Annual Report
2019

Expanding Possibilities

ITTEHAD CHEMICALS LIMITED

Contents

Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri	Chairman	Non-Executive Director
	Mr. Abdul Sattar Khatri	Director/CEO	Executive Director
	Ms. Farhana Abdul Sattar Khatri	Director	Non-Executive Director
	Mr. Waqas Siddiq Khatri	Director	Executive Director
	Mr. Abdullah Mustafa	Director	Non-Executive Director
	Mr. Pervaiz Ahmad Khan	Director	Independent Director
	Mr. Pervez Ismail	Director	Independent Director
AUDIT COMMITTEE	Mr. Pervez Ismail	Chairman	
	Mr. Abdullah Mustafa	Member	
	Mr. Pervaiz Ahmad Khan	Member	
HR & REMUNERATION COMMITEE	Mr. Pervaiz Ahmad Khan	Chairman	
	Mr. Abdullah Mustafa	Member	
	Mr. Waqas Siddiq Khatri	Member	
RISK MANAGEMENT COMMITEE	Mr. Muhammad Siddique Khatri	Chairman	
	Mr. Abdul Sattar Khatri	Member	
	Mr. Waqas Siddiq Khatri	Member	

CHIEF FINANCIAL OFFICER

Mr. Shahbaz Ali

COMPANY SECRETARY

Mr. Abdul Mansoor Khan

REGISTERED OFFICE/HEAD OFFICE

39-Empress Road, P.O. Box 1414, Lahore-54000.
Tel: 042 - 36306586 - 88, Fax: 042 – 36365697
Website: www.ittehadchemicals.com, E-mail: info@ittehadchemicals.com

PLANT

G.T. Road, Kala Shah Kaku, District Sheikhupura.
Ph: 042 – 37950222 – 25, Fax: 042 – 37950206

SHARES REGISTRAR

M/s Hameed Majeed Associate (Pvt.) Limited
1st Floor, H.M. House, 7 Bank Square
The Mall, Lahore

BANKERS

Banks - Conventional Side	Banks - Islamic Window Operations
Askari Bank Limited	Al-Baraka Bank (Pakistan) Limited
Allied Bank Limited	The Bank of Punjab (Taqwa Islamic Banking)
Faysal Bank Limited	Dubai Islamic Bank (Pak) Limited
Habib Metro Bank Limited	Bank Alfalah Limited – Islamic Banking
MCB Bank Limited	
National Bank of Pakistan	
JS Bank Limited	
Pak Libya Holding Co. (Pvt.) Ltd.	
Pakistan Kuwait Inv. Co. (Pvt.) Ltd.	
Pak Brunei Inv. Company Ltd	
The Bank of Punjab	
United Bank Limited	

AUDITORS

M/s. BDO Ebrahim & Co., Chartered Accountants,
2nd Floor, Block- C, Lakson Square Building No.1,
Sarwar Shaheed Road, Karachi.
Ph: 021 – 35683189 – 35683498 Fax : 021 – 35684239

LEGAL ADVISOR

Cornelius, Lane & Mufti
Advocates & Solicitors
Nawa-e-Waqt House
4 - Shahrah-e-Fatima Jinnah
Lahore-54000


Nothing limits
Achievement like small
Thinking; nothing
Expands Possibilities
like Unleashed
Imagination.

ICL VISION

An "ITTEHAD" of PAKISTAN'S best TALENT & TECHNOLOGY that serves as a catalyst to deliver SUSTAINABLE CHEMICAL products to its CUSTOMERS thus optimizing returns for INVESTORS.

ICL MISSION

Key ingredients of ICL Mission are:

- Create an environment to attract and retain the best talent.
- Optimize cost and securitize energy through latest technology.
- Serving the customers to their satisfaction levels
- Ensuring that we are environment friendly & Zero injury company
- CSR is our forte

ICL VALUES

Integrity:

Integrity is regarded as the honesty and truthfulness or accuracy of one’s actions.

Respect:

Respect is a positive feeling of esteem or deference for a person and also specific actions and conduct representative of that esteem.

Teamwork

Teamwork is work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole.

Accountability

The principles of ethical accountability aim to improve both the internal standard of individual and group conduct as well as external factors, such as sustainable economic and ecologic strategies.

Notice of Annual General Meeting

NOTICE is hereby given that the 28th Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Friday, October 25, 2019, at 11:00 a.m. at the Registered Office at 39 - Empress Road, Lahore to transact the following business:

Ordinary Business

1. To confirm the Minutes of Annual General Meeting held on October 26, 2018.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended June 30, 2019 together with the Directors' and Auditors' Reports thereon.

3. To appoint Auditors for the year 2019-20 and to fix their remuneration.

   M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.

4. Any other business with the permission of the Chair.

By Order of the Board
Sd/-
Abdul Mansoor Khan
Company Secretary

Lahore
September 25, 2019

Notes:-

i. The Share Transfer Books of the Company will remain closed from October 17, 2019 to October 25, 2019 (both days inclusive). Transfers received in order by our Share Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on October 16, 2019 will be considered in time for the purpose of attending and vote in Annual General Meeting.

ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.

iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number and CDC account numbers at the time of attending the Annual General Meeting for identification purpose.

iv. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.

v. Members are requested to notify the change of address immediately, if any, to our Shares Registrar.

vi. Under the provisions of section 242 of the Companies Act 2017, any dividend payable in cash shall only be paid through electronic mode directly into the Bank Account designated by the entitled shareholders. The shareholders are hereby advised to provide a dividend mandate in favour of e-dividend by providing dividend mandate form (specimen available on Company's website). In case of CDC shareholders, please update the record with your CDC Participant.

vii. As per the provisions of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it was due and payable are required to be deposited with SECP for credit of Federal Government. The details of the shares issued and dividend declared by the Company which have remained due for more than three years are available on the Company's website www.ittehadchemicals.com.pk. In case, no claim is lodged, the Company shall proceed in accordance with provisions of the Act.

viii. The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are (a) 15% for fillers of income tax returns and (b) 30% for non-filers of income tax returns. The members are advised to update their status accordingly in order to avoid any inconvenience for any future dividend.

ix. The Annual Report is being transmitted to shareholders through CD or DVD or USB instead of sending in Book form / hard copy in terms of SECP SRO # 470(I)/ 2016 dated May 31, 2016 and its subsequent approval in the Annual General Meeting held on October 26, 2017.

x. Members can also avail video conference facility in the cities where facility can be provided keeping in view the geographical dispersal of members. In this regard fill the application as per following format and submit to the registered address of the company 10 days before the date of Annual General Meeting. The video conference facility will be provided only If the company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, The company will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

I / We ______________ of _________________________ being member of Ittehad Chemicals Limited, holder of _____ Ordinary shares as per Register Folio # / CDC Account # / Participant Id # hereby opt for Video conference facility at _________________.

____
Signature of shareholder

xi. Pursuant to "Companies (Postal Ballot) Regulations, 2018" issued vide SECP SRO.254(I)/2018 dated February 22, 2018 members may exercise their right to vote through e-voting.

xii. The Annual Report for the Financial Year ended June 30, 2019 will be placed on Company's website www.ittehadchemicals.com in due course of time.

Chairman's Review

Dear stakeholders

It is a great pleasure to write you on the overall performance of the Board of Directors and their effectiveness in steering the Company towards achieving its objectives.

I am pleased to report that performance of the Board and Committees remained remarkable throughout the year. The timely decisions of the Board contributed immensely in leading the Company in the right direction for completing the projects within the timeframe. I would also like to congratulate ICL on commissioning of LABSA (Linear Alkyl Benzene Sulphonic Acid) Plant having capacity 24,000 M. Ton Per Annum in May 2019. This diversification will be beneficial for ICL stakeholders in future.

ICL is taking all possible steps for retention of its market share in a very competitive business environment. The Company is trying to be more innovative by launching value added products, working on new types of chemicals and modernization of plant related equipment. The Management of your company is also exploring new markets and focusing on viable alternate cost efficient energy sources.

Pakistan's economy has been in dilemma during the last few years. The year 2018-19 also remained politically tumultuous for Pakistan, adversely affecting its economic growth. Pakistan's economy is still facing pressures from political instability, high interest rates, liquidity crunch, intensive inflationary pressure and increase in energy tariffs. All these factors together with increased raw material prices and the currency depreciation resulted in higher input costs and has impacted ICL's business adversely.

Looking ahead, the operational indicators for the future are quite satisfactory however financial performance will depend upon a number of external factors like products stable prices, incremental levies, energy policy of the Government and political stability in the country. The Management remained committed to achieve operational excellence and is taking suitable measures to address the future challenges.

Last but not the least, I would like to acknowledge the immense contribution and commitment of each member of the Board and the employees of the Company, which ensured the Company's sustained growth.

Lahore
September 25, 2019

Muhammad Siddique Khatri
Chairman

Directors' Report

The Directors of the Company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2019 and Auditor's Report thereon.

FINANCIAL PERFORMANCE

By the grace of almighty Allah, the performance of your Company remained satisfactory during the year under review. The Company posted net sales revenue of Rupees 6,644 Million with an increase of 16% (2018: Rupees 5,743 Million). The cost of sales stood at Rupees 5,265 Million (2018: Rupees 4,780 Million) bringing gross profit to Rupees 1,379 Million (2018: Rupees 963 Million). The gross profit margin improved to 21% from 17% as compared to corresponding period of last year due to shifting of production to state of the art power efficient IEM Plant-3 which commenced operations just at the start of the period under review. However the higher mark-up rates, high fuel cost, devaluation of Pak Rupee and lackluster economy remained challenges during the period.

The bottom line showed a net profit after tax amounting to Rupees 405 Million (2018: Rupees 415 Million) which yielded earning(s) per share Rupees 4.78 per share (2018: Rupees 4.91 per share). During the year under review, the Company issued Bonus shares amounting to Rupees 77 Million; hence EPS for preceding year has been restated accordingly.

FINANCIAL HIGHLIGHTS

The comparative financial results for the years ended Jun 30, 2019 & 2018 are as under:

	Financial Year ended June 30	
	2019	2018
	Rupees in "000"	
Net Sales	6,644,377	5,742,792
Gross Profit	1,378,886	962,983
Operating Profit	756,031	504,350
Profit /(Loss) before Tax	505,088	360,866
Profit after Tax	405,051	415,487
Earnings Per Share – re-stated (Rupees)	4.78	4.91

PROFIT AND APPROPRIATIONS

	Financial Year ended June 30	
	2019	2018
	Rupees in '000'	
Total Comprehensive Income for the Year	399,785	593,373
Less un-realized gain (surplus on revaluation of fixed assets)	–	(177,886)
Add: - Un-appropriated profit brought forward	1,636,841	1,321,454
Less Adjustment in Retained Earnings – Net (IFRS 9 – Financial Instrument – Impact of change in accounting policy)	(20,975)	–
Profit available for appropriation	2,015,651	1,736,941
Appropriations:		
Final cash dividend paid @ 11% for the financial year 2017--2018 (2016-2017: 13 %)	(84,700)	(100,100)
Bonus Shares Issued	(77,000)	–
Profit available for appropriation	1,853,951	1,636,841

CASH DIVIDEND

Considering the prevailing challenges and in order to timely cope with financial obligations (as a result of recent CAPEX), the Board of Directors has not recommended any dividend / Bonus shares.

BALANCING, MODERNIZATION AND REPLACEMENT (BMR)

By the grace of Almighty Allah, the Company has effectively transformed its complete Production Technology to state of the art power efficient environmental friendly Ion Exchange Membrane Plants. The Company's state of the art LABSA / SLES Plant (having capacity 24,000 M. Ton Per Annum) has commenced its commercial operations at the tail end of the Year under review. The LABSA / SLES Plant will make its contribution towards the Company's profitability in the ensuing years. The inclusion of new LABSA / SLES Plant in company's operations testifies the Management's commitment to enhance its shareholders' value.

VIS CREDIT RATING COMPANY LIMITED (FORMERLY JCR-VIS CREDIT RATING COMPANY LIMITED)

As announced on 26 August 2019, VIS Credit Rating Co. Ltd., has maintained the entity ratings of Ittehad Chemicals Limited (ICL) at 'A- /A-2'(Single A Minus / A-Two). Outlook on assigned ratings has been revised from 'Stable' to 'Positive'. The medium to long-term rating of 'A-' signifies good credit quality with strong protection factors. The short-term rating of 'A-2' denotes good certainty of timely payments coupled with sound liquidity and company fundamentals.

BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

As per requirements of Clause # 36 of Listed Companies (Code of Corporate Governance) Regulations 2017 (the "CCG"), the composition of the Board has been given in "Statement of Compliance" annexed with this Annual Report. During the year, Five (05) Board meetings, Four (04) Audit Committee meetings, Two (02) HR & Remuneration Committee Meetings and one (01) Risk Management Committee Meeting were held. The attendance of Board and its Committees' members is hereunder:

Name of Director	**Number of Meetings attended**			
	Board of Directors	Audit Committee	HR & R Committee	Risk Management Committee
Mr. Muhammad Siddique Khatri	5	N/A	N/A	1
Mr. Abdul Sattar Khatri	5	N/A	N/A	1
Mr. Waqas Siddiq Khatri	5	N/A	2	1
Mr. Abdullah Mustafa	5	4	2	N/A
Ms. Farhana Abdul Sattar Khatri	5	N/A	N/A	N/A
Mr. Pervaiz Ahmad Khan	5	4	2	N/A
Mr. Pervez Ismail	5	4	N/A	N/A

The names of Members of Board Committees are disclosed under the head "Corporate Information" as required under the Clause # 37 of CCG.

DIRECTORS' REMUNERATION

The Company doesn't pay any kind of remuneration to Independent / Non-executive directors; however the Board has approved payment of Meeting Attendance Fee of Rupees 30,000 for each Board and its Committees Meeting as well as reimbursement of expenses incurred (if any) in boarding, lodging and travelling to independent and Non-Executive Directors .

DIRECTORS' TRAINING PROGRAMS

The Company is Compliant with the regulation # 20 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director's Training Program.

