 (accounting year ended 31 December 2015) whereby minimum tax liability of Rs. 13.557 million was levied by the taxation authorities and adjusted against refund of Rs. 25.487 million for the tax year 2016 claimed by company. However, the company has filed an appeal with the Commissioner Inland Revenue against above order on the grounds that the Company has declared gross loss before depreciation in terms of proviso to section 113(1) of the Income Tax Ordinance, 2001 and therefore not liable to pay minimum tax liability. The Company expects a favourable decision in light of the opinion obtained from its tax advisors.

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



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

For the six months period ended 30 June 2017

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

Return for the financial year ended 30 June 2007 was selected for audit under section 177 of Income Tax Ordinance 2001 and an amended assessment order dated 30 March 2009 was passed in which certain disallowances were made by the taxation authorities. Disagreeing to the above, the Company filed an appeal before the Commissioner Inland Revenue, Appeal (CIR-A) and also filed an appeal before the CIR-A against the refusal of the Taxation Officer to rectify certain mistakes. The CIR-A vide his order No. 15 and 16 dated 25 October 2011 deleted all the additions except for the alleged unreconciled production of manufactured goods amounting to Rs. 3.3 million. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) vide letter AT 84 dated 13 July 2012 for not allowing relief in respect of the disallowance of Rs. 3.3 million. Further, the tax department has also filed an appeal before ATIR on certain reliefs of Rs. 4.8 million earlier decided in favour of the Company. In the Appellate Order (AO) dated 8 October 2013 passed by the ATIR, the issue of unreconciled production was deleted (decided in favour of the Company) and simultaneously setting aside the same for reverification. In response to it the department filed a miscellaneous appeal in response to which, ATIR passed an assessment order dated 5 May 2015 by remanding back the issue for reverification of unreconciled difference, strictly in the light of history of the case and subsequent years. Following the judgement of ATIR, department has initiated set-aside proceedings. The Company has submitted the response and details regarding unreconciled production. No order has been passed by the department in relation to the set-aside proceedings. The Company expects a decision in its favour.

	30 June 2017 (Un-audited)	31 December 2016 (Audited)
	(Rs. in '000)	
8. STOCK-IN-TRADE		
Raw material - in hand	92,550	55,581
- in transit	420	22,581
	92,970	78,162
Packing material	18,784	18,525
Work-in-progress	8,451	8,785
Finished goods	50,448	64,137
	170,653	169,609
Provision against slow moving items of stock-in-trade	(13,446)	(13,446)
	157,207	156,163



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

For the six months period ended 30 June 2017

	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
9. TRADE DEBTS			
Considered good		23,020	25,829
Considered doubtful		<u>13,529</u>	<u>13,529</u>
		36,549	39,358
Provision against doubtful debts		<u>(13,529)</u>	<u>(13,529)</u>
		<u>23,020</u>	<u>25,829</u>
10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advance			
- for taxation		85,424	70,690
- to sales staff		502	502
Advance for the purchase of inventory		36,622	-
Advances to suppliers and contractors		2,109	4,006
Prepayments		3,250	2,591
Current maturity of loans to employees		1,678	714
Other receivables		<u>191</u>	<u>423</u>
		129,776	78,926
Considered doubtful			
Advances to suppliers and contractors		<u>803</u>	<u>803</u>
Less: Provision held		<u>(803)</u>	<u>(803)</u>
		<u>-</u>	<u>-</u>
		<u>129,776</u>	<u>78,926</u>
11. CASH AND BANK BALANCES			
Cash in hand		358	21
Cash at banks			
- collection accounts (current accounts)		<u>35,100</u>	<u>28,399</u>
- current accounts		<u>6,305</u>	<u>9,471</u>
- profit and loss sharing account	11.1	<u>70</u>	<u>114</u>
		41,475	37,984
		<u>41,833</u>	<u>38,005</u>

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



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

For the six months period ended 30 June 2017

	Note	30 June 2017 (Un-audited)	31 December 2016 (Audited)
(Rs. in '000)			
12. TRADE AND OTHER PAYABLES			
Trade creditors		69,171	60,841
Accrued expenses		45,059	30,213
Advance from customers		24,268	30,722
Sales tax payable (subsequently paid)		22,664	21,956
Deposit from employees against vehicles and equipments		6,454	6,755
Accrued mark-up on short term borrowings		5,571	3,607
Unclaimed dividend		993	856
Workers' welfare fund		938	851
Workers' Profit Participation Fund		325	325
Other liabilities		1,076	2,617
		<u>176,519</u>	<u>158,743</u>

