



Third Quarterly Report
January - September
2018

A Beautiful Journey





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Corporate Information

Board of Directors

Mrs. Ferial 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. Muhammad Qaysar Alam
Non-Executive Director

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

Board Audit Committee

Mr. Saad Amanullah Khan
Chairman

Mrs. Ferial Ali Mehdi
Member

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

Human Resource & Remuneration Committee

Mr. Kemal Shoaib
Chairman

Mrs. Ferial Ali Mehdi
Member

Mr. Syed Hasnain Ali
Member

Mr. Mubashir Hasan Ansari
Member

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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 financial results of the company for the first nine month period ended September 30, 2018.

Summary of Business Review:

The gross turnover of the company registered an impressive increase of 17% over the corresponding period of last year. This is due to the robust double digit volumetric growth of our flagship brand CAPRI. In addition, timely changes in the pricing, expansion and restructuring in distribution coverage, effective trade and consumer promotions also proved helpful in accelerating the sales growth momentum.

The entire market was affected with the dramatic decrease in rupee valuation suppressing the expected margins. Gross profit remained under pressure at 27% as compared to the same period of last year which was 30%, company however successfully tried to overcome this shortcoming by increasing the absolute amount of gross profit from 347M in the last period to 365M during the current nine months 2018.

During the period under review selling and distribution costs increased by 16% mainly because of 21% increase in freight, handling & travelling expenses collectively as consequence of higher fuel prices and increased volumetric activity. Administrative costs increased by 13% as compared to the same period last year. Due to optimization of financial resources the financial cost declined by 8%.

Financial Position at a Glance:

	Nine month period from January to September	
	2018	2017
Gross Sales	1,823M	1,556M
Net Sales	1,339M	1,162M
Gross Profit	365M	347M
Gross Profit %	27%	30%
Profit/(Loss) after taxation	9.0M	22.7M

Future Outlook:

The economic situation, on account of worsening twin deficits, is going through its difficult phase with uncertainties increasing and rupee depreciating for the third time in a row, cumulatively 12% during current period. The unexpected measures, taken by authorities, and their consequential impact on the industry, have made the forecast difficult in the short-run.

The management, however, anticipates challenges ahead in the short-run with more inflated input costs. Management is therefore, focusing and supplementing its efforts toward cost efficiencies and further distribution penetration to continue momentum for its profitable volumetric growth.

Acknowledgement:

We wish to thank our customers for their continued support. We also take this opportunity to thank our suppliers, 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: October 29, 2018



Condensed Interim Statement of Financial Position (Un-audited)

As at 30 September 2018

		30 September 2018 (Un-audited)	31 December 2017 (Audited) (Restated)
	Note	(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	491,193	484,275
Intangible assets	7	5,129	290
Long term deposits		5,298	5,306
Long term loans to employees		1,029	951
Deferred tax asset - net	8	7,599	9,025
<i>Total non-current assets</i>		<u>510,248</u>	<u>499,847</u>
CURRENT ASSETS			
Stores and spares		14,490	15,798
Stock-in-trade	9	162,247	173,431
Trade debts	10	53,708	33,543
Advances, prepayments and other receivables	11	139,114	115,488
Cash and bank balances	12	42,238	32,547
<i>Total current assets</i>		<u>411,797</u>	<u>370,807</u>
TOTAL ASSETS		<u><u>922,045</u></u>	<u><u>870,654</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Authorized capital 40,000,000 (31 December 2017: 10,000,000) ordinary shares of Rs. 10 each	13	<u>400,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital		61,226	61,226
Capital reserve - surplus on revaluation of property, plant and equipment - net of tax		186,851	192,954
Reserves		<u>107,772</u>	<u>97,737</u>
		<u>355,849</u>	<u>351,917</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred staff liabilities		90,310	103,013
CURRENT LIABILITIES			
Trade and other payables	14	222,348	192,186
Short term borrowings	15	240,000	210,000
Taxation		13,538	13,538
		<u>475,886</u>	<u>415,724</u>
TOTAL LIABILITIES		<u>566,196</u>	<u>518,737</u>
TOTAL EQUITY AND LIABILITIES		<u><u>922,045</u></u>	<u><u>870,654</u></u>
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The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



