ZIL LIMITED

First Quarterly Report

January - March 2018

A Beautiful Journey

ZIL
LIMITED

Content

Corporate Information

Board of Directors

Mrs. Feriel Ali Mehdi
Chairman

Mr. Mubashir Hasan Ansari
Executive Director & Chief Executive Officer

Mr. Saad Amanullah Khan
Independent, Non-Executive Director

Mr. Kemal Shoaib
Non-Executive Director

Mr. Syed Hasnain Ali
Non-Executive Director

Mr. Mujahid Hamid
Non-Executive Director

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

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Feriel Ali Mehdi
Member

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

Human Resource & Remuneration Committee

Mr. Kemal Shoaib
Chairman

Mrs. Feriel Ali Mehdi
Member

Mr. Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

Company Secretary & Chief Financial officer

Mr. Ata-ur-Rehman Shaikh

Statutory Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Hussain & Haider, Advocates

Registered Office

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

Factory

Link Hali Road, Hyderabad - 71000

Bankers

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

Shares Registrars

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

Directors' Review

The Directors of the Company are pleased to present the unaudited financial results of the company for the first quarter ended March 31, 2018.

Summary of Business Review:

The New Year started with healthy pace. The sales growth momentum continued recording an increase of 12% as compared to the similar period of last year, led by flagship brand Capri. The increased volumetric growth has contributed towards this double digit growth.

The gross profit remained under pressure at 28% as compared to the same period of last year which was 30%. This was on account of the rupee devaluation, the ultimate impact of which increased the prices of imported raw material.

The fixed factory and marketing overheads were meticulously controlled compared with last year. The financial cost declined by around 10% which was indeed a result of well managed financial resources.

The overall performance is satisfactory, with profit after tax three times of last year.

Financial Position at a Glance:

	Three month period from January to March	
	2018	**2017**
Net Sales	**356M**	317M
Gross Profit	**99M**	95M
Gross Profit %	**28%**	30%
Profit/(Loss) after taxation	**1.024M**	0.331M

Future Outlook:

The continuous uncertainty at macroeconomic level and political environment due to election year has shifted the dynamics of growth for most of the players in the market but the agility shown by the management gives assurance that it will achieve its strategic objectives. The continuous easy influx of cheaper imported soaps is still a threat to the local soap industry which if combined with this continuous devaluation of rupee can be challenging to the players in the market and ZIL Limited as well.

The management is continuously developing strategies for better cost management and increase in its retail penetration.

Acknowledgement:

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

For and on behalf of the Board of Directors

Mubashir Hasan Ansari
Director and CEO

Karachi: April 26th, 2018

ZIL LIMITED

Condensed Interim Statement of Financial Position (Un-audited)

As at 31 March 2018

	Note	31 March 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS	*Note*	**(Rs. in '000)**	
NON-CURRENT ASSETS			
Property, plant and equipment	6	**477,760**	484,275
Intangible assets		**450**	290
Long term deposits		**5,298**	5,306
Long term loans to employees		**1,021**	951
Deferred tax asset - net	7	**9,008**	9,025
Total non-current assets		**493,537**	499,847
CURRENT ASSETS			
Stores and spares		**14,190**	15,798
Stock-in-trade	8	**209,593**	173,431
Trade debts	9	**24,109**	33,543
Advances, prepayments and other receivables	10	**123,704**	115,488
Cash and bank balances	11	**20,088**	32,547
Total current assets		**391,684**	370,807
TOTAL ASSETS		**885,221**	870,654
EQUITY AND LIABILTIES			
EQUITY			
Authorised capital			
10,000,000 (31 December 2017: 10,000,000) ordinary shares of Rs. 10 each		**100,000**	100,000
Issued, subscribed and paid up capital		**61,226**	61,226
Reserves		**101,896**	97,737
Surplus on revaluation of property, plant and equipment - net of tax		**190,253**	192,954
		353,375	351,917
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term deposits		**50**	-
Deferred staff liabilities		**89,914**	103,013
		89,964	103,013
CURRENT LIABILITIES			
Trade and other payables	12	**228,337**	192,186
Short term borrowings	13	**200,007**	210,000
Taxation		**13,538**	13,538
		441,882	415,724
TOTAL LIABILITIES		**531,846**	518,737
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**885,221**	870,654