13. SHORT TERM BORROWINGS

Istisna and Salam finances - under shariah arrangements	13.1	215,000	230,000
Running finance - under mark-up arrangements	13.2	47,848	4
		<u>262,848</u>	<u>230,004</u>

13.1 These facilities, representing Istisna and Salam facilities, are available from certain commercial banks up to Rs. 270 million (31 December 2016: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (2016: 6 months KIBOR+0.5%) per annum and are repayable between 4 July 2017 to 18 September 2017. The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 30 June 2017, unutilised facilities aggregated to Rs. 55 million (31 December 2016: Rs. 40 million). These unutilised facilities, being sub limit of the above available facility of Rs. 270 million, include Murabaha, Istisna, Salam, Karobar and LC usance facilities.

13.2 The facilities for running finance of Rs. 350 million (31 December 2016: Rs. 350 million) available from certain commercial banks carries mark-up at 1 month KIBOR+0.71% and 1 month KIBOR+0.75% (31 December 2016: 3 months KIBOR+0.71% and 1 month KIBOR+0.75%) per annum and are valid up to 30 June 2017 and are generally renewable. Above limit include sublimit for bank gaurantee of Rs. 15 million. These facilities are secured by first pari passu charge by way of hypothecation over stocks and book debts of the Company with a margin of 25% and first pari passu hypothecation charge over all present and future current assets of the Company. At 30 June 2017, unutilised facilities for running finance (including the above sub-limit) amounted to Rs. 293.832 million (31 December 2016: Rs. 349.996 million).



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

For the six months period ended 30 June 2017

13.3 At 30 June 2017, unutilised letter of credit facilities from certain banks amounted to Rs. 322.748 million (31 December 2016: Rs. 311.50 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 350 million (31 December 2016: Rs. 350 million).

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Bank guarantees have been issued in favour of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs. 7.02 million (31 December 2016: Rs. 7.02 million) in addition to which security deposit of Rs. 2.786 million has also been given to Sui Southern Gas Company Limited. Bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2016: Rs. 1.3 million) against which security deposit of Rs. 0.65 million have been given.

14.2 Commitment

Commitments under letters of credit for the import of stock in trade items at 31 December 2017 amounted to Rs. 27.252 million (31 December 2016: Rs.14.498 million).

	Six months period ended		Three months period ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- (Rupees in '000) -----			
15. SALES - net				
Gross sales	964,134	919,191	549,581	513,617
Sales tax	(153,954)	(146,330)	(87,733)	(81,853)
Trade discount	(89,759)	(77,075)	(58,898)	(40,590)
Sales return and rebate	(126)	(7,730)	(126)	(5,366)
	<u>(243,839)</u>	<u>(231,135)</u>	<u>(146,757)</u>	<u>(127,809)</u>
	<u>720,295</u>	<u>688,056</u>	<u>402,824</u>	<u>385,808</u>



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

For the six months period ended 30 June 2017

Note	Six months period ended		Three months period ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
----- (Rupees in '000) -----				
16. COST OF SALES				
Raw material consumed	361,987	323,277	203,373	171,994
Packing material consumed	49,380	62,548	24,497	33,351
Salaries, wages and other benefits 16.1	55,155	54,775	28,171	27,511
Depreciation and amortisation	10,062	8,954	5,060	4,504
Fuel and power	6,733	8,035	3,877	4,807
Finished goods purchased	5,400	-	2,400	-
Freight and handling charges	4,625	5,733	1,471	3,267
Stores and spares consumed	1,953	2,256	954	1,069
Rent, rates and taxes	1,271	465	913	455
Insurance	1,193	1,323	597	655
Travelling and conveyance	1,160	1,304	568	597
Water Charges	382	328	240	201
Product research and development	269	28	250	16
Postage and telephones	197	221	121	137
Legal and professional charges	70	38	-	2
Repair and maintenance	53	276	34	118
Printing and stationery	50	63	14	20
Subscription charges	32	24	3	9
Toll manufacturing	-	8,852	-	3,376
Others	252	220	152	152
	<u>500,224</u>	<u>478,720</u>	<u>272,695</u>	<u>252,241</u>
Opening stock of work-in-process	8,785	26,567	8,598	14,473
Closing stock of work-in-process	(8,451)	(9,745)	(8,451)	(9,745)
Cost of good manufactured	<u>500,558</u>	<u>495,542</u>	<u>272,842</u>	<u>256,969</u>
Opening stock of finished goods	64,137	75,413	69,742	70,287
Closing stock of finished goods	(50,448)	(35,720)	(50,448)	(35,720)
	<u>13,689</u>	<u>39,693</u>	<u>19,294</u>	<u>34,567</u>
	<u>514,247</u>	<u>535,235</u>	<u>292,136</u>	<u>291,536</u>

16.1 Salaries, wages and other benefits include Rs. 4.401 million (30 June 2016: Rs. 4.560 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.079 million (30 June 2016: Rs. 1.028 million) to the provident fund.