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

For the three months and nine months period ended 30 September 2018

		Nine months period ended		Three months period ended	
		30	30	30	30
		September	September	September	September
		2018	2017	2018	2017
Note ----- (Rupees in '000) -----					
Sales – net	17	1,339,134	1,161,824	516,484	441,529
Cost of sales	18	(974,154)	(814,417)	(371,082)	(300,169)
Gross profit		364,980	347,407	145,402	141,360
Selling and distribution Expenses	19	(257,418)	(224,937)	(103,255)	(68,664)
Administrative expenses		(87,710)	(77,852)	(30,390)	(28,160)
		(345,128)	(302,789)	(133,645)	(96,824)
		19,852	44,618	11,757	44,536
Other income		11,079	5,701	6,712	292
Other charges		(4,693)	(2,764)	(2,805)	(2,467)
		26,238	47,555	15,644	42,361
Finance cost		(13,227)	(14,364)	(4,701)	(4,254)
Profit / (loss) before taxation		13,011	33,191	10,963	38,107
Taxation	8	(3,998)	(10,477)	(6,819)	(11,917)
Profit / (loss) for the period		9,013	22,714	4,144	26,190
		(Rupees)		(Rupees)	
Earing per share - basic and diluted		1.47	3.71	0.68	4.28

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the three months and nine months period ended 30 September 2018

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>September</u>	<u>September</u>	<u>September</u>	<u>September</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	----- (Rupees in '000) -----			
Profit / (Loss) for the period after taxation	9,013	(22,714)	4,381	26,190
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>9,013</u>	<u>22,714</u>	<u>4,381</u>	<u>26,190</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended

30 September 2018

	Nine months period ended	
	30 September 2018	30 September 2017
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	13,011	33,191
Adjustments for:		
Finance costs	13,227	14,364
Depreciation and amortization	30,304	27,731
Provision against staff gratuity	8,934	7,943
Provision against other staff retirement benefits	2,043	1,805
Return on bank deposits	(31)	(28)
Gain on disposal of operating fixed assets	(4,701)	(848)
	<u>49,776</u>	<u>50,967</u>
<i>Decrease / (Increase) in assets:</i>	<u>62,787</u>	<u>84,158</u>
Stores and spares	1,306	(2,038)
Stock-in-trade	11,183	3,051
Trade debts	(20,166)	4,144
Loans to employees	(609)	(1,324)
Long term deposits	8	(230)
Advances, prepayments and other receivables	8,015	6,703
	<u>(263)</u>	<u>10,306</u>
<i>(Decrease) / increase in current liabilities:</i>		
Trade and other payables	<u>27,581</u>	<u>(7,212)</u>
	<u>90,105</u>	<u>87,252</u>
Income tax paid	(31,113)	(20,932)
Staff gratuity paid	(12,833)	(2,627)
Other staff retirement benefits paid	(10,845)	(2,063)
Return received on bank deposits	31	28
Finance costs paid	(10,845)	(15,958)
	<u>(65,605)</u>	<u>(41,552)</u>
<i>Net cash flows from operating activities</i>	<u>24,500</u>	<u>45,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(50,589)	(23,712)
Proceeds from disposal of operating fixed assets	13,228	2,479
	<u>(37,361)</u>	<u>(21,233)</u>
<i>Net cash flows from investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(7,449)	(2,925)
Long-term deposits paid	-	(400)
Short term borrowings - Istisna and Salam finances	30,000	(15,000)
	<u>22,551</u>	<u>(18,325)</u>
<i>Net cash flows from financing activities</i>		
Net (decrease) / increase in cash and cash equivalents during the period	<u>9,690</u>	<u>6,142</u>
Cash and cash equivalents at beginning of the period	<u>32,548</u>	<u>38,001</u>
Cash and cash equivalents at end of the period	<u><u>42,238</u></u>	<u><u>44,143</u></u>
Cash and cash equivalents at end of the period comprises of:		
- Cash and bank balances	42,238	44,143
- Short term borrowing - running finance	-	-
	<u><u>42,238</u></u>	<u><u>44,143</u></u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