CODE OF CONDUCT

Behavior reflecting high ethical, moral and legal conducts is expected from all employees of the Company regardless of their title or location which is an individual responsibility; however, Company has defined certain standards and obligations. The Code of Conduct has been disseminated to all its employees throughout the Company and placed on the website of the Company.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The compliance with the best practices of Code of Corporate Governance is always ensured by the Board. A statement to this effect is annexed.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the statements on Corporate and Financial Reporting Framework:

i. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Act 2017. These statements present the Company's state of affairs fairly, the results of its operations, cash flow and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.

v. The system of internal control is sound in design and has been effectively implemented and monitored.

vi. There are no significant doubts upon the Company's ability to continue as a going concern.

vii. The key operating and financial data for the last six years is annexed.

viii. Information about outstanding taxes and levies is given in Notes to the Accounts.

ix. The value of investments of the Provident Fund as on Jun 30, 2019 is given in Note # 41 of the Financial Statements.

x. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.

xi. The Company has complied with requirements as stipulated in Code relating to related party transactions.

xii. The trading made by directors, CEO, CFO, Company Secretary, Head of Internal Audit (Designated Executive under rule 5.6.1 of PSX rule book) and their spouses and minor children in the Company's share during the year and the number of shares, if any, held by them are annexed.

HEALTH, SAFETY AND ENVIRONMENT

We are committed to provide a safe and healthy work environment to our employees. The Company meets applicable laws and government regulations as well as Company's own standards. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large.

The Company has been certified for Quality Management System ISO 9001:2015, Environment Management System ISO 14001:2015 and Occupational Health Safety Management System OHSAS 18001:2007 by TUV Austria – Bureau of Inspection & certification (Pvt.) Ltd.

CORPORATE SOCIAL RESPONSIBILITY

Our main CSR focuses are on Health Care, Education and community development. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift. During the year under review, Company contributed Rupees 7,014,855 to various charitable organizations.

EXTERNAL AUDITORS

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offered themselves for re-appointment for the year 2019-20. As recommended by the Audit Committee, the Board of Directors has endorsed their re-appointment as Auditors of the Company for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2019 is annexed.

FUTURE OUTLOOK

Pakistan's growth performance is coping with difficult times. The challenges like higher markup rate, high fuel cost, mounting pressures on the domestic currency, balance of payment difficulties, large fiscal and current account deficits, political volatilities are adversely impacting the business environment.

On a positive note, as stated earlier the commencement of the Company's state of the art LABSA / SLES Plant (having capacity 24,000 M. Ton Per Annum) has just commenced its commercial operations and shall make its contribution towards the profitability. The Management of the Company is committed to address the challenges by taking timely decisions.

ACKNOWLEDGEMENT

Board is thankful to the valuable Shareholders, Customers, Banks and Government departments for their trust, confidence, persistent support and patronage and would like to place on record its gratitude to all the Employees of the Company for their contribution, dedication and hard work.

On behalf of the Board

Lahore	Muhammad Saddique Khatri	Mr.Abdul Sattar Khatri
September 25, 2019	Chairman	Chief Executive Officer

بیرونی آڈیٹرز:

موجودہ آڈیٹرزBDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائرڈ اور اہلیت کے حامل ہونے کی بناپر20-2019 کے لئے دوبارہ تعیناتی کی پیش کش کی ہے۔آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے بی ڈی اوابراہیم اینڈ کمپنی کی دوبارہ تعیناتی کے لئے آنے والے سالانہ اجلاس میں ممبرز کی اجازت کے بعد آئندہ سال کے لئے منظوری دے دی ہے۔ بیرونی آڈیٹرز کے حوالے سے بی ڈی اوابراہیم اینڈ کمپنی کے متعلق ICAP نے کوالٹی کنٹرول ریویو کے تحت اطمینان بخش ریٹنگ جاری کی ہے۔

شیئر ہولڈنگ کا پیٹرن:

شیئر ہولڈنگ کی معلومات بمطابق30 جون 2019 ہمراہ منسلک ہے۔

مستقبل کا نقطہ نظر:

پاکستان کی ترقی کو مشکل حالات کا سامنا ہے، مشکلات جیسا کہ سودی شرح اور ایندھن کی لاگت میں اضافہ، روپے کی قدر میں مسلسل کمی، رقم کی ادائیگیوں میں عدم توازن، بڑے پیمانے پر مالی اور کرنٹ اکاؤنٹ کے خسارے، سیاسی تبدیلیاں کاروباری ماحول کو بری طرح متاثر کررہے ہیں۔ جیسا کہ پہلے بتایا گیا ہے کہ کمپنی کا LABSA/SLES (پیداواری صلاحیت 24,000 ایم۔ٹن سالانہ) نے کام کرنا شروع کردیا ہے اور اس سے کمپنی کے منافع میں بھی اضافہ ہوگا جو کہ ایک مثبت اشارہ ہے۔ انتظامیہ مشکل حالات سے نمٹنے کے لئے وقت پر فیصلے کرنے کے لئے پرعزم ہے۔

اظہار تشکر:

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بنکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لئے مشکور ہیں اور سخت محنت اور لگن سے کام کرنے پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں۔

جناب محمد صدیق کھتری	جناب عبدالستار کھتری	لاہور
چیئرمین	چیف ایگزیکٹو	ستمبر 25, 2019

ضابطہ اخلاق:

کمپنی کے تمام ملازمین سے بہترین اخلاقی اور قانونی معاملات کے عکاس رویہ کی توقع کی جاتی ہے چاہے وہ کسی بھی عہدے کے ملازمین ہوں۔ تاہم کمپنی نے مخصوص معیار اور ذمہ داروں کا تعین کیا ہے۔ ضابطہ اخلاق کمپنی کے تمام ملازمین میں تقسیم کیا گیا ہے اور کمپنی کی ویب سائٹ پر بھی ڈال دیا گیا ہے۔

کوڈ آف کارپوریٹ گورنس کے ضابطہ کی تعلیم:

بورڈ نے کارپوریٹ گورنس کے بہترین طریقوں پر عملدرآمد کو ہمیشہ یقینی بنایا ہے۔ اسی حوالے سے ایک بیان بھی منسلک کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

1۔ مالیاتی گوشوارے اور تیار کیے گئے نوٹس کمپنیز ایکٹ 2017 کے عین مطابق تیار کیے گئے ہیں۔ یہ گوشوارے کمپنی کے معاملات کی شفاف حالت اسکے آپریشن کے نتائج، کیش فلو اور سرمایہ میں تبدیلیوں کو ظاہر کرتی ہے۔
2۔ کمپنی کے اکاؤنٹس کی بقاعدہ کتب بنائی گئیں ہیں۔
3۔ مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مدنظر رکھا گیا ہے اور اکاؤنٹنگ کے اندازے مناسب اور دانشمندانہ فیصلوں پر کیے گئے ہیں۔
4۔ مالی گوشواروں کی تیاری میں انٹرنیشنل مالیاتی رپورٹنگ معیار جو کہ پاکستان میں بھی لاگو ہے کی پیروی کی جاتی ہے۔ اور وہاں سے کسی بھی قسم کی کمی بیشی کی صورت میں مناسب طور پر وضاحت کی گئی۔
5۔ انٹرنل کنٹرول کا بہترین نظام ہے اور مناسب انداز میں لاگو اور مانیٹر کیا جاتا ہے۔
6۔ کمپنی کی صلاحیت کو جاری رکھنے کے حوالے سے کسی بھی قسم کے شک وشبات نہیں ہیں۔
7۔ گزشتہ چھ سال کا آپریٹنگ مواد منسلک کیا گیا ہے۔
8۔ ٹیکس اور لیویز کے بقایاجات کے متعلق معلومات اکاؤنٹس کے نوٹس میں دی گئی ہے۔
9۔ پراویڈنٹ فنڈ کی انویسٹمنٹ کی ویلیو 30 جون 2019 کے مطابق اکاؤنٹس کی بنیاد پر فنانشل سٹیٹمنٹ کے نوٹ نمبر 41 میں دی گئی ہے۔
10۔ ضابطہ میں بیان شدہ تمام اہم معلومات سٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بروقت فراہم کی گئی ہیں۔
11۔ متعلقہ پارٹی ٹرانزیکشن کے حوالے سے تمام ضروریات کے مطابق کمپنی نے عملدرآمد کیا ہے۔
12۔ کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ہیڈ آف انٹرنل آڈٹ (PSX رول بک کے رول نمبر 5.6.1 کے مطابق ایگزیکٹو مقرر کیے گئے) ان کی بیگمات اور انکے بچوں کی جانب سے کمپنی کے شیئرز میں سال کے دوران کی گئی ٹریڈینگ (اگر کوئی ہے) اور شیئرز کی تعداد کے متعلق کسی بھی قسم کی معلومات منسلک ہیں۔

صحت، تحفظ اور ماحول:

ہم اپنے ملازمین کو کام کرنے کے لئے صحت منداور محفوظ ماحول فراہم کرنے کے لئے کوشاں ہیں۔ کمپنی تمام قابل اطلاق قوانین اور حکومتی ضوابط پر عمل کرنے کے علاوہ کمپنی نے اپنا معیار بھی متعین کر رکھا ہے۔ ہم فعال طور پر حادثات کا باعث بننے والے عوامل کو ختم کرنے ماحولیاتی آلودگی کو کم کرنے، فضلے میں کمی، توانائی کی بچت، حفاظتی آگاہی، ٹریننگ ایمرجنسی کے حوالے سے تیاری اور ماحولیاتی اثرات جو کہ اردگرد آبادیوں پر اثر انداز ہو سکتے ہیں کو کم کرنے کے لئے ہر وقت کوشاں ہیں۔ کمپنی کو الٹی مینجمنٹ سسٹم آئی ایس او 9001:2015، انوائرمنٹ مینجمنٹ سسٹم آئی ایس او 14001:2015 اور TUV آسٹریا بیورو آف انسپیکشن اینڈ سرٹیفیکیشن پرائیویٹ لیمیٹڈ کی آکوپیشنل ہیلتھ سیفٹی مینجمنٹ سسٹم OHSAS 18001:2007 سے بھی نوازا گیا ہے۔

کارپوریٹ سماجی ذمہ داری:

صحت تعلیم اور معاشرے کی بہتری ہمارے بنیادی کارپوریٹ سماجی پروگرام کا حصہ ہے۔ اس سلسلے میں اتحاد کیمیکلز لیمیٹڈ صحت، تعلیم اور سماجی بہتری کے لئے کام کرنے والی مختلف تنظیموں کی مالی امداد بھی کر رہی ہے۔ زیر جائزہ سال کے دوران کمپنی نے مختلف رفاعی تنظیموں کو 7,014,855 روپے دیے ہیں۔

نقد منافع:

موجودہ مسائل کو دیکھتے ہوئے اور مالی زمہ داریوں کو بروقت ادا کرنے کے لئے بورڈ آف ڈائریکٹرز نے نقد منافع / بونس حصص نہ دینے کی تجویز دی ہے ۔

توازن، جدت اور متبادل:

اللہ کے فضل و کرم سے کمپنی نے اپنی تمام پیداواری صلاحیت کو موثر لاگت کے حامل IEM پلانٹس پر منتقل کر دی ہے۔ گزشتہ سال کے آخری حصہ میں LABSA/SLES پراجیکٹ کی پیداواری صلاحیت تقریباً 24000M.T سالانہ ہے نے کام کرنا شروع کر دیا ہے۔ امسال LABSA/SLES پلانٹ کا کمپنی کا حصہ بننا آنے والے سالوں میں نہایت فائدہ مند ثابت ہوگا۔ LABSA/SLES پلانٹ کا لگنا آپکی کمپنی کی انتظامیہ کی لگن کہ حصص داران کی قدر میں اضافہ ہو کو ثابت کرتا ہے۔۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ: (سابقہ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ)

جیسا کہ 26 اگست 2019 کے دوران VIS کریڈٹ ریٹنگ کمپنی نے اعلان کیا کہ اتحاد کیمیکلز لمیٹڈ کی درجہ بندی A-2 / A- (سنگل - A مائنس / A-2) برقرار رکھی گئی ہے۔ مستقبل کی درجہ بندی مستحکم سے مثبت کر دی گئی ہے۔ درمیانہ درجہ سے طویل مدتی درجہ بندی۔ A کمپنی کے اچھے مالی معیار اور مضبوط تحفظ کے عوامل کو ظاہر کرتا ہے۔ اور قلیل مدتی درجہ بندی A-2 کمپنی کی اچھی مالی اور بنیادی حالت کو اور بروقت ادائیگی کی حقانیت کو ظاہر کرتی ہے۔

بورڈ اور اسکی کمیٹیاں:

لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورنینس کی شق 36 کے مطابق فہرستی بورڈ کی ساخت اس رپورٹ سے منسلک سٹیٹمنٹ آف کمپلائنس کے سیریل 1 اور 2 میں درج ہے۔ سال کے دوران پانچ (5) بورڈ کے اجلاس، چار (4) آڈٹ کمیٹی اجلاس اور دو (2) HR & R اور ایک (1) رسک مینجمنٹ کمیٹی کا اجلاس منعقد کیا ہے۔

بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے۔			
	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی	رسک مینجمنٹ کمیٹی
جناب محمد صدیق کھتری	5	N/A	N/A	1
جناب عبدالستار کھتری	5	N/A	N/A	1
جناب وقاص کھتری	5	N/A	2	1
جناب عبداللہ مصطفیٰ	5	4	2	N/A
محترمہ فرحانہ کھتری	5	N/A	N/A	N/A
جناب پرویز احمد خان	5	4	2	N/A
جناب پرویز اسماعیل	5	4	N/A	N/A

کارپوریٹ انفارمیشن کے عنوان کے نیچے بورڈ کمیٹی کے ممبران کے نام کی فہرست سالانہ رپورٹ کے ساتھ منسلک ہے۔ جسکو CCG میں شق نمبر 37 میں لازم قرار دیا گیا ہے۔

ڈائریکٹرز کا معاوضہ:

کمپنی نان ایگزیکٹیو ڈائریکٹرز / آزاد ڈائریکٹرز کو کسی قسم کا معاوضہ ادا نہیں کرتی تاہم بورڈ نے بورڈ اور اُس کی کمیٹیوں کی ہر میٹنگ میں شامل ہونے کی فیس 30000 روپے مقرر کی ہے اور میٹنگ کے علاوہ ہونے والے سفری اور دیگر اخراجات صرف نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو ادا کیے جاتے ہیں۔

ڈائریکٹرز کا تربیتی پروگرام:

کمپنی CCG ریگولیشن نمبر 20 کے تحت سات میں سے چھ بورڈ ممبرز نے SECP سے منظور شدہ اداروں سے ڈائریکٹرز ٹریننگ پروگرام کے سرٹیفکیٹ حاصل کیے ہوئے ہیں۔

ڈائریکٹرز رپورٹ:

کمپنی کے ڈائریکٹرز سالانہ رپورٹ بمع 30 جون 2019 کو ختم ہونے والے مالی سال کے پڑتال شدہ مالی گوشوارے اوران پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔

مالی کاردکردگی:

اللہ کے فضل وکرم سے زیر جائزہ سال میں آپ کی کمپنی کی کارکردگی اطمینان بخش رہی۔ کمپنی کی مجموعی فروخت 16% کے اضافے کے ساتھ 6,644 ملین روپے (2018: میں 5,743 ملین روپے) رہی۔ فروخت کی لاگت 5,265 ملین روپے (2018: میں 4,780 ملین روپے) رہی۔ جس سے 1,379 ملین روپے (2018: میں 963 ملین روپے) کا خام منافع حاصل ہوا۔ گزشتہ مالی سال کی نسبت اس سال خام منافع کی شرح 17 فیصد سے 21 فیصد تک ہوگئی جسکی وجہ زیر جائزہ سال کے آغاز میں موثر لاگت کا حامل IEM-III کی شروعات ہے۔ تاہم زیادہ سودی شرح، ایندھن کی لاگت میں اضافہ، پاکستانی روپے کی قدر میں مسلسل کمی، ناقص معیشت جیسے بڑے مسائل رہے۔ گوشوارے کی آخری سطر 405 ملین (2018 میں 415 ملین) کا مجموعی منافع دکھاتی ہے جس سے 4.78 روپے فی حصص (2018 میں 4.91 فی حصص) کی آمدنی ہوئی۔ زیر جائزہ سال میں کمپنی نے 77 ملین روپے کے بونس شیرز تقسیم کئے چنانچہ EPS دوبارہ سے کہی گئی ہے۔

مالیاتی جھلکیاں:

30 جون 2019 اور 2018 ختم ہونے والے سال کے تقابلی مالیاتی نتائج درج ذیل ہیں۔

2019"000" روپے	2018"000" روپے	نام
6,644,377	5,742,792	مجموعی فروخت
1,378,886	962,983	خام منافع
756,031	504,350	آپریٹنگ منافع
505,088	360,866	ٹیکس سے پہلے منافع
405,051	415,487	ٹیکس کے بعد منافع
4.78	4.91	فی حصص کمائی

منافع اور تخصیص:

اختتام مالی سال 30 جون

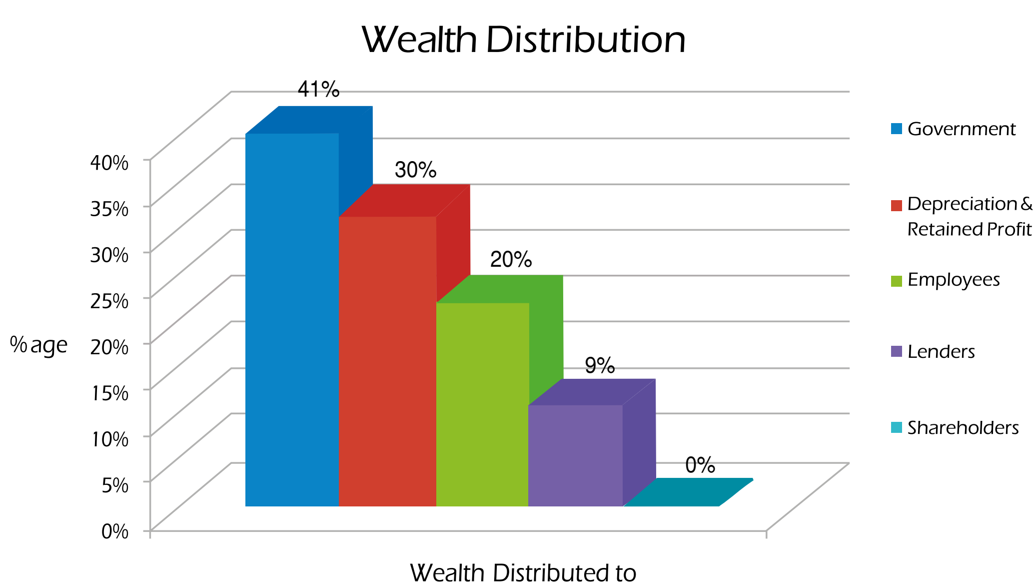
2019"000"روپے	2018"000"روپے	
399,785	593,373	کل آمدنی
–	(177,886)	تفریق: غیر حقیقی منافع (اثاثوں کی قیمت میں اضافہ)
1,636,841	1,321,454	بشمول: آگے لایا گیا غیر تخصیص منافع
		تفریق برقرار آمدنی میں تبدیلی۔صافی (IFRS-9
(20,975)	–	اکاؤنٹنگ پالیسی تبدیلی کے اثرات)
2,015,651	1,736,941	تخصیص کے لئے موجودہ منافع
		تخصیص
(84,700)	(100,100)	مالی سال 2017-18 حتمی نقد منافع 11% کے
		حساب سے (2016-17:13%)
(77,000)	–	بونس شیرز
1,853,951	1,636,841	تخصیص کے لئے موجود منافع

Operating and Financial Highlights

	Unit	2019	2018	2017	2016	2015	2014
PROFIT AND LOSS							
Sales	Rs. in mln	6,644	5,743	4,990	4,557	4,046	4,104
Gross Profit	Rs. in mln	1,379	963	820	791	423	813
Operating Profit	Rs. in mln	756	504	384	372	31	405
Profit / (loss) before tax	Rs. in mln	505	361	220	224	(74)	281
Profit after tax	Rs. in mln	405	415	233	167	84	200
EBITDA	Rs. in mln	1,248	859	718	685	225	592
Earning per share - Basic and Diluted	Rs.	4.78	4.91	3.37	2.64	1.54	4.01
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	6,335	5,452	4,128	3,638	3,756	2,485
Current Assets	Rs. in mln	2,915	2,031	2,065	2,014	1,437	1,704
Current Liabilities	Rs. in mln	3,461	3,007	2,436	2,126	2,045	1,491
Long Term Liabilities	Rs. in mln	2,012	1,023	944	1,344	933	909
Share capital	Rs. in mln	847	770	770	650	500	500
Shareholders' Equity	Rs. in mln	3,031	2,737	2,421	1,985	1,578	1,541
INVESTOR INFORMATION							
Gross Profit Margin	%	20.75	16.77	16.43	17.35	10.45	19.81
Net Profit Margin	%	6.10	7.23	4.68	3.67	2.09	4.88
Return on Equity	%	14.05	16.11	10.59	9.40	5.42	13.74
Price Earning Ratio Restated		5.64	6.44	9.28	9.89	30.38	8.06
Net Asset Per Share	Rs.	35.78	35.54	31.45	30.53	31.56	30.81
Long -Term Debt to Equity Ratio		0.66	0.50	0.49	0.71	0.69	0.43
Current Ratio		0.84	0.68	0.85	0.95	0.70	1.14
Quick Ratio		0.50	0.45	0.49	0.48	0.39	0.60
Interest Coverage Ratio		2.96	3.27	2.17	2.25	0.28	3.04
Debtor Turnover	No. of Times	11.81	12.86	10.67	10.76	10.21	7.85
Inventory Turnover	No. of Times	4.40	7.16	4.80	3.78	5.66	4.06
Dividend Payout	%	–	20.39	38.58	56.82	64.94	24.94
Bonus Shares	%	–	10.00	–	–	–	–
Dividend Per Share		–	1.10	1.30	1.50	1.00	1.00

Statement of Value Added

	Year ended June 30 2019	2018
	(Rs. in Million)	
Wealth Generated:		
Total revenue net of discount and allownces	7,912	6,878
Bought-in-material and services	4,964	4,530
	2,948	2,348
Wealth Distributed:		
To Employees		
Salries, benefits and other costs	597	587
To Government		
Income tax, sales tax, special excise duty & WWF	1,203	847
To Providers of capital		
To shareholders (Dividend & Bonus Shares)	–	85
To Financial Institutes (Mark up/interest on borrowed funds)	256	154
Retained for Reinvestment and Growth		
Depreciation and retained profits	892	675
	2,948	2,348



Statement of Compliance with "Listed Companies (Code of Corporate Governance) Regulations, 2017" for the year ended June 30, 2019

The statement is being presented to comply with the Listed Companies Code of Corporate Governance Regulations 2017 ("the Regulations") (CCG) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Ittehad Chemicals Limited ("The Company") has applied the principles contained in Regulation in the following manners.

1. The total number of directors are seven (07) as per the following:

Category	Numbers
Male	06
Female	01

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail
Executive Directors	Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Muhammad Siddique Khatri Ms. Farhana Abdul Sattar Khatri Mr. Abdullah Mustafa

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Company is Compliant with the regulation # 20 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director's Training Program.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

b) HR and Remuneration Committee

Names	Designation held
Mr. Pervaiz Ahmad Khan	Chairman
Mr. Waqas Siddiq Khatri	Member
Mr. Abdullah Mustafa	Member

c) Risk Management Committee

Names	Designation held
Muhammad Siddique Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Waqas Siddiq Khatri	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. During the Financial Year, four (04) Audit Committee's meetings (one (01) Meeting in each quarter) and two (02) Meetings of HR & Remuneration Committee (one (01) in 1st quarter and the other in 4th quarter) and one (01) Meeting of Risk Management Committee (in 4th quarter) were held.

15. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Lahore
September 25, 2019

Muhammad Saddique Khatri
Chairman

Mr.Abdul Sattar Khatri
Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ITTEHAD CHEMICALS LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Ittehad Chemicals Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

BDO Ebrahim & Co.

BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Muhammad Imran

Lahore
Dated: September 25, 2019

Financial Statements

for the year ended 30 June 2019

Independent Auditors' Report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ITTEHAD CHEMICALS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	**First time adoption of IFRS - 9 Financial Instruments**	
	The Company adopted IFRS 9 "Financial Instruments" with effect from July 1, 2018 and this new standard supersedes the requirements of IAS 39 "Financial instruments - Recognition and Measurement". IFRS-9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant Impact of the new standard on the Company financial statements relates to the calculation of the allowance for the impairment of accounts receivables. As at June 30, 2019 the carrying value of accounts receivables amounted to Rs. 664.516	We developed an understanding of the relevant business process and performed the following procedures: • Specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities; • Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9; • Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL;

S. No	Key audit matters	How the matter was addressed in our audit
	million (2018: Rs. 524.262 million unadjusted) and the allowance for impairment of accounts receivables amounted to Rs 64.107 million (2018: Rs. 69.472 million-adjusted). The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired. The Company's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Company's history of collection of trade receivables. We considered this as key audit matter due to the judgements and estimates involved in the application of the expected credit loss model. Refer to notes 4.1, 6.18 and 47 to the financial statements for accounting policies and the relevant detailed disclosures respectively.	• Tested key assumptions and judgments, such as those used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of forward-looking factors (macroeconomic factors) used to determine expected credit losses; and • Involved our accounting specialists to review the methodology used in the ECL model. • We also reviewed the adequacy of the Company's disclosures included in notes 4.1, 6.18 and 47 to the accompanying financial statements.
2.	**Capitalization of property, plant and equipment**	
	The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2019. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter. Refer to notes 6.1 to the financial statements.	Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Company's historical experience. We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives. We visited the sites where significant capital projects are ongoing to understand the nature of the projects. The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.

<table>
<tr><th>S. No</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>3.</td><td colspan="2">Inventory Valuation</td></tr>
<tr><td></td><td>As at June 30, 2019, the Company held Rs. 1,196.453 million in inventories. Given the size of the inventory balance relative to the total assets of the Company and the estimates and judgements described below, the valuation of inventory required significant audit attention.

As disclosed in Note 6.7 and 6.8, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.

The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:

• Use inventory aging reports together with historical trends to estimate the likely future salability of slow moving and older inventory items;

• The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

• Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required.

Refer to Note 6.7, 6.8, 13 & 14 of the financial statements – Inventory.</td><td>• Our audit procedures involved assessing the Company's accounting policies over recognizing inventory in compliance with applicable accounting standards. We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value. An analytical review was also performed on inventory.

• We assessed the Company's disclosures in the financial statements in respect of inventory.</td></tr>
<tr><td>4.</td><td colspan="2">Contingencies</td></tr>
<tr><td></td><td>As disclosed in note 31.1 to the financial statements, the Company is involved in certain legal and tax proceedings against the Company. The appeals were filed by the Company against these orders at respective forum.

Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with</td><td>In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmations directly from legal and tax advisors.
We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:

• We discussed the cases with management, and reviewed correspondence and other</td></tr>
</table>

S. No	Key audit matters	How the matter was addressed in our audit
	the completeness of the disclosure, and the completeness of the provisions in the financial statements. No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Company. There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matters.	documents exchanged between the Company and the other parties involved in the disputes. • We read the minutes of the Board meetings, and inspected the company's legal expenses, in order to ensure all cases have been identified. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. • We followed the progress of each case and the Company's estimate of the cost to be incurred; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and • Obtained legal advice on the above cases with the legal advisors to ensure that the outflow is possible and not probable.
5.	**Revenue recognition**	
	The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of the goods have been transferred to customers and the customer can direct the use of and substantially obtain all the benefits from the goods, resulting in a significant risk associated with revenue from an audit perspective. The Company adopted IFRS 15 "Revenue from Contracts with Customers" with effect from July 1, 2018. The adoption of new standard involved the exercise of a number of key judgements and estimates around the identification of transaction price as a result of variable consideration included therein.	Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework. We developed an understanding of relevant business process and performed the following procedures: • Control testing over the point of transfer of control of the goods to customers and the customers can direct the use of and substantially obtain all the benefits from the goods, was supported by substantive audit procedures including, amongst others: • Performing predictive analytical tests on the different revenue streams.