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

For the six months period ended 30 June 2017

Note	Six months period ended		Three months period ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
----- (Rupees in '000) -----				
17. SELLING AND DISTRIBUTION EXPENSES				
Advertising expense	54,150	49,852	38,800	37,523
Salaries, wages and other benefits 17.1	52,771	52,133	26,483	23,861
Freight and handling charges	25,472	29,000	11,855	13,552
Travelling and conveyance	7,020	7,672	3,529	4,385
Product research and development	3,814	5,164	1,940	2,689
Depreciation and amortisation	3,331	2,781	1,668	1,396
Rent, rates and taxes	2,844	2,399	1,493	1,086
Meeting expenses	2,759	401	34	336
Utility charges	312	276	195	129
Repair and maintenance	126	123	66	91
Insurance expense	918	985	448	486
Printing and stationery	173	199	112	98
Legal and Professional fee	668	1,036	284	426
Postage, telegram and telephone	1,105	985	571	574
Others	809	1,506	516	1,170
	<u>156,272</u>	<u>154,512</u>	<u>87,994</u>	<u>87,802</u>

17.1 Salaries, wages and other benefits include Rs. 0.824 million (30 June 2016: Rs. 0.926 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.307 million (2016: Rs. 1.164 million) to the provident fund.

18. TRANSACTIONS WITH RELATED PARTIES

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



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

For the six months period ended 30 June 2017

	Six months period ended	
	30 June 2017	30 June 2016
	(Rs. in '000)	
	(Un-audited)	
Transactions with related parties:		
Other related parties		
Contribution to the employees' provident fund	3,378	3,003
Directors and Chief Executive Officer (Key management personnel)		
Total remuneration	11,007	11,065
Dividend paid	729	-
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	37,274	39,358
Balances with related parties:		
	30 June 2017	31 December 2016
	(Un-audited)	(Audited)
	(Rs. in '000)	
Associated Companies		
Provident fund payable (for December 2016)	-	1,439

- 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. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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



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

For the six months period ended 30 June 2017

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

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

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

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

30 June 2017	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	19.1			
Long term deposits		4,539	4,539	-
Loans to employees		2,456	2,456	-
Trade debts		23,020	23,020	-
Other receivables		191	191	-
Cash and bank balances (including security deposit)		42,483	42,483	-
		<u>72,689</u>	<u>72,689</u>	<u>-</u>



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

For the six months period ended 30 June 2017

<u>30 June 2017</u>	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	19.1			
Long term deposits		50	50	-
Trade and other payables		116,299	116,299	-
Short term borrowings (including mark-up)		268,419	268,419	-
		<u>384,768</u>	<u>384,768</u>	<u>-</u>

<u>31 December 2016</u>	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	19.1			
Long term deposits		4,589	4,589	-
Loans to employees		807	807	-
Trade debts		25,829	25,829	-
Other receivables		423	423	-
Cash and bank balances (including security deposit)		38,655	38,655	-
		<u>70,303</u>	<u>70,303</u>	<u>-</u>



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


For the six months period ended 30 June 2017

31 December 2016	Note	Carrying Amount		Fair value
		Other financial liabilities	Total	Total
----- (Rupees in '000) -----				
On-balance sheet financial and non-financial instruments				
Financial liabilities not measured at fair value				
	19.1			
Long term deposits		450	450	-
Trade and other payables		94,504	94,504	-
Short term borrowings (including mark-up)		233,611	233,611	-
		<u>328,565</u>	<u>328,565</u>	<u>-</u>

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

20. GENERAL

This condensed interim financial information were authorised for issue on August 25, 2017 by the board of directors of the Company.


Ata-ur-Rehman Shaikh
Chief Financial Officer


Mubashir Hasan Ansari
Chief Executive Officer


Saad Amanullah Khan
Director



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