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Chief Financial Officer

Director / CEO

Director



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

For the nine months period ended
30 September 2018

	Capital Reserves		Reserves		Total
	Issued, subscribed and paid up capital	Surplus on Revaluation of assets - Net of tax	General reserve	Un-appropriated profit	
	(Rs. in '000)				
Balance as at 1 January 2017	61,226	203,371	6,000	71,940	342,537
Total comprehensive income for the period					
Profit after taxation	-	-	-	22,714	22,714
Cash dividend for the year ended 31 December 2016 (Rs. 0.5 per share) - 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)	-	(5,784)	-	5,784	-
Balance as at 30 September 2017	<u>61,226</u>	<u>197,587</u>	<u>6,000</u>	<u>97,376</u>	<u>362,189</u>
Balance as at 1 January 2018	61,226	192,954	6,000	91,737	351,917
Total comprehensive income for the period					
Profit after taxation	-	-	-	9,013	9,013
Cash dividend for the year ended 31 December 2017 (Rs. 1.25 per share) - approved in annual general meeting held on 26 April 2018	-	-	-	(7,654)	(7,654)
Effect of change in future tax rate	-	-	-	2,142	2,142
Reversal of deferred tax liability recorded on revaluation of property, plant and equipment - (on sale of plant and machinery)	-	431	-	-	431
Transferred from surplus on revaluation of property, plant and equipment - (on sale of plant and machinery)	-	(1,435)	-	1,435	-
Transferred from surplus on revaluation of property, plant and equipment - net of tax (incremental depreciation)	-	(5,099)	-	5,099	-
Balance as at 30 September 2018	<u>61,226</u>	<u>186,851</u>	<u>6,000</u>	<u>101,772</u>	<u>355,849</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

Director / CEO

Director



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

For the nine months period ended 30 September 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 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 nine months period ended 30 September 2018 have been prepared in accordance with the

- International Financial Reporting Standards (IFRS 34) Interim Financial Reporting issued by IASB.
- Provisions of and directives issued under the Companies Act 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 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 2017.

2.3 The comparative balance sheet presented in these condensed interim financial information as at 31 December 2017 have 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 and nine months period ended September 30 2017 (as applicable).

2.4 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.

2.5 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 judgments 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.



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

For the nine months period ended 30 September 2018

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

During the period certain amendment and interpretation to approve accounting standards became effective. However these are either not relevant to the Company's operation and/or do not have any impact on the accounting policies of the company except for the changes mentioned in note 4 to the these condensed interim financial information.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these condensed interim financial information, except for the change mentioned in note 4.1 to these financial statements.

- 4.1 Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance related to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Earlier, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation surplus on property, plant and equipment has been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment". Due to the change, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', above explained changes in accounting policy has been accounted for retrospectively, with the restatement of the comparative information. As a result of the change, Company's equity as of 31 December 2017 and as of 30 September 2018 has increased by Rs. 192.954 million and Rs. 186.85 million respectively.



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

For the nine months period ended 30 September 2018

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.

	30 September Note 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	6.1 485,102	458,029
Capital work-in-progress	6.3 6,091	26,246
	491,193	484,275

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	3,933	-	-
Plant, machinery and equipment	17,876	3,177	369
Capital spares	3,859	-	-
Furniture and fixtures	575	-	-
Computers	8,812	1,285	972
Vehicles	31,673	18,538	13,135
	66,728	23,000	14,476

6.2 At 30 Sept 2018, the written down value of the temporarily idle property, plant and equipment's comprising leasehold land and improvements on leasehold land and building thereon amounted to Rs. 83.63 million (31 December 2017: Rs. 85.494 million) and Rs 1.498 million (31 December 2017 Rs. 1.62 million) respectively.

	30 September Note 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
6.3 Capital work-in-progress		
Opening balance	26,246	22,196
Additions during the period	46,573	48,961
	72,819	71,157
Transfers during the period	(66,728)	(44,911)
	6.3.1 6,091	26,246



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

For the nine months period ended 30 September 2018

6.3.1 This includes advance for computers of Rs. 0.33 million and advance of Rs. 4.86 million for the purchase of vehicles.

7. INTANGIBLE ASSETS	30 September 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
Intangible assets	326	290
Advance payment	<u>4,803</u>	-
	<u>5,129</u>	<u>290</u>

8. 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 Profit	Balance at 30 September 2018 (Unaudited)
	(Rs. in '000)			
Taxable temporary differences on:				
- accelerated tax depreciation	(24,680)	4,003	-	(20,677)
- surplus on revaluation of property, plant and equipment	(44,104)	6,387	2,572	(35,145)
-On lease rentals		(1,742)		(1,742)
	<u>(68,784)</u>	<u>8,648</u>	<u>2,572</u>	<u>(57,564)</u>
Deductible temporary differences on:				
- provision for defined benefit plans	30,904	(7,263)	-	23,641
- provision against slow moving and obsolete stock and doubtful trade debts	10,967	(366)	-	10,601
- tax losses (note 8.1)	35,938	(5,017)	-	30,921
	<u>77,809</u>	<u>(12,646)</u>	<u>-</u>	<u>65,163</u>
Deferred tax asset – net	<u>9,025</u>	<u>(3,998)</u>	<u>2,572</u>	<u>7,599</u>



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

For the nine months period ended 30 September 2018

- 8.1** Includes deferred tax of Rs. 12.1 million (31 December 2017: Rs. 13.45 million) recorded on unabsorbed tax depreciation and amortization.
- 8.2** Deferred tax balance has been recognized at the rates at which these are expected to be settled / realized.
- 8.3** 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.
- 8.4** 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 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 years ended 31 December 2016, 31 December 2017 and for the current period ended 30 June 2018, provision for minimum tax amounting to Rs. 15.865 million, Rs. 17.722 million and Rs. 10.3 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.