S. No	Key audit matters	How the matter was addressed in our audit
	Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter. Refer to note 4.2 and 6.22 to the financial statements for accounting policies and the relevant detailed disclosures respectively.	• Testing a sample of sales transactions around year end to ensure inclusion in the correct period. • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.
6.	**Trade and other payable - Accrued liabilities**	
	Accrued liabilities include an amount of Rs. 730.621 million payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. The Company has filed an appeal in Honorable Sindh High Court. The Honorable Sindh High Court suspended the levy and declared the GIDC Act 2015 as null and void. Subsequent to the judgment, on appeal filed by the Government, the Sindh High Court suspended the aforesaid judgment till the disposal of appeal. The matter is still pending in Honorable Sindh High Court. The Company has recognized a provision to industrial as well as captive power consumption which is considered prudent from management's perspective. There is significant uncertainty attached to the future outcome of this pending matter and, therefore, it is considered as key audit matter.	In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmation directly from legal advisor. We undertook number of procedures to verify the completeness of provision in the financial statements. This included, among others: • We discussed the case with management, and reviewed correspondence and other documents exchanged between the Company and the other parties involved in the disputes. • We read the minutes of the Board meetings, for any recorded instance of potential non-compliance. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures.
7.	**Control environment relating to the financial reporting process and related IT systems**	
	The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran.

BDO Ebrahim & Co.

Lahore
Dated: September 25, 2019

BDO Ebrahim & Co
Chartered Accountants

Statement of Financial Position

as at 30 June, 2019

	Note	2019	2018
		Rupees in thousand	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	6,334,613	5,452,040
Capital work in progress	8	35,541	70,129
		6,370,154	5,522,169
Intangible assets	9	6,445	6,445
Investment property	10	133,125	128,400
Long term investments	11	–	–
Long term deposits	12	51,906	51,104
		6,561,630	5,708,118
CURRENT ASSETS			
Stores, spares and loose tools	13	407,749	401,463
Stock in trade	14	788,704	266,083
Trade debts	15	664,516	524,262
Loans and advances	16	216,651	198,118
Trade deposits and short term prepayments	17	10,730	5,783
Tax refunds due from the Government	18	526,492	408,487
Taxation - net	19	189,989	133,226
Cash and bank balances	20	109,892	94,072
		2,914,723	2,031,494
TOTAL ASSETS		9,476,353	7,739,612
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	21.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	21.2	847,000	770,000
Reserves	22		
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		1,853,951	1,636,841
Surplus on revaluation of fixed assets	23	972,734	972,734
		4,003,685	3,709,575
NON CURRENT LIABILITIES			
Long term financing	24	266,667	188,450
Long term diminishing musharaka	25	1,413,628	612,841
Deferred liabilities	26	331,589	221,808
		2,011,884	1,023,099
CURRENT LIABILITIES			
Trade and other payables	27	1,648,478	1,200,669
Unclaimed dividend		1,040	796
Mark-up accrued	28	125,554	48,540
Short term borrowings	29	1,379,519	1,176,496
Current portion of long term liabilities	30	306,193	580,437
		3,460,784	3,006,938
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		9,476,353	7,739,612

The annexed notes from 1 to 56 form an integral part of these financial statements.

Chief Executive　　　Director　　　Chief Financial Officer

Statement of Profit or Loss Account

For the year ended 30 June, 2019

	Note	2019	2018
		Rupees in thousand	
Sales	32	6,644,377	5,742,792
Cost of sales	33	(5,265,491)	(4,779,809)
Gross profit		1,378,886	962,983
Selling and distribution expenses	34	(412,025)	(361,906)
General and administrative expenses	35	(199,304)	(173,152)
Other operating expenses	36	(76,915)	(59,237)
Other income	37	65,389	135,662
		(622,855)	(458,633)
Operating profit		756,031	504,350
Financial charges	38	(255,668)	(154,284)
Fair value gain on investment property	10	4,725	10,800
Profit before taxation		505,088	360,866
Taxation	39	(100,037)	54,621
Profit after taxation		405,051	415,487
Earnings per share - Basic and diluted (Rupees) - restated	42	4.78	4.91

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 56 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

Statement of Comprehensive Income

For the year ended 30 June, 2019

	Note	2019	2018
		Rupees in thousand	
Profit after taxation for the year		405,051	415,487
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit liability	26.3	(7,283)	–
Related tax effect		2,017	–
		(5,266)	–
Items that may be reclassified to profit and loss account in subsequent periods			
Surplus on revaluation of fixed assets - free hold land	23	–	177,886
Related tax effect		–	–
		–	177,886
Total comprehensive income for the year		399,785	593,373

The annexed notes from 1 to 56 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

Statement of Cash Flows

For the year ended 30 June, 2019

	Note	2019	2018
		Rupees in thousand	
Cash flows from operating activities			
Profit before tax		505,088	360,866
Adjustments for items not involving movement of funds:			
Depreciation	7.5	491,852	355,069
Provision for staff retirement gratuity	26.3	23,905	20,274
Loss on sale of fixed assets	36 & 37	42,891	37,473
Gain on revaluation of investment property	10	(4,725)	(10,800)
Foreign exchange gain	37	(11,780)	(10,027)
Provision for doubtful debts	15	8,718	5,321
Provision for doubtful advances	16	–	1,374
Bad debts written off	35	–	716
Provision for obsolete stores and spares	13	18,000	16,000
Financial charges	38	255,668	154,284
Net cash flow before working capital changes		1,329,617	930,550
Decrease / (increase) in current assets			
Stores, spares and loose tools		(24,286)	59,878
Stock in trade		(522,621)	125,661
Trade debts		(167,156)	31,054
Loans and advances		(18,533)	(1,828)
Trade deposits and short term prepayments		(4,947)	5,277
Tax refunds due from the Government		(29,564)	(122,927)
		(767,107)	97,115
Increase in current liabilities			
Trade and other payables		447,805	194,942
Cash generated from operations		1,010,315	1,222,607
Taxes paid		(145,089)	(91,066)
Gratuity paid		(10,550)	(5,692)
Financial charges paid		(227,922)	(164,442)
Net cash generated from operating activities		626,754	961,407
Cash flows from investing activities			
Additions to operating fixed assets		(75,917)	(29,698)
Additions to capital work in progress		(1,271,585)	(1,317,973)
Proceeds from sale of operating fixed assets		14,043	2,540
Long term deposits		(802)	(9,414)
Net cash used in investing activities		(1,334,261)	(1,354,545)
Cash flows from financing activities			
Proceeds from long term financing		300,000	–
Repayments of long term financing		(325,614)	(338,615)
Proceeds from long term diminishing musharaka		798,930	699,108
Repayments of long term diminishing musharaka		(168,556)	(167,324)
Dividend paid		(84,456)	(99,968)
Short term borrowings		203,023	285,997
Net cash generated from financing activities		723,327	379,198
Net increase/(decrease) in cash and cash equivalents		15,820	(13,940)
Cash and cash equivalents at the beginning of the year		94,072	108,012
Cash and cash equivalents at the end of the year	20	109,892	94,072

The annexed notes from 1 to 56 form an integral part of these financial statements.

Chief Executive Director Chief Financial Officer

Statement of Changes in Equity

For the year ended 30 June, 2019

	Note	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves		Total
				Capital Reserves	Revenue Reserves	
		Ordinary shares		Share premium	Unappropriated profit	
		(Rupees in thousand)				
Balance as at July 01, 2017		770,000	794,848	330,000	1,321,454	3,216,302
Transaction with owners:						
Final cash dividend 2017: Re. 1.3 per share		–	–	–	(100,100)	(100,100)
Total comprehensive income for the year						
Profit for the year		–	–	–	415,487	415,487
Remeasurement of defined benefit liability - net		–	–	–	–	–
Surplus on revaluation of fixed assets		–	177,886	–	–	177,886
		–	177,886	–	415,487	593,373
Balance as at June 30, 2018 - reported		770,000	972,734	330,000	1,636,841	3,709,575
IFRS 9 - Financial Instruments - Impact of change in accounting policy	4.1	–	–	–	(20,975)	(20,975)
Balance as at July 01, 2018 - restated		770,000	972,734	330,000	1,615,866	3,688,600
Transaction with owners:						
Final cash dividend 2018: Re. 1.1 per share		–	–	–	(84,700)	(84,700)
Issue of bonus shares		77,000	–	–	(77,000)	–
		77,000	–	–	(161,700)	(84,700)
Total comprehensive income for the year						
Profit for the year		–	–	–	405,051	405,051
Remeasurement of defined benefit liability - net		–	–	–	(5,266)	(5,266)
		–	–	–	399,785	399,785
Balance as at June 30, 2019		847,000	972,734	330,000	1,853,951	4,003,685

The annexed notes from 1 to 56 form an integral part of these financial statements.

Chief Executive | Director | Chief Financial Officer

Notes to the Financial Statements

For the year ended 30 June, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatised on July 03, 1995. The Company is engaged in the business of manufacturing and selling caustic soda and other allied chemicals.

The Company was listed on Karachi Stock Exchange on April 14, 2003 when Sponsors of the Company offered 25% of the issued, subscribed and paid up shares of the Company to the general public. The Company is now listed on Pakistan Stock Exchange Limited.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District Sheikhupura and regional offices are located as follows:

Regional office	Office address
Karachi	Town House No. 44-N/1-A, Razi Road, Block-6, P.E.C.H.S. Karachi.
Faisalabad	3rd Floor, Habib Bank Building, Circular Road, Faisalabad.
Islamabad	2nd Floor, Quaid Plaza, office No.15, Markaz I-9, Islamabad.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 6.1, 6.4, 6.5, 6.6 and 6.20 respectively.

The preparation of financial statements in conformity with approved financial reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 40.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency for the Company.

4 CHANGE IN ACCOUNTING POLICES - IFRS 9 FINANCIAL INSTRUMENTS AND IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The revised provisions on the classification and measurement of financial assets (applicable mainly to trade receivables and other receivables) and financial liabilities (mainly trade creditors and interest-bearing debt) have not affected Company's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

The accompanying note at 47 explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at July 1, 2018. These financial assets classified as 'loans and receivables' have been classified as amortised cost.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments classified as FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than IAS 39. The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Management uses actual credit loss experience over past years to base the calculation of ECL.

Given the Company's good collection history with no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to ECL has not had an impact on the financial statements of the Company. The Company has determined that the application of IFRS 9's impairment requirements at July 01, 2018 results in an additional allowance for impairment as follows.

	(Rupees in thousand)
Loss allowance at June 30, 2018 under IAS 39	39,507
Additional impairment recognized at July 01, 2018 on:	29,965
Loss allowance at July 01, 2018:	69,472
Trade receivables as at June 30, 2018	524,262
Loss allowance at July 01, 2018 under IFRS 9	69,472
Net receivables as at July 01, 2018	494,297

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on July 1, 2018.

The Company has adopted modified retrospective restatement for adopting IFRS 9 and accordingly, all changes arising on adoption of IFRS 9 have been adjusted at the beginning of the current year. The effect of change in accounting policy is as follows:

	As reported as at June 30, 2018	Change	Restated as at 01, July 2018
	(Rupees in thousand)		
Impact on statement of financial position - Trade debts	524,262	(29,965)	494,297
Impact on statement of financial position - Deferred tax	122,134	8,990	113,144
Impact on statement of changes in equity	1,636,841	(20,975)	1,615,866
Impact on statement of profit or loss	-	-	-
Impact on statement of other comprehensive income	-	-	-
Impact on statement of cash flows	-	-	-

Detail accounting policies under IFRS-9 are set out in note 6.18 to the financial statements.

4.2 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with customers.

5 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

5.1 Amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - amendments regarding theinteraction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 8	Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

5.2 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17	Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

5.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 16	Leases	January 01, 2019

The effects of IFRS 16 - Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

6 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as disclosed in note 4.1 and 4.2 to these financial statements.

6.1 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is carried at revalued amount and capital work-in-progress which is stated at cost less impairment losses. Cost comprises of actual cost including, interest expense and trial run operational results.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 7. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the profit and loss account.

b) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Finance costs under lease agreements are allocated to the period during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 7. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which asset is disposed off.

c) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

d) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

6.2 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

6.3 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any.

6.4 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 6.22.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

6.5 Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as “Fair value through OCI”.

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

6.6 Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

6.7 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company’s requirements, adequate provision is made for any excess book value over estimated realisable value.

6.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw and packing materials	- Moving average cost
Raw and packing materials in transit	- Invoice value plus other expenses incurred thereon
Work in process	- Cost of material as above plus proportionate production overheads
Finished goods	- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Adequate provision is made for slow moving and obsolete items.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

6.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of amount to be received, less an estimate made for doubtful receivables based on review of outstanding amounts at the year end, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

6.10 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

6.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and markup accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to profit and loss account in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 “Borrowing cost”.

6.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

6.13 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

6.14 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating lease / Ijarah

Operating lease / ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj’ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

6.15 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

6.16 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

6.17 Dividend and appropriation to reserve

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s financial statements in the period in which the dividends are approved.

6.18 Financial instruments

6.18.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

6.18.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

6.18.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

6.18.4 Derecognition

The financial assets are de-recognized when the Company looses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

6.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.20 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in profit and loss account currently.

6.21 Employee benefits

The Company's employees benefits comprise of provident fund, gratuity scheme and compensated absences for eligible employees.

6.21.1 Staff retirement benefits

a) Defined benefit plan (Gratuity Fund)

The Company operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2019 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the profit and loss account.

b) Defined contribution plan (Provident Fund)

A recognized provident fund scheme is in operation, which covers all permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995. The Company and the employees make equal contributions to the fund.

6.21.2 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

6.22 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.
Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.

- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

6.23 Related party transactions

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

6.24 Borrowing costs

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

6.25 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

6.26 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.27 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

6.28 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6.29 Capital reserves - Share premium

This reserve can be utilized by the Company only for the purposes specified in section 81(3) of the Companies Act, 2017.