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

Chief Financial Officer	Director / CEO	Director

ZIL LIMITED

Condensed Interim Profit and Loss Account (Un-audited)

For the three months period ended 31 March 2018

	Note	Three months period ended 31 March 2018	31 March 2017
		(Rs. in '000)	
Sales - net	15	**356,101**	317,471
Cost of sales	16	**(256,826)**	(222,111)
Gross profit		**99,275**	95,360
Selling and distribution expenses	17	**(68,988)**	(68,278)
Administrative expenses		**(27,951)**	(23,331)
		(96,939)	(91,609)
		2,336	3,751
Other income		**3,385**	1,442
Other charges		**(223)**	(105)
		5,498	5,088
Finance cost		**(4,026)**	(4,458)
Profit before taxation		**1,472**	630
Taxation	7.3	**(447)**	(299)
Profit for the period		**1,025**	331
		-------- (Rupees) --------	
Profit/(Loss) per share - basic and diluted		**0.17**	0.05

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

Chief Financial Officer	Director / CEO	Director

ZIL LIMITED

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months period ended 31 March 2018

	Three months period ended	
	31 March 2018	**31 March 2017**
	(Rs. in '000)	
Profit/(Loss) for the period after taxation	**1,025**	331
Other comprehensive income for the period	**-**	-
Total comprehensive income/(loss) for the period	**1,025**	331

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

Chief Financial Officer	Director / CEO	Director

ZIL LIMITED

Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended 31 March 2018

	Three months period ended	
	31 March 2018	31 March 2017
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(Loss) before taxation	**1,472**	630
Adjustments for:		
Finance Costs	**4,026**	4,458
Depreciation and amortisation	**9,265**	9,028
Provision against staff gratuity	**2,978**	2,647
Provision against other staff retirement benefits	**681**	601
Return on bank deposits - under markup arrangements	**(11)**	(9)
(Gain)/Loss on disposal of operating fixed assets	**(2,413)**	(408)
	14,526	16,317
	15,998	16,947
Decrease / (Increase) in assets:		
Stores and spares	**1,608**	(1,119)
Stock-in-trade	**(36,162)**	(107,420)
Trade debts	**9,434**	4,540
Loans to employees	**(416)**	(19)
Long term deposits	**7**	50
Advances, prepayments and other receivables	**6,603**	(808)
	(18,926)	(104,776)
(Decrease) / increase in current liabilities:		
Trade and other payables	**36,557**	40,460
	33,629	(47,369)
Income tax paid	**(14,473)**	(5,558)
Staff gratuity paid	**(8,521)**	(1,360)
Other staff retirement benefits paid	**(8,234)**	(1,456)
Return received on bank deposits - under markup arrangements	**11**	9
Finance costs paid	**(4,377)**	(4,588)
	(35,594)	(12,953)
Net cash flows from operating activities	**(1,965)**	(60,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	**(8,832)**	(1,960)
Proceeds from disposal of operating fixed assets	**8,332**	715
Net cash flows from investing activities	**(500)**	(1,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(1)**	(400)
Short term borrowings - Karobar and Salam finances	**(30,000)**	30,000
Net cash generated from financing activities	**(30,001)**	29,600
Net increase / (decrease) in cash and cash equivalents during the period	**(32,466)**	(31,967)
Cash and cash equivalents at beginning of the period	**32,547**	38,001
Cash and cash equivalents at end of the period	**81**	6,034
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	**20,088**	13,259
- Short term borrowing - running finance	**(20,007)**	(7,225)
	81	6,034