Income Tax Assessments of the Company have been completed up to and including the tax year 2017 (accounting period ended 31 December 2016 & 2015) with the exception of tax years 2007, 2011 and 2012. 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 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.



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

For the nine months period ended 30 September 2018

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 favorable 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 disallowance of Rs. 3.3 million on account of alleged unreconciled production of manufactured goods. Further, the tax department has also filed an appeal before ATIR on certain reliefs of Rs. 4.8 million earlier decided in favor of the Company. In the Appellate Order (AO) dated 8 October 2013 passed by the ATIR, the issue of unreconciled production was deleted (decided in favor of the Company) and simultaneously setting aside the same for reverification. In response to it the department filed MA in response to which, ATIR passed AO dated 5 May 2015 by remanding back the issue for reverification of unreconciled difference, strictly in the light of history of the case and subsequent years. Following the judgment of ATIR, department has initiated set-aside proceedings. The Company has submitted the response and details regarding unreconciled production. No order has been passed by the department in relation to the set-aside proceedings. The Company expects a decision in its favor.

In the financial years ended 31 December 2014 and 2015 additional commissioner issued notices u/s 122 (9) Tax Ordinance 2001 and amended assessment orders dated 22 September 2017 and 18 April 2017 respectively were passed in which certain disallowances aggregating to Rs.53.559 million 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 as sufficient provisions against the above orders have already been recorded in this financial statement.

The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, which was amended through Finance Act, 2018 and applicable for tax year 2019 and onwards. The amendment has imposed tax at five percent of the accounting profit before tax on every public company other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least 20 percent of its after tax profit within six months of the end of the tax year through cash or bonus. The Company intends to distribute sufficient dividend for the accounting year ending 31 December 2018 to comply with the above stated requirement. Accordingly, no provision for taxation has been recognized in these condensed interim financial information.



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

For the nine months period ended 30 September 2018

9. STOCK-IN-TRADE	30 September 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
Raw material - in hand	60,502	80,646
- in transit	<u>1,883</u>	<u>5,789</u>
	62,385	86,435
Packing material	26,180	20,969
Work-in-progress	11,259	6,379
Finished goods	<u>80,738</u>	<u>77,963</u>
	180,562	191,746
Provision against slow moving items of stock-in-trade	<u>(18,315)</u>	<u>(18,315)</u>
	<u>162,247</u>	<u>173,431</u>
10. TRADE DEBTS		
Considered good	53,708	33,543
Considered doubtful	<u>8,239</u>	<u>8,239</u>
	61,947	41,782
Provision against doubtful debts	<u>(8,239)</u>	<u>(8,239)</u>
	<u>53,708</u>	<u>33,543</u>
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Advance		
- for taxation	128,379	97,267
- to sales staff	502	502
Advances to suppliers and contractors	2,743	1,545
Prepayments	3,865	2,491
Current maturity of loans to employees	1,006	475
Other receivables	<u>2,620</u>	<u>13,208</u>
	139,115	115,488
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>139,115</u>	<u>115,488</u>



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

For the nine months period ended 30 September 2018

12. CASH AND BANK BALANCES

	30 September 2018 (Un-audited)	31 December 2017 (Audited)
	(Rs. in '000)	
Cash in hand	246	62
Cash at banks		
- collection accounts	37,936	26,427
- current accounts	4,013	5,983
- profit and loss sharing account	12.1 43	75
	<u>41,992</u>	<u>32,485</u>
	<u>42,238</u>	<u>32,547</u>

12.1 This carries profit rate at 4.5% (31 December 2017: 4.5%) per annum.

13. AUTHORISED SHARE CAPITAL

13.1	<u>400,000</u>	<u>100,000</u>
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13.1 During the year, authorized capital of the Company was increased from Rs. 100 million to Rs. 400 million.