7 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	Total
	(Rupees in thousand)								
Net carrying value basis year ended June 30, 2019									
Opening net book value (NBV)	1,117,867	188,278	1,781	4,029,101	45,537	3,715	15,318	50,443	5,452,040
Additions / Transfer (at cost)	55,720	75,673	–	1,264,111	14,556	661	3,989	16,649	1,431,359
Disposals (NBV)	–	(8,854)	(776)	(47,150)	–	–	(35)	(119)	(56,934)
Depreciation charge	–	(20,656)	(144)	(447,907)	(7,717)	(393)	(3,412)	(11,623)	(491,852)
Closing net book value	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	55,350	6,334,613
Gross carrying value basis year ended June 30, 2019									
Cost	1,173,587	389,981	3,906	7,746,250	143,032	10,562	64,470	110,433	9,642,221
Accumulated depreciation	–	(155,540)	(3,045)	(2,948,095)	(90,656)	(6,579)	(48,610)	(55,083)	(3,307,608)
Net book value	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	55,350	6,334,613
Net carrying value basis year ended June 30, 2018									
Opening net book value (NBV)	945,981	141,022	1,979	2,934,303	42,046	3,982	14,272	44,011	4,127,596
Additions (at cost)	–	61,874	–	1,453,694	10,700	135	4,320	16,917	1,547,640
Adjustment against land during year	(6,000)	–	–	–	–	–	–	–	(6,000)
Revaluation	177,886	–	–	–	–	–	–	–	177,886
Disposals / transfers (NBV)	–	–	–	(39,375)	–	–	(40)	(598)	(40,013)
Depreciation charge	–	(14,618)	(198)	(319,521)	(7,209)	(402)	(3,234)	(9,887)	(355,069)
Closing net book value	1,117,867	188,278	1,781	4,029,101	45,537	3,715	15,318	50,443	5,452,040
Gross carrying value basis year ended June 30, 2018									
Cost	1,117,867	338,528	7,273	6,639,632	128,476	9,900	60,577	95,684	8,397,937
Accumulated depreciation	–	(150,250)	(5,492)	(2,610,531)	(82,939)	(6,185)	(45,259)	(45,241)	(2,945,897)
Net book value	1,117,867	188,278	1,781	4,029,101	45,537	3,715	15,318	50,443	5,452,040
Depreciation rate % per annum	–	10	10	10 to 33	15	10	15 to 30	20	

7.1 Free hold lands of the Company are located at Mudwala Khurd Sheikhupura with an area covering 74 kanals and 11 Marla, Kala Shah Kaku Sheikhupura with an area of 886 Kanal - 2 Marla, Upper Mall Scheme with an area of 2 Kanal -12 Marla and at Khanpur Canal Sheikhupura with an area of 135 Kanal - 6 Marla. These lands have been held for establishment of head office and factory.

7.2 This includes transfer from capital work-in-progress amounting to Rs. 1,355.441 million (2018: Rs. 1,470.816 million).

7.3 Free hold land was revalued by independent valuers M/s. Harvestor Services (Private) Limited as at May 25, 2006, M/s. Dimen Associates (Private) Limited as at June 30, 2009, M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012, M/s. Unicorn International Surveyors as at June 30, 2015 and M/s. Harvestor Services (Private) Limited as at June 30, 2018 on the basis of market value. The revaluation resulted in surplus aggregating to Rs. 972.734 million (2018: Rs. 972.734 million). Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 972.734 million (2018: Rs. 972.734 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.8533 million (2018: Rs. 145.133 million).

7.4 The forced sale value of free hold land is Rs. 950.186 million.

7.5 The depreciation charge for the year has been allocated as follows:

	Note	2019	2018
		Rupees in thousand	
Cost of sales	33	480,721	345,313
Selling and distribution expenses	34	2,346	1,393
Genral and administrative expenses	35	8,785	8,363
		491,852	355,069

7.6 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	(Rupees in thousand)						
Vehicles							
Suzuki Mehran LEH-4236	425	388	37	140	103	Negotiation	Mr. Malik Ameer Zaman
Suzuki Alto LED-2926	666	584	82	540	458	Negotiation	Mr. Shahid Iqbal
Honda City LRR-3068	807	807	–	735	735	Negotiation	Mr. Mushtaq Ahmad
Photocopy Machine	95	60	35	20	(15)	Negotiation	M/s Canotach (Private) Limited
	1,993	1,839	154	1,435	1,281		
Misc Assets (P&M) and railway sidings	115,953	81,031	34,922	–	(34,922)	Scrapped (7.7)	
Cl. Filling Air Compressors # 01&02 (P&M)	6,240	5,222	1,018	–	(1,018)	Scrapped (7.7)	
Misc Assets (Building)	24,220	15,366	8,854	–	(8,854)	Scrapped (7.7)	
Electrolyzer # 40 (P&M)	19,316	13,335	5,981	6,304	323	Negotiation	M/s Bleachtech LLC
Electrolyzer # 36 (P&M)	19,350	13,345	6,005	6,304	299	Negotiation	M/s Bleachtech LLC
Total - 2019	187,072	130,138	56,934	14,043	(42,891)		
Total - 2018	138,347	98,334	40,013	2,540	(37,473)		

7.7 Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

7.8 Fair value measurement (revalued property, plant and equipment)

7.8.1 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2018 on the basis of market value.

7.8.2 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

7.9 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per canal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

	Note	2019	2018
		Rupees in thousand	
8 CAPITAL WORK IN PROGRESS			
This comprises of:			
Building		15,059	–
Plant and machinery		3,193	58,490
Advances	8.3	17,289	11,639
		35,541	70,129

	Note	Advances	Building	Plant and machinery	Total
		Rupees in thousand			
8.1 Movement of carrying amount					
Year ended June 30, 2019					
Opening balance		11,639	–	58,490	70,129
Additions (at cost)	8.2	15,650	25,807	1,279,396	1,320,853
Transferred to operating fixed assets		(10,000)	(10,748)	(1,334,693)	(1,355,441)
Closing balance		17,289	15,059	3,193	35,541
Year ended June 30, 2018					
Opening balance		51,794	1,200	185,100	238,094
Additions (at cost)	8.2	–	60,674	1,283,302	1,343,976
Transferred to operating fixed assets		(40,155)	(61,874)	(1,409,912)	(1,511,941)
Closing balance		11,639	–	58,490	70,129

8.2 Borrowing cost capitalised during the year amounted to Rs. 49.268 million (2018: Rs. 26.004 million) at an average rate of 11.01 % (2018: 7.53 %) per annum.

8.3 Advances includes balance amounting to Rs. 1.639 million (2018: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This also includes advances amounting to Rs. 15.650 million (2018: Nil) to Lahore Electric Supply Company Limited against grid station up gradation.

	Note	2019	2018
		Rupees in thousand	
9 INTANGIBLE ASSETS			
Computer software and licences	9.1	–	–
Goodwill	9.2	6,445	6,445
		6,445	6,445
9.1 Computer software and licences			
Net carrying value as at 1 July			
Opening balance as on July 01,		–	–
Amortization charge	35	–	–
Net book value as at June 30,		–	–
Gross carrying value as at 30 June			
Cost		22,542	22,542
Accumulated amortization		(22,542)	(22,542)
Net book value		–	–
Amortization % per annum		33.33%	33.33%
The amortization charge for the year has been allocated as follows:			
Administrative expenses		–	–

9.2 Goodwill

This represents excess of the amount paid over fair value of net assets of subsidiary company (now merged with and into the Company) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 5 % p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2019	2018
10 INVESTMENT PROPERTY			
Freehold land	10.1	133,125	128,400
10.1 The movement in this account is as follows:			
Opening balance		128,400	117,600
Fair value gain on revaluation shown in “income statement”		4,725	10,800
	10.2	133,125	128,400

10.2 Fair value measurement (Investment property)

This comprises commercial property that is freehold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2019 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

Fair value measurement of investment property is based on assumptions considered to be based on level 2 inputs.

Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

10.3 The forced sale value of investment property is Rs. 113.156 million (2018: Rs. 102.720 million).

	Note	2019	2018
		Rupees in thousand	
11 LONG TERM INVESTMENTS			
Investment in related party - unquoted			
Chemi Visco Fiber Limited			
5,625,000 (2018: 5,625,000) fully paid ordinary shares		56,250	56,250
Less: Provision for diminution in value of investment	11.1	(56,250)	(56,250)
Relevant information:			
Percentage of investment in equity held 7.91% (2018: 7.91%) (Chief Executive : Mr. Usman Ghani)		–	–

11.1 This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is significant uncertainty regarding future earnings and related cash flows. Further, the financial statements of the entity indicate that the fair value of the net assets is negative.

	Note	2019	2018
12 LONG TERM DEPOSITS			
Long term deposit	12.1	51,906	51,104

12.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or markup and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Company. Majority of the long-term deposits relates to deposits given to government utility departments with undetermined life period for the impact of discounting hence these are not remeasured.

	Note	2019	2018
13 STORES, SPARES AND LOOSE TOOLS			
Stores:			
in hand	13.1	61,674	55,131
in transit		8,805	1,536
		70,479	56,667
Spares:			
in hand	13.1	342,844	358,045
in transit		2,256	8,763
		345,100	366,808
		415,579	423,475
Less: Provision for obsolete stores and spares	13.2	7,830	22,012
		407,749	401,463

13.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

	Note	2019	2018
		Rupees in thousand	
13.2 Movement of provision for obsolete stores and spares			
Opening balance		22,012	6,012
Provision during the year		18,000	16,000
Reversal during the year		(275)	–
Written off during the year		(31,907)	–
		7,830	22,012

14 STOCK IN TRADE

	Note	2019	2018
Raw materials:			
in hand	33	260,627	55,627
in transit		27,181	13,456
		287,808	69,083
Packing materials		16,737	20,457
Work in process	33	38,143	33,941
Finished goods	14.1 & 33	446,016	142,602
		788,704	266,083

14.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 6.00 million (2018: Rs. 22.00 million).

15 TRADE DEBTS

	Note	2019	2018
Unsecured			
Considered good - Foreign		104,705	80,098
Secured			
Considered good	15.2	17,234	17,234
Considered doubtful	15.1	17,234	–
		–	17,234
Unsecured			
Considered good - Local		559,811	426,930
Considered doubtful		46,873	39,507
		606,684	466,437
		711,389	563,769
Less: Provision for doubtful debts	15.1	46,873	39,507
		664,516	524,262

	2019	2018
15.1 Movement of provision for doubtful debts is as follows:		
Opening balance	39,507	35,440
IFRS 9 - Financial Instruments - Impact of change in accounting policy (Note 4.1)	29,965	–
Balance as at July 1	69,472	35,440
Adjustment on account of:		
Doubtful debts written off	(14,028)	(604)
Recovery of doubtful debts	(55)	(650)
Provision made for doubtful debts	8,718	5,321
Net adjustment	(5,365)	4,067
Closing balance	64,107	39,507

15.2 This represents receivable from Punjab Chemicals Stores and Honest Enterprises which is secured against mortgage of property and also a memorandum of understanding (MOU) signed between the parties. However, the matter is under dispute and the Company has filed application under section 20 of the Arbitration Act, 1940 which is pending for adjudication. Due to application of IFRS 9, the amount has been fully impaired.

	Note	2019	2018
		Rupees in thousand	
16 LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	16.1 & 3	7,945	17,392
Advance to supplies and services (Unsecured)			
Considered good		203,599	179,752
Considered doubtful		1,374	1,374
		204,973	181,126
Against import		5,107	974
		218,025	199,492
Less: Provision for doubtful advances		1,374	1,374
		216,651	198,118

16.1 This includes advance to Mr. Mustafa Khatri amounting to Nil (2018 Rs. 3.611 million) and Mr. Abdul Hai Khatri amounting to Nil (2018: Rs. 4.648 million) being a related party of the Company. These advances are provided for general purposes in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.

16.2 The maximum amount due from related parties at the end of any month during the year was Rs. 8.546 million (2018: Rs. 8.259 million).

16.3 This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.

16.4 Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.

	Note	2019	2018
		Rupees in thousand	
16.5 Movement of provision for doubtful debts is as follows:			
Opening balance		1,374	–
Addition during the year		–	1,374
Closing balance		1,374	1,374
17 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)	17.1	1,260	2,303
Prepayments		9,470	3,480
		10,730	5,783

17.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

	Note	2019	2018
		Rupees in thousand	
18 TAX REFUNDS DUE FROM THE GOVERNMENT			
(Considered good)			
Income tax		368,368	279,927
Sales tax		158,124	128,560
		526,492	408,487
19 TAXATION - NET			
Advance income tax		189,989	133,226
Less: Provision for taxation	39	–	–
		189,989	133,226
20 CASH AND BANK BALANCES			
Cash in hand		491	480
Cheques in hand		81,353	69,757
Cash at banks			
Current accounts	20.1	28,048	23,835
		109,892	94,072

20.1 Cash with bank in current accounts do not carry any interest or markup. There is no impact on measurement of bank balances due to implementation of IFRS 9.

21 SHARE CAPITAL

21.1 Authorized share capital

2019	2018		2019	2018
Number of ordinary shares of Rs. 10/- each				
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
125,000,000	125,000,000		1,250,000	1,250,000

21.2 Issued, subscribed and paid up capital

2019	2018			2019	2018
Number of ordinary shares of Rs. 10/- each					
27,100,000	27,100,000	Fully paid in cash		271,000	271,000
24,900,000	24,900,000	Issued for consideration other than cash	(21.2.3)	249,000	249,000
32,700,000	25,000,000	Fully paid bonus shares		327,000	250,000
84,700,000	77,000,000			847,000	770,000

21.2.1 Movement of share capital is as follows:	Number of Shares	Rupees (thousand)
Opening balance	77,000,000	770,000
Bonus shares issued during the year	7,700,000	77,000
Closing balance	84,700,000	847,000

21.2.2 During the year the Board of Directors of the Company in their meeting held on September 25, 2018 has recommended to issue bonus shares at 10 i.e. in the proportion of 10 bonus shares for every 100 shares held for the year ended June 30, 2018 which was approved by the members.

