ZIL LIMITED

First Quarterly Report

January - March

2019

Rising Higher

Contents

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

* 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.

Board Audit Committee

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

* Replaced Mr. Qaisar Mufti (Nominee NIT) who resigned on Dec 2017.

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
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 month 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

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

Karachi: April 29, 2019

Director and CEO

ZIL LIMITED

Condensed Interim Statement of Financial Position (Un-audited)

As at 31 March 2019

	Note	31 March 2019 (Un-audited)	31 December 2018 (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			
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
		476,050	436,995
TOTAL LIABILITIES		**585,283**	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**

ZIL LIMITED

Condensed Interim Profit and Loss Account (Un-audited)

For the three months period ended 31 March 2019

	Note	Three months period ended **31 March 2019**	 31 March 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		**(46,824)**	(27,951)
		(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
		(Rupees)	
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.

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 2019	31 Mar 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

	Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(Loss) before taxation	**14,338**	1,472
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:		
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 arrangements	**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)**	
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 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 comprises of:		
- Cash and bank balances	**53,582**	20,088
- Short term borrowing - running finance	**-**	(20,007)
	53,582	81

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

Chief Financial Officer | **Director** | **Director**

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

For the three months period ended 31 Mar 2019

	Issued, Subscribed and paid-up capital	Capital Reserve: Surplus on revaluation of fixed assets	Reserves: General reserve	Reserves: Unappropriated profit	Reserves: Total Reserves	Total
	---------------------------	(Rupees 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						
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						
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**

ZIL LIMITED

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

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.

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.

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

- 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.

		31 March 2018 (Un-audited)	31 December 2018 (Audited)
6. PROPERTY, PLANT AND EQUIPMENT		(Rupees 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:

	Additions	Disposals	
		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

6.2.1 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	Transfers
	------ (Rupees in '000) ------	
Plant, machinery and equipment	**4,692**	2,197
Furniture and fixtures	**13**	397
Vehicles	**-**	3,270
Computers	**705**	705
	5,410	**6,569**

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 01 January 2019	Recognized in profit and loss	Balance at 31 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.

8. STOCK-IN-TRADE

	31 March 2019 (Un-audited)	31 December 2018 (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

9. TRADE DEBTS

		30 March 2019 (Un-audited)	31 December 2018 (Audited)
		(Rupees in '000)	
Considered good		**60,828**	46,188
Considered doubtful		**8,239**	8,239
		69,067	54,427
Provision against doubtful debts		**(8,239)**	(8,239)
		60,828	46,188

10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		30 March 2019 (Un-audited)	31 December 2018 (Audited)
Considered good			
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		**1,323**	1,006
Other receivables		**477**	140
		119,093	98,736
Considered doubtful			
Advances to suppliers and contractors		**803**	803
Less: Provision held		**(803)**	(803)
		-	-
Advances, prepayments and other receivables - net		**119,093**	98,736

11. CASH AND BANK BALANCES

		30 March 2019 (Un-audited)	31 December 2018 (Audited)
Cash in hand		**356**	165
Cash at banks			
- Collection accounts (current accounts)		**48,516**	36,711
- Current accounts		**4,672**	6,639
- Profit & loss sharing accounts	*11.1*	**38**	84
		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.

12. TRADE AND OTHER PAYABLES

	31 March 2019 (Un-audited)	31 December 2018 (Audited)
	(Rupees 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*	**-**	-
		165,000	190,000

13.1 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).

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 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) 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 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).

15. SALES - net

	Three months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
Gross sales	**660,728**	473,783
Sales tax	**(105,217)**	(75,653)
Trade discount	**(61,540)**	(42,029)
	(166,757)	(117,682)
	493,971	356,100

16. COST OF SALES

	Three months period ended 31 March 2019	31 March 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

16.1 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

17.1 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 (31 March,2017: Rs. 0.718 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. Details of transactions with the related parties are as follows:

	Three months period ended	
	31 Mar 2019	31 Mar 2018
	(Rupees in '000)	
Other related parties		
Contribution to the employees' provident fund	**2,126**	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.

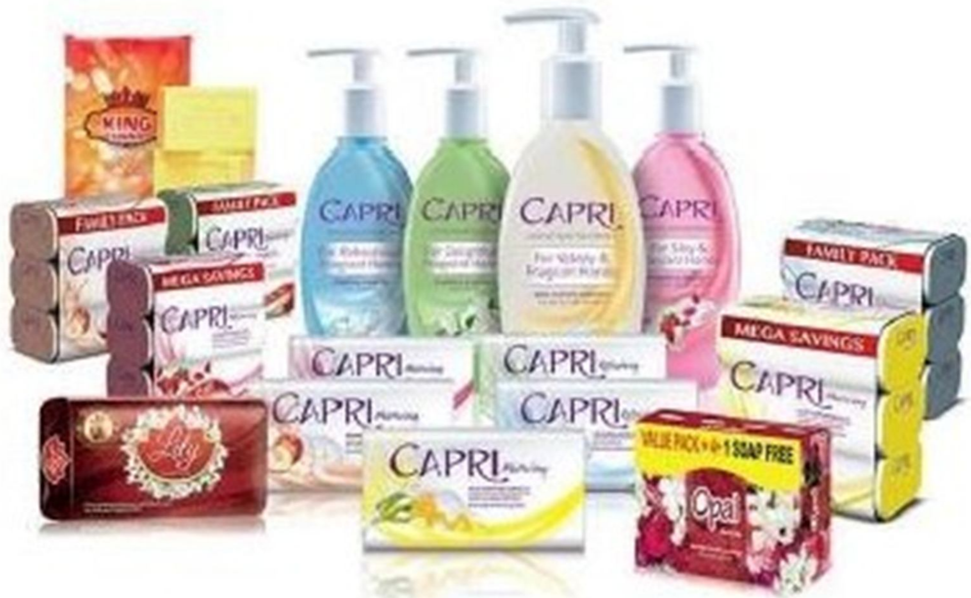
19 GENERAL

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**



ZIL
LIMITED

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