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

Chief Financial Officer	Director / CEO	Director

ZIL LIMITED

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

For the three months period ended 31 March 2018

	Issued, subscribed and paid up capital	Reserves			Surplus on revaluation of fixed assets	Total
		General reserve	Un-appro-priated profit	Total reserves		
	(Rs. in '000)					
Balance as at 1 January 2017	61,226	6,000	71,940	77,940	203,373	342,539
Total comprehensive income for the period			331	331	-	331
Profit after taxation	-	-			-	-
Transferred from surplus on revaluation of property, plant and equipment - net of tax					-	-
(incremental depreciation)	-	-	1,928	1,928	(1,928)	-
Balance as at 31 Mar 2017	**61,226**	**6,000**	**74,200**	**80,200**	**201,445**	**342,870**
Balance as at 1 January 2018	61,226	6,000	91,737	97,737	192,957	351,920
Total comprehensive income for the period						
Profit after taxation	-	-	1,025	1,025		1,025
Transferred from surplus on revaluation of property, plant and equipment (on disposal of revalued assets)			1,434	1,434	(1,004)	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**	**6,000**	**95,896**	**101,896**	**190,253**	**353,375**

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

Chief Financial Officer | Director / CEO | Director

ZIL LIMITED

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

For the three months period ended 31 March 2018

1. STATUS AND NATURE OF BUSINESS

ZIL Limited ("the Company") was incorporated as a private limited company in February 1960 under the Companies Act, 1913 (now the Companies 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 Finnacial 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 2017.

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

2.5 Functional and presentation currency

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

2.6 Use of judgments and estimates

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas:

  (a) measurement of cash-settled share-based payments;

  (b) classification of share-based payments settled net of tax withholdings; and

  (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

- 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 Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). 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. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. Based on the preliminary assessment carried out by the management the application of interpretation is not likely to have a material impact on Company's financial statements.

- 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.

- 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 2017, except for the change as refered to in note 4.1 to these condensed interim financial report

4.1 Surplus on revaluation of fixed assets - net of deferred tax

Upto December 31, 2017, surplus/(deficit) on revaluation of fixed assets were being made measued under the repealed companies ordinance 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, the company has revised its accounting policy in respect of measurment of 'surplus/(deficit) on revaluation of fixed assets' which are now accounted for in accordance with the companies act, 2017. The revaluation is measured on individual class of assets where the surplus is taken to surplus on revaluation of fixed assets account, The deficit on revaluation of fixed assets is charged to profit & loss account after netting any surplus already recorded on that asset. The above change has no financial impact on these financial statements except reclassification of surplus on revaluation on fixed assets to equity.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2017.

	Note	31 March 2018 (Unaudited)	31 Dec 2017 (Audited)
		(Rs. in '000)	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**469,867**	458,029
Capital work-in-progress	6.2	**7,893**	26,246
		477,760	484,275

6.1 Operating fixed assets

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

	Additions	Disposals	
		Cost	Accumulated depreciation
	---------------- (Rs. in '000) ----------------		
Building on freehold land	3,933	-	-
Plant, machinery and equipment	15,536	2,916	292
Furniture and Fixtures	-	-	-
Intangible assets (software)	236	-	-
Vehicles	747	10,017	6,919
Computers	4,920	886	713
Capital Spares	1,813	-	-
	27,185	13,819	7,924

	Note	31 March 2018 (Unaudited)	31 Dec 2017 (Audited)
		(Rs. in '000)	
6.2 Capital work-in-progress			
Opening balance		**26,246**	22,196
Additions during the period		**8,832**	48,961
		35,078	71,157
Transfers during the period		**(27,185)**	(44,911)
	6.2.1	**7,893**	26,246

6.2.1 This represents plant, machinery and equipment, furniture and fixtures and vehicles.

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

	Additions	Transfers
	(Rs. in '000)	
Building on freehold land	523	3,933
Plant, machinery and equipment	641	15,536
Intangible asset (software)	236	236
Furniture and fixtures	184	-
Vehicles	515	747
Computers	4,920	4,920
Capital Spares	1,813	1,813
	8,832	27,185