21.2.3 The Company took over the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatised on July 03, 1995.

22 RESERVES

	Note	2019	2018
		Rupees in thousand	
Capital			
Share premium	22.1	330,000	330,000
Revenue			
Un-appropriated profit		1,853,951	1,636,841
		2,183,951	1,966,841

22.1 This reserve can be utilized by the Company only for the purposes specified in section 81(3) of the Companies Act, 2017.

22.2 Movement of reserves have been reflected in the statement of changes in equity.

23 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2019	2018
Opening balance		972,734	794,848
Revaluation surplus arising during the year		–	177,886
	23.1	972,734	972,734

23.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2018 by an independent valuer M/s. Harvestor Services (Private) Limited on the basis of market value.

24 LONG TERM FINANCING

	Note	2019	2018
Secured:			
Banking Companies			
The Bank of Punjab	24.1	38,450	115,350
MCB Bank Limited	24.2	150,000	300,000
		188,450	415,350
Other Financial Institutions			
Pak Kuwait Investment Company (Private) Limited	24.3	–	13,000
Pak Libya Holding Company (Private) Limited	24.4	–	57,143
Pak Brunei Investment Company Limited	24.5	300,000	28,571
		300,000	98,714
		488,450	514,064
Less: Current portion shown under current liabilities	30	221,783	325,614
		266,667	188,450

24.1 This finance is secured against first pari passu charge over fixed assets of the Company and carries mark up at six months average KIBOR plus 1.75% to be recovered on quarterly basis. The loan was disbursed in different tranches starting from October 2014 and is repayable in sixteen quarterly equal instalments after one year grace period starting from the first drawdown.

24.2 This finance is secured against first pari passu charge over fixed assets of the Company and carries mark up at three months average KIBOR plus 1.50% to be recovered on quarterly basis. The loan was disbursed in different tranches starting from June 2016 and is repayable in twelve quarterly equal instalments after one year grace period starting from the first drawdown.

24.3 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months KIBOR plus 2.5% per annum. This loan was disbursed in October 2013 and is repayable in eighteen quarterly equal instalments commencing from January 2014 with a principal grace period of six months. The loan has been paid during the year.

24.4 This finance is secured against first pari passu charge by way of hypothecation on all present and future moveable and immovable fixed assets (other than land & building) of the Company with 25% margin and carries mark up at six months average KIBOR plus 2.5% per annum. This loan was disbursed in March 2014 and November 2014. The loan is repayable in seven semi annual equal instalments commencing from 24th month from the date of first disbursement with a principal grace period of one and half year. The loan has been paid during the year.

24.5 This finance is secured against hypothecation / mortgage charge over ~~all~~ present and future ~~fixed~~ assets of the Company with 25% margin and carries mark up at three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020. The previous loan has been paid during the year.

	Note	2019	2018
		Rupees in thousand	
25 LONG TERM DIMINISHING MUSHARAKA			
Secured;			
Banking Companies			
Al-Baraka Bank (Pakistan) Limited	25.1	–	128,556
Dubai Islamic Bank (Pakistan) Limited	25.2	–	40,000
The Bank of Punjab - TAQWA	25.3	675,282	675,282
The Bank of Punjab - TAQWA	25.4	412,245	23,826
Al-Baraka Bank (Pakistan) Limited	25.5	410,511	–
		1,498,038	867,664
Less: Current portion shown under current liabilities	30	84,410	254,823
		1,413,628	612,841

25.1 These finances have been obtained from Islamic financial institution and are secured against first exclusive charge over imported Plant and Machinery and first pari passu charge over present and future fixed assets of the Company under an arrangement permissible under Shariah and carries mark up at six months average KIBOR plus 2.50% per annum. These finances were disbursed from June, 2014 to February, 2015 in different tranches and are repayable in eight semi annual equal instalments commencing from 18th months from the first draw down date inclusive of initial one year grace period for principal payment. The loan has been paid during the year.

25.2 This finance has been obtained from an Islamic financial institution and is secured against first pari passu charge on all present and future fixed assets of the Company under an arrangement permissible under Shariah with 25% margin and carries mark up at six months average KIBOR plus 1.5% per annum. This loan was disbursed in February 2016 and is repayable in five semi annual equal instalments commencing from February 2017. The loan has been paid during the year.

25.3 This finance has been obtained from an Islamic financial institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal instalments with the one year grace period commencing from February 2020.

25.4 This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020.

25.5 This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.50%. This finance is disbursed during the year in various tranches but yet not fully disbursed with a grace period of six months.

	Note	2019	2018
		Rupees in thousand	
26 DEFERRED LIABILITIES			
Deferred taxation	26.1	211,277	122,134
Provision for gratuity	26.3	120,312	99,674
		331,589	221,808
26.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		617,513	515,173
Deductible temporary differences			
Provision for gratuity		(33,316)	(26,863)
Provision for doubtful debts		(18,591)	(10,318)
Provision for WPPF		(7,786)	(5,340)
Provision for obsolete stores and spares		(2,168)	(5,932)
Tax credits		(344,375)	(344,586)
		211,277	122,134

26.2 The gross movement in the deferred tax liability during the year is as follow:

	2019	2018
Balance as at July 1,	122,134	176,678
IFRS 9 - Financial Instruments - Impact of change in accounting policy (Note 4.1)	8,990	–
	113,144	176,678
Charge to profit and loss account	100,150	(54,544)
Credit in other comprehensive income	(2,017)	–
	211,277	122,134

26.3 Provision for gratuity

a) General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2019 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2019 Percentage Per annum	2018 Percentage Per annum
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	14.25	9.25
Expected rate of increase in salary	13.25	8.25

	Note	2019 Rupees in thousand	2018 Rupees in thousand
c) Reconciliation of payable to defined benefit plan			
Present value of obligation		120,312	99,674
Liability recognized in balance sheet		120,312	99,674
d) Movement of the liability recognized in the statement of financial position			
Opening net liability		99,674	85,092
Charge for the year		23,905	20,274
Remeasurement chargeable to other Comprehensive income		7,283	–
Contribution paid to outgoing employees		(10,550)	(5,692)
Closing net liability		120,312	99,674
e) Movement in present value of defined benefit obligations			
Present value of obligation at the start of the year		99,674	85,092
Current service cost		15,173	12,717
Interest cost		8,732	7,557
Experience adjustment and actuarial loss / (gain) on obligation		–	–
Contribution paid to outgoing employees		(10,550)	(5,692)
Actuarial (gains) / losses from changes in financial assumptions		1,118	–
Experience adjustments		6,165	–
Closing present value of defined benefit obligations		120,312	99,674

	Note	2019	2018
		Rupees in thousand	
f) Charge for the year			
Current service cost		15,173	12,717
Interest cost		8,732	7,557
Charge for the year		23,905	20,274

g) The expected charge in respect of defined benefit plan for the year ending June 30, 2020 will be 33.950 million.

h) Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
Discount rate	110,265	131,853
Salary increase	131,983	109,981

i) Maturity profile

Time in year	
1	7,445
2	10,409
3	8,930
4	12,878
5-11 onwards	2,858,276

The average duration of the defined benefit obligation is 9 years.

	Note	2019	2018
		Rupees in thousand	
j) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		7,283	–
Tax impact at 29% (2018: 29%) - net of export %age		2,017	–
		5,266	–

27 TRADE AND OTHER PAYABLES

	Note	2019	2018
Trade creditors		154,604	86,741
Accrued liabilities	27.1 & 27.2	1,371,997	1,007,484
Advances from customers		83,407	79,964
Retention money		5,939	5,870
Income tax deducted at source		51	418
Workers' Profit Participation Fund	27.3	28,117	19,815
Workers Welfare Fund		4,299	351
Other liabilities		64	26
		1,648,478	1,200,669

27.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 6.091 million (2018: Rs. 11.190 million).

27.2 This includes an amount of Rs. 730.621 million (2018: Rs. 634.883 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. The Company has filed an appeal in Honorable High Court of Sindh. The High Court of Sindh declared the GIDC Act 2015 as null and void through its judgement dated October 26, 2016. Subsequently, based on appeal filed by the Government, the High Court of Sindh suspended the aforesaid judgement till the disposal of appeal. The matter is pending for hearing of appeal. However, on prudence basis, the Company has recognized a provision relating to industrial as well as captive power consumption. Adequate provision has been made in these financial statements to cover the liability.

	Note	2019	2018
		Rupees in thousand	
27.3 Workers' Profit Participation Fund			
Balance as at July 01,		19,815	12,029
Interest at prescribed rate		676	272
Less: Amount paid to fund		18,935	10,929
		1,556	1,372
Current year's allocation at 5%	36	26,561	18,443
		28,117	19,815

The Company retains the allocation of this fund for its business operations till the amounts are paid.

28 MARK UP ACCRUED

	Note	2019	2018
Secured;			
Long term financing		14,528	5,890
Long term diminishing musharaka		83,463	27,926
Short term borrowings		27,563	14,724
		125,554	48,540

29 SHORT TERM BORROWINGS

	Note	2019	2018
Secured;			
Banking companies			
Running finances			
MCB Bank Limited	29.1	259,121	69,078
Askari Bank Limited	29.1	53,787	93,182
The Bank of Punjab	29.1	85,699	142,017
MCB Bank Limited	29.1	–	269,687
Samba Bank Limited	29.1	295,534	283,902
		694,141	857,866
Term finance			
Dubai Islamic Bank (Pakistan) Limited	29.2	–	8,368
Bank Al-Falah Limited	29.2	360,378	175,262
Pak Brunei Investment Company Limited	29.2	200,000	100,000
Al-Baraka Bank (Pakistan) Limited	29.2	125,000	35,000
		685,378	318,630
		1,379,519	1,176,496

29.1 Short term running finance facilities from various banks aggregated to Rs. 1,090 million (2018: Rs. Rs. 940 million) and carries mark-up ranging from one month KIBOR plus 0.9% to three months KIBOR plus 1.25% per annum (2018: three months KIBOR plus 1% to 1.5% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company and hypothecation charge over stores, spares and stocks of chemicals.

29.2 Term finance facilities from various banks aggregated to Rs. 700 million (2018: Rs. 900 million) and carry mark-up ranging from matching KIBOR plus 1.10% to 1.50% per annum (2018: Matching KIBOR plus 1.00 % to 1.25 % per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

29.3 Financing/credit facilities available

At the reporting date, the following financing facilities had been negotiated and were available.

Aggregate facilities for opening of letters of credit and short term loan amounting to Rs. 550 million (2018: Rs. 100 million) are available to the Company.

	Note	2019	2018
		Rupees in thousand	
30 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	24	221,783	325,614
Long term diminishing musharaka	25	84,410	254,823
		306,193	580,437

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingent liabilities

a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue which is still pending adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million.

b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (2018: Rs. 4.080 million).

c) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company has challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company has filed appeal before Appellate Tribunal Inland Revenue. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceedings the demand has been reduced to 2.922 million. The Company has preferred an appeals before Commissioner Inland Revenue (Appeals) CIR (A) against the demand. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.922 million (2018: Rs. 2.922 million).

d) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million.

e) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (2018: Rs. 6.242 million).

f) Income tax Audit for TY 2014 & 2015 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The Company challenged the selection before Honourable Lahore High Court where selection was upheld. Thereafter proceedings were conducted and concluded by DCIR and order u/s 122(1) has been issued for both years. As a results of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company has filed appeal before CIR(A) in both case and is confidant of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 53.70 million (2018: Nil).

g) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 3.565 million (2018: Rs. 4.219 million) against these claims.

h) Proceedings u/s 177 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 177 and demand amounting to Rs. 22.032 million for tax year 2013 has been created. The Company being aggrieved filed appeal before CIR (A), which is pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 22.032 million.

i) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A)which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 19.724 million along with penalty amounting to Rs. 0.986 million.

j) Letters of guarantee outstanding as at June 30, 2019 were Rs. 332.782 million (2018: Rs. 280.244 million).

31.2 Commitments

Commitments as on June 30, 2019 were as follows:

a) Against letters of credit amounting to Rs. 259.730 million (2018: Rs. 607.704 million).

b) Against purchase of land and shops amounting to Rs. 1.639 million (2018: Rs. 1.838 million).