14. TRADE AND OTHER PAYABLES

Trade creditors	81,748	50,445
Accrued expenses	70,316	71,531
Advance from customers	33,633	32,586
Sales tax payable (subsequently paid)	22,869	23,921
Deposit from employees against vehicles and equipment's	3,036	4,621
Accrued mark-up on short term borrowings	5,383	3,001
Unclaimed dividend	1,119	914
Workers' welfare fund	2,404	2,198
Workers' Profit Participation Fund	696	2,241
Other liabilities	1,094	728
	<u>222,298</u>	<u>192,186</u>

15. SHORT TERM BORROWINGS

Istisna and Salam finances - under shariah Arrangements	15.1 240,000	210,000
Running finance - under mark-up arrangements	15.2 -	-
	<u>240,000</u>	<u>210,000</u>



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

For the nine months period ended 30 September 2018

- 15.1 These facilities, representing Istisna and Salam facilities, are available from certain banks up to Rs. 270 million (31 December 2017: Rs. 270 million) and carries mark-up of 6 months KIBOR+0.5% (2017: 6 months KIBOR+0.5%) per annum and are repayable between 4 Oct 2018 to 28 December 2018. The facilities are secured by way of first pari passu charge over present and future current assets of the Company. At 30 June 2018, unutilized facilities aggregated to Rs. 30 (31 December 2017: Rs. 60 million). These unutilized facilities include Murabaha, Istisna, Salam and Karobar facilities.
- 15.2 The facility for running finance of Rs. 300 million (31 December 2017: Rs. 300 million) available from certain commercial banks carries mark-up at 1 month KIBOR+0.75% (31 December 2017: 1 month KIBOR+0.75%) per annum and are valid until 1 Oct 2018 and are generally renewable. Above limit include sublimit for bank guarantee 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 charges over all present and future current assets of the Company. At 30 Sept 2018, unutilized facilities for running finance (including the above sub-limit) amounted to Rs. 300 million (31 December 2017: Rs. 300 million).
- 15.3 At 30 September 2018, unutilized letter of credit facilities from certain banks amounted to Rs. 258 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).

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

Bank guarantees have been issued in favor of Sui Southern Gas Company Limited for the supply of gas aggregating to Rs. 7.02 million (31 December 2017: 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 favor of Pakistan State Oil for issuance of PSO fleet cards aggregating to Rs. 1.3 million (31 December 2017: Rs. 1.3 million) against which security deposit of Rs. 0.65 million have been given.

16.2 Commitment

Commitments under letters of credit for the import of stock in trade items at 30 September 2018 amounted to Rs. 29.88million (31 December 2017: Rs.16 million).



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

For the nine months period ended 30 September 2018

17. SALES – net

Note	Nine months period ended		Three months period ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	(Rupees in '000)			
Gross sales	1,823,290	1,556,480	705,738	592,346
Sales tax	(290,062)	(248,581)	(111,926)	(94,628)
Trade discount	(187,608)	(145,820)	(72,923)	(56,061)
Sales return and rebate	(6,486)	(255)	(4,405)	(128)
	<u>484,156</u>	<u>(394,656)</u>	<u>(189,254)</u>	<u>(150,817)</u>
	<u>1,339,134</u>	<u>1,161,824</u>	<u>516,484</u>	<u>441,529</u>

18. COST OF SALES

Raw & packing material consumed	818,722	692,658	326,071	281,291
Salaries, wages and other benefits	18.1 89,623	85,413	30,939	30,258
Finished goods purchased	14,055	6,056	1,540	656
Depreciation and amortization	19,663	15,640	7,008	5,578
Fuel and power	14,905	11,512	7,107	4,397
Freight and handling charges	11,302	6,991	4,651	2,366
Stores and spares consumed	4,204	3,157	1,455	1,204
Rent, rates and taxes	3,167	1,464	995	192
Travelling and conveyance	2,266	1,904	781	744
Insurance	1,760	1,662	611	469
Repair and maintenance	521	217	245	164
Postage and telephones	405	438	193	241
Others	815	360	636	107
Legal and professional charges	149	87	43	17
Printing and stationery	169	99	64	50
Subscription charges	40	35	3	3
Product research and development	43	317	25	48
	<u>981,809</u>	<u>828,010</u>	<u>382,367</u>	<u>327,785</u>
Opening stock of work-in-process	6,379	8,785	7,920	8,451
Closing stock of work-in-process	(11,259)	(7,981)	(11,259)	(7,981)
Cost of good manufactured	<u>976,929</u>	<u>828,814</u>	<u>379,028</u>	<u>328,255</u>
Opening stock of finished goods	77,963	64,137	72,792	50,448
Closing stock of finished goods	(80,738)	(78,534)	(80,738)	(78,534)
	<u>(2,775)</u>	<u>(14,397)</u>	<u>(7,946)</u>	<u>(28,086)</u>
	<u>974,154</u>	<u>814,417</u>	<u>371,082</u>	<u>300,169</u>



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

For the nine months period ended 30 September 2018

18.1 Salaries, wages and other benefits include Rs. 5.5 million (30 Sept 2017: Rs. 5.9 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 1.6 million (30 Sept 2017: Rs. 1.4 million) to the provident fund.