7. DEFERRED TAX ASSET - net

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

	Balance at 01 January 2018	Recognized in Profit and Loss	Transferred to unappropriated profits on disposal of assets	Balance at 31 March 2018
	(Rupees in '000)			
Taxable temporary differences on:				
- accelerated tax depreciation	(24,680)	(1,008)		**(25,688)**
- surplus on revaluation of property, plant and equipment	(44,104)	728	430	**(42,946)**
	(68,784)	**(280)**	**430**	**(68,634)**
Deductible temporary differences on:				
- provision for defined benefit plans	30,904	(3,929)		**26,975**
- provision against slow moving and obsolete stock and doubtful trade debts	10,967	-		**10,967**
- tax losses (note 7.1)	35,938	3,762		**39,700**
	77,809	**(167)**		**77,642**
Deferred tax asset - net	**9,025**	**(447)**	**430**	**9,008**

7.1 This includes deferred tax of Rs. 17.06 million (2017: Rs. 13.60 million) recorded on unabsorbed tax depreciation and amortisation.

7.2 Deferred tax asset (net) has been recognised at 30%, being the rate enacted at the balance sheet date and is expected to apply to the periods when the asset is realised or the liability is settled.

7.3 The tax expense for the period represents deferred tax expense (net) of Rs. 0.447 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, 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.

	31 March 2018 (Unaudited)	31 Dec 2017 (Audited)
	(Rs. in '000)	
8. STOCK-IN-TRADE		
Raw material - in hand	**83,261**	80,646
- in transit	**15,347**	5,789
	98,608	86,435
Packing material	**19,607**	20,969
Work-in-progress	**4,118**	6,379
Finished goods	**105,575**	77,963
	227,908	191,746
Provision against slow moving items of stock-in-trade	**(18,315)**	(18,315)
	209,593	173,431

9. TRADE DEBTS

Considered good	**24,109**	33,543
Considered doubtful	**8,239**	8,239
	32,348	41,782
Provision against doubtful debts	**(8,239)**	(8,239)
	24,109	33,543

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

For the three months period ended 31 March 2018

	Note	31 March 2018 (Unaudited)	31 Dec 2017 (Audited)
		(Rs. in '000)	
10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Advance			
- for taxation		**111,740**	97,267
- to sales staff		**502**	502
Advances to suppliers and contractors		**1,314**	1,545
Prepayments		**8,547**	2,491
Current maturity of loans to employees		**821**	475
Other receivables		**780**	13,208
		123,704	115,488
Considered doubtful			
Advances to suppliers and contractors		**803**	803
Less: Provision held		**(803)**	(803)
		-	-
Advances, prepayments and other receivables - net		**123,704**	115,488
11. CASH AND BANK BALANCES			
Cash in hand		**312**	62
Cash at banks			
- Collection accounts (current accounts)		**18,446**	26,427
- Current accounts		**1,309**	5,983
- Profit & loss sharing accounts	11.1	**21**	75
		19,776	32,485
		20,088	32,547

11.1 This carries interest rate ranging from 4.5% (31 December 2017: 4.5%) per annum.

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

For the three months period ended 31 March 2018

		31 March 2018 (Unaudited)	31 Dec 2017 (Audited)
		(Rs. in '000)	
12. TRADE AND OTHER PAYABLES			
Trade creditors		**121,057**	50,445
Accrued expenses		**52,690**	71,531
Advance from customers		**30,437**	32,586
Sales tax payable		**13,934**	23,921
Deposit from employees against vehicles		**2,937**	4,621
Accrued mark-up on short term borrowings		**2,651**	3,001
Unclaimed dividend		**914**	914
Workers' welfare fund		**2,229**	2,198
Workers' profit participation fund		**75**	2,241
Other liabilities		**1,413**	728
		228,337	192,186
13. SHORT TERM BORROWINGS			
Istisna and Salam finances - under shariah arrangements	13.1	**180,000**	210,000
Running finance - under mark-up arrangements	13.2	**20,007**	-
		200,007	210,000

13.1 These facilities, representing Istisna and Salam facilities, are available from certain commercial banks up to Rs. 270 million (31 December 2017: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (31 December 2017: 6 months KIBOR+0.5%) per annum and are repayable on 27 April 2018 to 31 July 2018 (31 December 2017: 12 February 2018 to 12 May 2018). The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 31 March 2018, unutilised facilities aggregated to Rs. 90 million (31 December 2017 Rs. 60 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 2018, unutilised facilities for running finance aggregated to Rs. 280 million (31 December 2017: Rs. 300 million).