	Note	2019	2018
		Rupees in thousand	
32 SALES			
Sales			
Manufacturing	32.1	7,801,554	6,663,331
Trading		45,046	78,932
		7,846,600	6,742,263
Less: Sales tax		1,099,001	901,125
Commission to selling agents		103,222	98,346
		1,202,223	999,471
		6,644,377	5,742,792

32.1 This amount includes export sales amounting to Rs. 322.480 million (2018: Rs. 607.379 million).

32.2 Country wise export sales is as follows:

	2019	2018
Afghanistan	61,641	59,939
United Arab Emirates	44,434	192,897
India	900	228,694
Oman	188,946	125,849
China	26,559	–
	322,480	607,379

	Note	2019	2018
33 COST OF SALES			
Raw materials consumed			
Opening stock		69,083	49,300
Purchases		1,060,796	601,221
		1,129,879	650,521
Closing stock	14	(287,808)	(69,083)
		842,071	581,438
Stores, spares and consumables		220,819	246,058
Packing materials consumed		48,850	44,605
Salaries, wages and other benefits	33.1	444,968	453,396
Fuel and power		3,403,312	2,833,809
Repair and maintenance		39,452	48,485
Rent, rates and taxes		1,145	1,065
Insurance		13,408	11,710
Depreciation	7.5	480,721	345,313
Vehicle running expenses		12,773	10,721
Telephone, telex and postage		799	592
Printing and stationery		105	83
Provision for slow moving stores and spares	13.2	18,000	16,000
Other expenses		4,624	4,034
		4,688,976	4,015,871
Work in process			
Opening		33,941	28,133
Closing	14	(38,143)	(33,941)
		(4,202)	(5,808)
Cost of goods manufactured		5,526,845	4,591,501
Cost of stores traded		42,060	29,477
Finished goods			
Opening		142,602	301,433
Closing	14	(446,016)	(142,602)
		(303,414)	158,831
		5,265,491	4,779,809

33.1 This amount includes Rs. 19.649 million (2018: Rs. 25.990 million) in respect of employees' retirement benefits.

		Note	2019	2018
			Rupees in thousand	
34	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries and other benefits	34.1	32,675	32,596
	Travelling and conveyance		2,209	9,558
	Vehicle running expenses		2,223	2,503
	Advertisement		879	73
	Telephone, telex and postage		1,275	1,183
	Marketing service charges		32,040	26,070
	Freight		329,604	280,225
	Rent, rates and taxes		3,742	3,568
	Printing and stationery		857	383
	Fee and subscription		73	172
	Fuel and power		2,056	1,915
	Repair and maintenance		1,399	1,559
	Insurance		647	708
	Depreciation	7.5	2,346	1,393
			412,025	361,906

34.1 This amount includes Rs. 1.659 million (2018: Rs. 1.71 million) in respect of employees' retirement benefits.

		Note	2019	2018
35	**GENERAL AND ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	35.1	119,551	100,810
	Traveling and conveyance		11,443	10,127
	Vehicle running expenses		7,146	5,825
	Telephone, telex and postage		2,410	2,586
	Rent, rates and taxes		10,278	7,393
	Printing and stationery		931	761
	Fee and subscription		5,203	3,916
	Legal and professional charges		7,479	10,807
	Fuel and power		4,160	3,015
	Provision for doubtful debts and advances		8,718	6,695
	Repair and maintenance		3,015	2,976
	Depreciation	7.5	8,785	8,363
	Bad debts written off		–	716
	Donations	35.2	7,015	6,602
	Other expenses		3,170	2,560
			199,304	173,152

35.1 This amount includes Rs. 3.075 million (2018: Rs. 2.748 million) in respect of employees' retirement benefits.

35.2 Donations

The Company has paid donations to donees as mentioned below exceeding Rs. 0.500 million:

	2019	2018
Rana Al-habib Memorial Hospital Foundation	1,200	1,600
Dastkari School KSK	1,041	1,078
Kiran Foundation	900	750
	3,141	3,428

35.2.1 Interest of the Directors or their spouses in the donations made during the year is as follows:

Donation amounting to Rs. 0.900 million (2018: Rs. 0.750 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Company is the patron of the school and Mr. Waqas Siddiq Khatri, an executive director of the company, is also the member of the Board of Trustees.

35.2.2 Donations other than mentioned above were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

	Note	2019	2018
		Rupees in thousand	
36 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		800	750
Half yearly review fee		189	189
Tax and certification charges		107	16
Out of pocket expenses		150	71
		1,246	1,026
Loss on sale of fixed assets		15	2
Loss on decommissioned fixed assets	36.1	44,794	39,415
Workers' profit participation fund	27.3	26,561	18,443
Workers welfare fund		4,299	351
		76,915	59,237

36.1 This represents an amount of Rs. 44.794 million (2018: 39.415) on account of scrapping of plant and machinery as no future economic benefits are expected from its use.

	Note	2019	2018
37 OTHER INCOME			
Income from financial assets			
Gain on foreign exchange		11,780	10,027
Income from non- financial assets			
Gain on sale of fixed assets		1,918	1,944
Sale of scrap		51,278	109,228
Liabilities no longer payable written back		358	9,013
Recovery of doubtful debts		55	650
Rental income	37.1	–	4,800
		53,609	125,635
		65,389	135,662

37.1 This represents a small portion of free hold land given on rent purposes to third party.

	Note	2019	2018
38 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		48,939	54,225
Long term diminishing musharaka		82,636	22,904
Short term borrowings		114,496	68,816
Worker's profit participation fund		676	272
		246,747	146,217
Bank charges and commission		8,921	8,067
		255,668	154,284

	Note	2019	2018
		Rupees in thousand	
39 TAXATION			
Current	39.2	–	–
Prior year		(113)	(77)
Deferred tax		100,150	(54,544)
		100,037	(54,621)

39.1 As the tax charge represent alternate corporate tax under the income Tax Ordinance, 2001, numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented.

39.2 As per provisions of Income Tax Ordinance, 2001, tax credit equal to 5% of the amount invested in the acquisition of plant and machinery for purposes of balancing, modernization and replacement (BMR) is admissible against the income tax payable subject to certain conditions. Accordingly, an amount of Rs. 82.871 million (2018: Rs. 65.548 million) has been adjusted against alternative corporate tax (2018: minimum tax) provision and amounting to Rs. 3.337 million (2018: Rs. 6.270 million) against final tax regime during the year

39.3 The rate of tax has been fixed at 29% for Tax Year 2019 and onwards by taxation authorities.

39.4 By virtue of amendments introduced through Finance Act, 2019, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% of its after tax profits within six months of the end of the said tax year through cash dividend, shall be liable to pay tax at the rate of 5% of its accounting profit before tax.

The foresaid provisions shall not apply to a Company which distributes profit equal to twenty percent of its after tax profits within six months of the end of the tax year.

If the Company does not distribute the cash dividend within the prescribed time and period, the Company will face tax implications.

The Company intends to distribute cash dividend within the prescribed time limit.

39.5 Comparison of tax provision against tax assessments

Years	Note	Excess/ (Short)	Tax provision	Tax assessment/ tax return
		(Rupees in thousand)		
2017-18	39.6	–	–	–
2016-17	39.6	–	–	–
2015-16	39.6	–	–	–

39.6 Minimum tax for Tax Year 2016, 2017 and 2018 of Rs. 44.095 million, Rs. 47.191 million and 62.772 was fully adjusted against the tax credits under section 65B.

40 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 6. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) **Income taxes**

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 6.10 to these financial statements.

b) **Defined benefit plan**

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 26.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) **Property, plant and equipment**

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 7 to these financial statements, the Company has revalued its free hold land as on June 30, 2018.

d) **Stores and spares**

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

e) **Financial instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) **Provision for doubtful receivables**

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

g) **Fair value measurement**

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

41 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995, under the title of "Ittehad Chemicals Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end was Rs. 6.751 million (2018: Rs. 5.928 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2019, investment out of the Fund have been made in accordance with provision of the Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

The cost / fair value of the investments was Rs. 5.113 million at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
Deposit in scheduled banks	5,113	100

42 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit after taxation - (Rupees in thousand)	405,051	415,487
Weighted average number of ordinary shares - (in thousand)	84,700	84,700
Earnings per share - (Rupees)	4.78	4.91

42.1 Earnings per shares for corresponding years (2018: EPS Rs. 5.40) has been restated on account of issue of bonus shares (note 21.2.1) as required by International Accounting Standard 33 "Earning per shares".

43 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		
	Financing	Equity reserves	Total
	(Rupees in thousands)		
Balance as at July 1, 2018	2,558,224	796	2,559,020
Borrowings from Banking Companies (short and long)	1,301,953	–	1,301,953
Repayment of financing	(494,170)	–	(494,170)
Dividend payable on ordinary shares	–	84,700	84,700
Dividend paid on ordinary shares	–	(84,456)	(84,456)
Balance as at June 30, 2019	3,366,007	1,040	3,367,047

44 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

44.1 Transactions with related parties

Relation with the Company	Nature of transaction	2019	2018
		Rupees in thousand	
Other related party			
Chemi Multifabrics Limited	Marketing service charges	32,040	27,782
Associated company			
Ittehad Developer	Loan received	45,000	–
Ittehad Developer	Loan paid	(45,000)	–
Staff retirement fund	Contribution to staff retirement	478	444
Directors and employees	Remuneration to directors and key management personnel	85,545	79,995
Key management personnel	Loans & advances	487	8,259
	Payment of loans & advances	(8,746)	–

44.2 Basis of relationship with the company

Name of related party	Relationship	Basis of Association
Chemi Viscofiber Limited	Other related party	Investment
Chemi Multifabrics Limited	Other related party	N/A
Chemi Dyestuffs Industries (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

44.3 Year end balance

	2019	2018
Chemi Multifabrics Limited	6,091	11,190

44.4 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 48)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

44.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

44.6 The loan obtained during the year from Ittehad Developer was unsecured and interest free.

45 FINANCIAL INSTRUMENTS

Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

45.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2019	2018
	Rupees in thousand	
Long term deposits	51,906	51,104
Trade debts - net of provision	664,516	524,262
Loans and advances - net of provision	7,945	17,392
Trade deposits	1,260	2,303
Bank balances	109,401	93,592
	835,028	688,653

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Export	104,705	80,098
Domestic	559,811	444,164
	664,516	524,262

Trade receivables by geographical split is as follows:

	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
			(Rupees in thousand)	2019	2018
Country					
Afghanistan	-	61,641	61,641	–	35
China	-	26,559	26,559	–	–
United Arab Emirates	-	44,434	44,434	10,585	62,319
India	-	900	900	–	327
Oman	-	188,946	188,946	94,120	17,417
Total	-	322,480	322,480	104,705	80,098

Hal Chemicals FZE (foreign debtor) had been defaulted, therefore, on the prudence basis an amount of Nil (2018: 5.114 million) has been charged as provision for doubtful debts, to profit and loss account. However, no legal action has been taken yet. During the year this balance has been written off.

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2019	2018
	Rupees in thousand	
Dealers	171,442	92,565
End-user customers	493,074	431,697
	664,516	524,262
The aging of trade receivable at the reporting date is:		
Not past due	443,079	375,508
Past due 1-30 days	154,305	82,232
Past due 30-150 days	67,132	29,813
Past due more than 150 days	–	36,709
	664,516	524,262

The company's most significant customers, are dealers from whom the receivable was Rs. 171.442 million (2018: Rs. 92.565 million) and foreign debtors amounting to Rs. 104.705 million (2018: Rs. 80.098 million) of the total carrying amount as at June 30, 2019.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable ground to believe that the amounts will be recovered in short course of time.

On the prudence basis an amount of Rs. 8.718 (2018: 5.321 million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 64.038 (2018: Rs. 39.507) has been provided for as doubtful debts as fully explained on note 15.1.

The Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Ratings Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-falah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA-
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
SAMBA Bank Limited	JCR-VIS	A1	AA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA
JS Bank Limited	PACRA	A1+	AA-
Pak Brunei Investment Company Limited	JCR-VIS	A1+	AA+

45.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
			(Rupees in thousand)			
2019						
Financial liabilities						
Long term financing	488,450	611,541	141,788	130,126	97,067	242,560
Long term diminishing musharaka	1,498,038	2,145,708	161,134	179,372	547,454	1,257,748
Trade and other payables	1,532,604	1,532,604	1,532,604	–	–	–
Mark-up accrued	125,554	125,554	125,554	–	–	–
Short term borrowing	1,379,519	1,428,537	1,428,537	–	–	–
	5,024,165	5,843,944	3,389,617	309,498	644,521	1,500,308
2018						
Financial liabilities						
Long term financing	514,064	556,226	189,458	169,447	197,321	–
Long term diminishing musharaka	867,664	1,033,397	118,668	204,755	244,497	465,477
Trade and other payables	1,100,121	1,100,121	1,100,121	–	–	–
Mark-up accrued	48,540	48,540	48,540	–	–	–
Short term borrowing	1,176,496	1,198,932	1,198,932	–	–	–
	3,706,885	3,937,216	2,655,719	374,202	441,818	465,477

45.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

a) Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

	Note	2019	2018
		Rupees in thousand	
Trade debts		104,705	80,098
Gross balance sheet exposure		104,705	80,098
Outstanding letters of credit	31.2	(259,730)	(607,704)
Net exposure		(155,025)	(527,606)

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
USD to PKR	143.05	113.50	164.50	121.60

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

Effect on profit or loss		
Loss	10,471	8,010

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest - bearing financial instruments is as follows:

	Note	Carrying amount 2019	Carrying amount 2018
		Rupees in thousand	
Financial liabilities			
Variable rate instruments:			
Long term loans		488,450	514,064
Long term diminishing musharaka		1,498,038	867,664
Short term borrowings		1,379,519	1,176,496
		3,366,007	2,558,224

Effective interest rates are mentioned in the respective notes to the financial statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit and loss 100 bp increase	Profit and loss 100 bp decrease
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial liabilities	(33,660)	33,660
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities	(25,582)	25,582

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

45.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. 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 participations at the measurement date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of June 30, 2019 and June 30, 2018.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

47 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39: Loans and receivables at amortized cost	Original carrying amount under IAS 39: Financial liabilities at amortized cost	Original carrying amount under IAS 39: Total	New carrying amount under IFRS 9: Amortised cost	New carrying amount under IFRS 9: Amortised cost	New carrying amount under IFRS 9: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
2019				Rupees in thousands									
On-Balance sheet financial instruments													
As at June 30, 2019													
Financial assets													
At cost or amortised cost													
Long-term deposits	12	Loans and receivables	Amortised cost	51,906	–	51,906	51,906	–	51,906	–	–	–	–
Trade debts - net of provisions	15	Loans and receivables	Amortised cost	664,516	–	664,516	664,516	–	664,516	–	–	–	–
Loans and advances	16	Loans and receivables	Amortised cost	7,945	–	7,945	7,945	–	7,945	–	–	–	–
Trade deposits	17	Loans and receivables	Amortised cost	1,260	–	1,260	1,260	–	1,260	–	–	–	–
Cash and bank balances	20	Loans and receivables	Amortised cost	109,892	–	109,892	109,892	–	109,892	–	–	–	–
				835,519	–	835,519	835,519	–	835,519	–	–	–	–
Financial liabilities at amortised cost													
Long term financing	24	Amortised cost	Amortised cost	–	488,450	488,450	–	488,450	488,450	–	–	–	–
Long term diminishing musharaka	25	Amortised cost	Amortised cost	–	1,498,038	1,498,038	–	1,498,038	1,498,038	–	–	–	–
Trade and other payables	27	Amortised cost	Amortised cost	–	1,532,604	1,532,604	–	1,532,604	1,532,604	–	–	–	–
Mark-up accrued	28	Amortised cost	Amortised cost	–	125,554	125,554	–	125,554	125,554	–	–	–	–
Short-term borrowings	29	Amortised cost	Amortised cost	–	1,379,519	1,379,519	–	1,379,519	1,379,519	–	–	–	–
				–	5,024,165	5,024,165	–	5,024,165	5,024,165	–	–	–	–