19. SELLING AND DISTRIBUTION EXPENSES

	19.1 Nine months period ended		Three months period ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
----- (Rupees in '000) -----				
Salaries, wages and other benefits	19.1 94,351	79,826	31,887	27,056
Advertising expense	77,299	70,879	38,997	16,729
Freight and handling charges	47,188	40,344	18,238	14,872
Travelling and conveyance	14,502	10,568	5,530	3,548
Product research and development	6,877	4,189	2,896	375
Depreciation and amortization	5,114	5,026	1,743	1,696
Rent, rates and taxes	4,241	4,318	1,461	1,474
Insurance expense	1,549	1,302	539	384
Legal and Professional fee	1,185	968	325	300
Postage, telegram and telephone	1,362	1,636	568	530
Meeting expenses	692	3,038	160	279
Utility charges	532	526	248	214
Repair and maintenance	307	278	31	152
Printing and stationery	280	283	93	109
Others	1,939	1,756	539	946
	<u>257,418</u>	<u>224,937</u>	<u>103,225</u>	<u>68,664</u>

19.1 Salaries, wages and other benefits include Rs. 1.169 million (30 Sept 2017: Rs.1.24 million) in respect of the accrual for defined benefit obligations of the Company and contribution of Rs. 2.078 million (30 Sept 2017: Rs. 1.75 million) to the provident fund.

20. 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 is 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 nine months period ended 30 September 2018

	Note	Nine months period ended	
		30 September 2018	30 September 2017
(Rs. in '000) (Un-audited)			
Transactions with related parties			
Contribution to the employees' provident fund	20.1	<u>4,792</u>	<u>3,995</u>
Directors and Chief Executive Officer (key management personnel)			
Total remuneration	20.1	<u>19,755</u>	<u>16,490</u>
Dividend paid		<u>1,581</u>	<u>729</u>
Other Key Management Personnel			
Managerial remuneration (excluding directors and Chief Executive Officer)	20.1	<u>71,787</u>	<u>54,721</u>

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

20.2 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.

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

21. 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 nine months period ended 30 September 2018

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,
- 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:

	Note	Carrying Amount		Fair value
		Loans and receivables	Total	Total
30 September 2018		----- (Rupees in '000) -----		
On-balance sheet financial and non-financial instruments				
Financial assets not measured at fair value				
	21.1			
Long term deposits		4,648	4,648	-
Loans to employees		2,035	2,035	-
Trade debts		53,708	53,708	-
Other receivables		2,620	2,620	-
Cash and bank balances (including security deposit)		<u>42,888</u>	<u>42,888</u>	-
		<u><u>105,899</u></u>	<u><u>105,899</u></u>	<u><u>-</u></u>



**Notes to the Condensed Interim
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For the nine months period ended 30 September 2018

<u>30 September 2018</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				
	21.1			
Trade and other payables		154,277	154,277	-
Short term borrowings (including mark-up)		245,383	245,383	-
		<u>399,660</u>	<u>399,660</u>	<u>-</u>

<u>31 December 2017</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				
	21.1			
Long term deposits		4,656	4,656	-
Loans to employees		1,426	1,426	-
Trade debts		33,543	33,543	-
Other receivables		13,208	13,208	-
Cash and bank balances (including security deposit)		32,547	32,547	-
		<u>85,380</u>	<u>85,380</u>	<u>-</u>



**Notes to the Condensed Interim
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For the nine months period ended 30 September 2018

31 December 2017	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				
	21.1			
Trade and other payables		122,704	122,704	-
Short term borrowings (including mark-up)		<u>213,001</u>	<u>213,001</u>	-
		<u>335,705</u>	<u>335,705</u>	-

21.1 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.

22. GENERAL

This condensed interim financial information were authorized for issue on 29th, October 2018 by the board of directors of the Company.

Chief Financial Officer

Director / CEO

Director



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

CORPORATE