13.3 At 31 March 2018, unutilised letter of credit facilities from certain banks amounted to Rs. 260 million (31 December 2017: Rs. 250.17 million). These are secured against the import bills of the Company. Total facilities sanctioned to the Company amounted to Rs. 300 million (31 December 2017: Rs. 300 million).

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Bank guarantees aggregating to Rs. 7.02 million (31 December 2017: Rs. 7.02 million) have been issued in favour of Sui Southern Gas Company Limited for the supply of natural gas. A bank guarantee has also been issued in favour of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2017: Rs. 1.3 million).

14.1.2 In view of loss for the year ended 31 December 2015, provision for tax for the year ended 31 December 2015, including the minimum tax under the Income Tax Ordinance, 2001, was not made in the financial statements for the year ended 31 December 2015. The Company had obtained an opinion from a tax advisor based on which it believes that it is not required to pay tax under section 113 of the Income Tax Ordinance, 2001, in view of gross loss for the year ended 31 December 2015, before the set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001 (as under the above section minimum tax is not payable in case of gross loss before the set off of depreciation and other inadmissible expenses). However, Finance Act 2016 has deleted the said proviso of gross loss. The management, believes that the minimum tax for the year ended 31 December 2015 is not payable as the amendment to the said proviso is applicable for tax year 2017 and onwards and accordingly provision for minimum tax amounting to Rs. 14.23 million has not been made. Similarly for the accounting year ended 31 December 2016 and for the year ended 31 December 2017 provision for minimum tax amounting to Rs. 15.865 million and Rs. 20.197 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.

14.1.3 Income Tax Assessments of the Company have been completed up to and including the tax year 2017 (accounting period ended 31 December 2016) with the exception of tax years 2007, 2011, 2012, 2015 and 2016. For tax year 2011, audit proceedings were initiated on 09 March 2012 and completed vide order passed under section 122(1)(5) of the Income Tax Ordinance, 2001 dated 4 October 2016 in which certain disallowances were made amounting to Rs. 12.289 million against which appeal was filed by the Company. The appeal was heard on 28 November 2016 and then subsequently the CIR Appeals (II) passed a revised order dated 19 December 2016 in which certain expenses earlier disallowed were allowed amounting to Rs. 4.66 million while expenses amounting to Rs. 6.65 million were remanded back by CIR Appeals (II) to Deputy Commissioner Inland Revenue (DCIR). In respect of the remaining amount, the Company has already filed an appeal against which decision is pending. Based on the Company's tax advisor's view, a favourable 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 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.

14.1.4 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 alledged unreconciled production of manufactured goods amounting to Rs. 3.3 million. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) vide letter AT 84 dated 13 July 2012 for not allowing relief in respect of disallowance of Rs. 3.3 million on account of 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 favour of the Company. In the Appellate Order (AO) dated 8 October 2013 passed by the ATIR, the issue of unreconciled production was deleted (decided in favour of the Company) and simultaneously setting aside the same for reverification. In response to it the department filed MA in response to which, ATIR passed AO dated 5 May 2015 by remanding back the issue for reverification of unreconciled difference, strictly in the light of history of the case and subsequent years. Following the judgement of ATIR, department has initiated set-aside proceedings. The Company has submitted the response and details regarding unreconciled production. No order has been passed by the department in relation to the set-aside proceedings. The Company expects a decision in its favour.

14.1.5 Returns for the financial years ended 31 December 2014 and 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 filed appeals before the CIR-A dated 13 October 2017 and 27 March 2017 respectively which is pending decision. However, the Company expects no material adverse impact. Amount of tax involved is Rs. 5 million

14.2 Commitment

Commitment under letters of credit for the import of stock-in-trade items amounted to Rs. 28.3 million (31 December 2017 : Rs. 40.5 million).