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39: Loans and receivables at amortized cost	Original carrying amount under IAS 39: Financial liabilities at amortized cost	Original carrying amount under IAS 39: Total	New carrying amount under IFRS 9: Amortised cost	New carrying amount under IFRS 9: Amortised cost	New carrying amount under IFRS 9: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
2018				Rupees in thousands									
On-Balance sheet financial instruments													
As at June 30, 2018/July 01, 2018													
Loans and receivables at cost or amortised cost													
Long-term deposits	12	Loans and receivables	Amortised cost	51,104	–	51,104	51,104	–	51,104	–	–	–	–
Trade debts - net of provisions	15	Loans and receivables	Amortised cost	524,262	–	524,262	524,262	–	524,262	–	–	–	–
Loans and advances	16	Loans and receivables	Amortised cost	17,392	–	17,392	17,392	–	17,392	–	–	–	–
Trade deposits	17	Loans and receivables	Amortised cost	2,303	–	2,303	2,303	–	2,303	–	–	–	–
Cash and bank balances	20	Loans and receivables	Amortised cost	94,072	–	94,072	94,072	–	94,072	–	–	–	–
				689,133	–	689,133	689,133	–	689,133	–	–	–	–
Financial liabilities at amortised cost													
Long term financing	24	Amortised cost	Amortised cost	–	514,064	514,064	–	514,064	514,064	–	–	–	–
Long term diminishing musharaka	25	Amortised cost	Amortised cost	–	867,664	867,664	–	867,664	867,664	–	–	–	–
Trade and other payables	27	Amortised cost	Amortised cost	–	1,100,121	1,100,121	–	1,100,121	1,100,121	–	–	–	–
Mark-up accrued	28	Amortised cost	Amortised cost	–	48,540	48,540	–	48,540	48,540	–	–	–	–
Short-term borrowings	29	Amortised cost	Amortised cost	–	1,176,496	1,176,496	–	1,176,496	1,176,496	–	–	–	–
				–	3,706,885	3,706,885	–	3,706,885	3,706,885	–	–	–	–

47.1 The Company has valued free hold land at fair value and classified under property, plant and equipment and investment property. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the financial statements.

47.2 Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

47.3 These financial assets classified as 'loans and receivables' have been classified as amortised cost.

48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	---------------------- (Rupees in thousand) ----------------------					
Managerial remuneration	4,440	4,000	3,567	3,200	68,546	61,010
House rent allowance	1,998	1,800	1,605	1,440	30,846	27,455
Medical expenses	222	200	178	160	3,427	3,051
Bonus (performance)	560	500	450	400	8,594	6,596
Reimbursable expenses	–	–	–	–	–	–
Gratuity	–	–	–	–	4,896	–
	7,220	6,500	5,800	5,200	116,309	98,112
Number of persons	1	1	1	1	41	39

48.1 The Company also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobiles phones in accordance with their terms of employment.

48.2 The amount charged in these financial statements in respect of meeting fee for non-executive directors aggregate to Rs. 1.20 million (2018: Rs. 1.65 million).

49 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2019	2018	2019	2018	
Caustic Soda Liquid	170,000	157,500	95,115	87,453	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	6,020	4,968	
LABSA / SLES	24,000	–	1,201	–	
Liquid Chlorine	13,200	13,200	8,866	8,389	
Hydrochloric Acid	200,000	200,000	200,000	188,333	
Sodium Hypochlorite	49,500	49,500	23,652	21,995	
Bleaching Earth	3,300	3,300	–	–	
Zinc Sulphate	600	600	91	166	
Chlorinated Parafin Wax	–	3,000	–	–	
Sulphuric Acid	3,300	3,300	545	525	
Calcium Chloride Prills	20,000	20,000	12,974	16,470	
Humic Acid	120	120	16	45	

50 NUMBER OF EMPLOYEES

	2019	2018
Number of employees at June 30,		
Permanent		
Head office	62	58
Factory	474	465
Contractual		
Head office	5	4
Factory	141	146
Average number of employees during the year		
Permanent		
Head office	60	57
Factory	470	442
Contractual		
Head office	5	4
Factory	144	162

51 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

	Note	2019	2018
		Rupees in thousand	
The proportion of debt to equity at the year end was:			
Total Borrowings (notes 24, 25, 29 and 30)		3,366,007	2,558,224
Less: Balances with banks (note 20)		109,892	94,072
Net debt		3,256,115	2,464,152
Total equity		4,003,685	3,709,575
Total capital		7,259,800	6,173,727
Gearing ratio		0.45	0.40

52 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

53 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

53.1 During the year the Company has enhanced its production capacity of caustic soda manufacturing by capitalising power efficient Ion Exchange Membrane (IEM) Plant of 12,500 M.T per annum.

53.2 The Company has embarked upon exploring various avenues in order to diversify its business. During the year the Company has added a new product Linear Alkyl Benzene Sulphonic Acid (LABSA) with a capacity of 24,000 M. Ton per annum. Plant is commissioned and started its commercial production. This will further improve the profitability of the Company.

53.3 Change in accounting policies in respect to adoption of IFRS -9 Financial Instruments and IFRS -15 Revenue from contracts with customers.

53.4 All other significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

54 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on September 25, 2019, has not recommended any dividend for the year ended June 30, 2019 (2018: 11% i.e. Rs. 1.1 per share).

55 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 25, 2019 by the Board of Directors of the Company.

56 GENERAL

Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.

Chief Executive	Director	Chief Financial Officer

Pattern of Shareholding
as at 30 June 2019

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
179	1	100	4,625
126	101	500	40,961
226	501	1000	155,134
522	1001	5000	1,134,120
122	5001	10000	867,919
57	10001	15000	678,612
33	15001	20000	570,024
16	20001	25000	367,044
18	25001	30000	488,125
9	30001	35000	296,206
6	35001	40000	230,031
8	40001	45000	345,242
2	50001	55000	104,672
1	55001	60000	55,771
2	60001	65000	124,222
2	70001	75000	145,500
2	75001	80000	158,250
3	80001	85000	249,148
4	85001	90000	346,014
2	90001	95000	187,950
3	95001	100000	300,000
2	100001	105000	201,100
1	110001	115000	115,000
1	115001	120000	117,000
2	120001	125000	246,726
2	130001	135000	267,144
3	140001	145000	423,107
1	145001	150000	149,032
2	155001	160000	318,200
1	160001	165000	164,000
1	175001	180000	177,921
1	180001	185000	183,514
2	185001	190000	373,500
2	200001	205000	403,700
1	205001	210000	206,461
1	220001	225000	221,716
1	245001	250000	246,331
1	310001	315000	310,050
1	340001	345000	344,382
1	350001	355000	352,837
1	355001	360000	359,779
1	360001	365000	360,525
1	415001	420000	415,028
1	435001	440000	437,798
1	455001	460000	458,150
2	495001	500000	999,728
1	505001	510000	507,351
1	520001	525000	523,250
1	525001	530000	528,500
1	575001	580000	576,428
1	585001	590000	588,193
1	610001	615000	614,073
1	615001	620000	618,470
1	620001	625000	621,487
3	680001	685000	2,045,103
1	725001	730000	726,000
1	760001	765000	760,650
2	820001	825000	1,643,251
1	845001	850000	849,866
1	870001	875000	874,990
1	875001	880000	875,600
1	890001	895000	894,528
1	925001	930000	928,500
1	945001	950000	948,680
1	995001	1000000	997,150
1	1000001	1005000	1,002,326
1	1115001	1120000	1,117,180
1	1160001	1165000	1,162,020
1	1170001	1175000	1,170,433
1	1260001	1265000	1,260,837
1	1305001	1310000	1,305,035
1	1315001	1320000	1,316,107
1	1325001	1330000	1,327,436
1	1360001	1365000	1,364,609
1	1990001	1995000	1,992,025
1	2625001	2630000	2,629,173
1	3165001	3170000	3,166,554
1	3215001	3220000	3,219,726
1	4055001	4060000	4,055,434
1	4655001	4660000	4,655,110
1	5080001	5085000	5,084,865
1	6855001	6860000	6,859,587
1	11185001	11190000	11,187,174
1,417			**84,700,000**

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor childern	216,485,82	25.5591%
Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	11,70,433	1.3819%
Modarabas and Mutual Funds	2,693,292	3.1798%
General Public		
a. Local	47,546,637	56.1353%
b. Foreign	4,400	0.0052%
Others (to be specified)		
1- Joint Stock Companies	10,757,256	12.7004%
2- Pension Funds	359,900	0.4249%
3- Foreign Companies	458,150	0.5409%
4- Others	6,1350	0.0724%
	84,700,000	100%
Share holders holding 10% or more	11,393,635	13.4518%

Pattern of Shareholding
as at 30 June 2019

Additional Information

Categories of Shareholders required under Code of Corporate Governance (CCG)

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
1	FIRST ALNOOR MODARABA	1,100	0.0013%
2	MCBFSL - TRUSTEE JS VALUE FUND	132,567	0.1565%
3	B.R.R. GUARDIAN MODARABA	39,600	0.0468%
4	CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	360,525	0.4256%
5	MC FSL - TRUSTEE JS GROWTH FUND	875,600	1.0338%
6	CDC - TRUSTEE JS ISLAMIC FUND	523,250	0.6178%
7	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	760,650	0.8981%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MUHAMMAD SIDDIQUE	11,393,635	13.4518%
2	MR. ABDUL SATTAR KHATRI	5,084,865	6.0033%
3	MR. WAQAS SIDDIQ KHATRI	621,487	0.7336%
4	MRS. FARHANA ABDUL SATTAR KHATRI	948,680	1.1200%
5	MR. ABDULLAH MUSTAFA	3,166,554	3.7386%
6	MR. PERVAIZ AHMED KHAN	845	0.0000%
7	MR. PERVEZ ISMAIL	550	0.0000%
8	MRS. SABINA	431,966	0.5100%
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	PAK LIBYA HOLDING COMPANY (PVT.) LIMITED	1,170,433	1.2443%
Public Sector Companies & Corporations:		-	-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Proxy Form

I/We ____ of ____ being member of **ITTEHAD CHEMICALS LIMITED** and holder of ________________________ Ordinary Shares as per Registered Folio / CDC Participant I.D. No. & CDC Account No. ___________________________ hereby appoint Mr./Mrs./Miss. ____of ____________________ or failing him/her Mr./Mrs./Miss.__________________________________of _______________________ who is also a member of the **ITTEHAD CHEMICALS LIMITED** vide Registered Folio / CDC Participant I.D. No. & CDC Account No. ___________________ as my proxy to vote for me and on my behalf at the 28th Annual General Meeting of the Company to be held on Friday, October 25, 2019 at 11.00 a.m. at the registered office and any adjournment thereof.

Signed this ______________ day of __________2019

Revenue Stamp(s) of Rupees five

Signature
(As registered with the company)

WITNESS: 1
Signature_____________________________
Name _____________________________
Address _____________________________
____
CNIC or
Passport # _____________________________

WITNESS: 2
Signature_____________________________
Name _____________________________
Address _____________________________
____
CNIC or
Passport #_____________________________

NOTES: -

- This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.
- No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.

AFFIX
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Registered / Head Office:
39-Empress Road, Lahore-Pakistan.
Tel: +92 42 3630 6586-88
Fax: +92 42 3636 5697

پراکسی فارم

میں/ہم--بحیثیت ممبر **اتحاد کیمیکلز لمیٹڈ** اور حامل--------------------عمومی حصص بمطابق رجسٹرڈ فولیو/سی ڈی سی پارٹیسپینٹ شناختی نمبر اور سی ڈی سی اکاؤنٹ نمبر ------------------------------ بذریعہ تحریر ہذا محترم/محترمہ -------------------------------- کو یا ان کی غیر حاضری کی صورت میں محترم/محترمہ--- کو جو بحوالہ رجسٹرڈ فولیو/سی ڈی سی پارٹیسپینٹ شناختی نمبر---------------------------------- **اتحاد کیمیکلز لمیٹڈ** کے/کی ممبر بھی ہیں، اپنا پراکسی مقرر کرتا/ کرتی/ کرتے ہیں تاکہ وہ میرے/ہمارے لئے اور میری/ہماری طرف سے کمپنی کے 28ویں سالانہ اجلاس عام میں ووٹ ڈال سکیں جو 25 اکتوبر 2019ء بروز جمعہ کو صبح 11:00 بجے رجسٹرڈ آفس میں یا اس کے کسی بھی التوا کی صورت میں منعقد ہوگا۔

تاریخ دستخط:-----------------------	پانچ روپے کے رسیدی ٹکٹس

دستخط

(جو کمپنی کے پاس رجسٹرڈ ہیں)

گواہ نمبر 1	گواہ نمبر 2
دستخط---------------------------	دستخط-------------------------------
نام------------------------------	نام------------------------------
پتہ--------------------------------	پتہ------------------------------
قومی شناختی کارڈ یا پاسپورٹ نمبر-------------------------	قومی شناختی کارڈ یا پاسپورٹ نمبر-------------------------

نوٹ:

☆ یہ پراکسی فارم، باقاعدہ پر شدہ اور دستخط شدہ حالت میں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً پہنچ جانا چاہئے۔

☆ کوئی شخص بطور پراکسی کام نہیں کرے گا اگر وہ خود کمپنی کا شیئر ہولڈر نہ ہو سوائے اس کے کہ کوئی کمپنی کسی ایسے شخص کو اپنا نمائندہ مقرر کردے جو شیئر ہولڈر نہ ہو۔

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Registered / Head Office:
39-Empress Road, Lahore-Pakistan.
Tel: +92 42 3630 6586-88
Fax: +92 42 3636 5697

Ms Certification
No of Certificate 236

ITTEHAD GROUP www.ittehadchemicals.com

Registered Office/Head Office:
39-Empress Road, Lahore, Pakistan.
Tel: +92 42 36306586 - 88, Fax: +92 42 36365697

Factory:
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District Sheikhupura, Pakistan.
Tel: +92 42 37950222 - 25, Fax: +92 42 37950206