ZIL LIMITED

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

For the three months period ended 31 March 2018

		Three months period ended	
		31 March 2018	31 March 2017
		(Rs. in '000)	
15.	**SALES - net**		
	Gross sales	**473,783**	414,553
	Sales tax	**(75,653)**	(66,221)
	Trade discount	**(42,029)**	(30,860)
		(117,682)	(97,081)
		356,101	317,471
16.	**COST OF SALES**		
	Raw & packing material consumed	**235,924**	183,497
	Stores and spares consumed	**1,321**	999
	Salaries, wages and other benefits	**18,311**	16,778
	Contribution to provident fund	**525**	535
	3rd party contract labour	**11,191**	9,671
	Repair and maintenance	**81**	19
	Fuel and power	**3,493**	2,998
	Water Charges	**36**	-
	Rent, rates and taxes	**843**	358
	Insurance	**600**	596
	Product research and development	**17**	19
	Travelling and conveyance	**745**	592
	Printing and stationery	**50**	36
	Postage and telephones	**103**	76
	Legal and professional charges	**91**	70
	Subscription charges	**13**	29
	Depreciation and amortisation	**5,328**	5,002
	Freight and handling charges	**3,364**	3,154
	Toll manufacturing	**-**	3,000
	Others	**140**	100
		282,176	227,527
	Opening stock of work-in-process	**6,379**	8,785
	Closing stock of work-in-process	**(4,118)**	(8,598)
	Cost of good manufactured	**284,437**	227,714
	Opening stock of finished goods	**77,963**	64,137
	Closing stock of finished goods	**(105,574)**	(69,742)
		(27,611)	(5,605)
		256,826	222,110

16.1 Salaries, wages and other benefits include Rs.2.358 million (31 March 2017: Rs.2.2 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs.0.524million (31 March,2017: Rs. 0.535 million) to the provident fund.

	Three months period ended	
	31 March 2018	31 March 2017
	(Rs. in '000)	
17. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and other benefits	**29,251**	25,620
Utility charges	**82**	117
Repair and maintenance	**105**	60
Rent, rates and taxes	**1,477**	1,351
Depreciation and amortisation	**1,844**	1,663
Legal and Professional fee	**369**	384
Postage, telegram and telephone	**250**	534
Printing and stationery	**78**	61
Travelling and conveyance	**4,136**	3,491
Contribution to Provident Fund	**719**	668
Insurance expense	**514**	470
Advertising expense	**13,042**	15,350
Freight and handling charges	**13,053**	13,617
Product research and development	**3,580**	1,874
Meeting expenses	**51**	2,725
Others	**437**	293
	68,988	68,277

17.1 Salaries, wages and other benefits include Rs. 0.51 million (31 March 2017: Rs. 0.346 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 0.719 million (31 March,2017: Rs. 0.668 million).

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 the related parties are as follows:

ZIL LIMITED

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

For the three months period ended 31 March 2018

	Three months period ended	
	31 March 2018	31 March 2017
	(Rs. in '000)	
Other related parties		
Contribution to the employees' provident fund	**1,617**	1,698
Directors and Chief Executive Officer (Key management personnel)		
Remuneration	**7,217**	5,388
Other Key Management Personnel		
Managerial remuneration (excluding directors and Chief Executive Officer)	**11,002**	20,698

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 21, 2018 had proposed a cash dividend of Rs1.25 per share (31 Dec 2016: 0.5) amounting to Rs.7.653 million (31 Dec 2016 :3.062 Mn) for approval by the members of the company in forthcoming Annual General Meeting scheduled on April 26 2018. The financial statements for the quarter ended March 31, 2018 donot include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the period ending 30 June 2018.

19.2 This condensed interim financial information were authorised for issue on 26 April 2018 by the board of directors of the Company.

Chief Financial Officer	Director / CEO	Director

ZIL
LIMITED

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CORPORATE