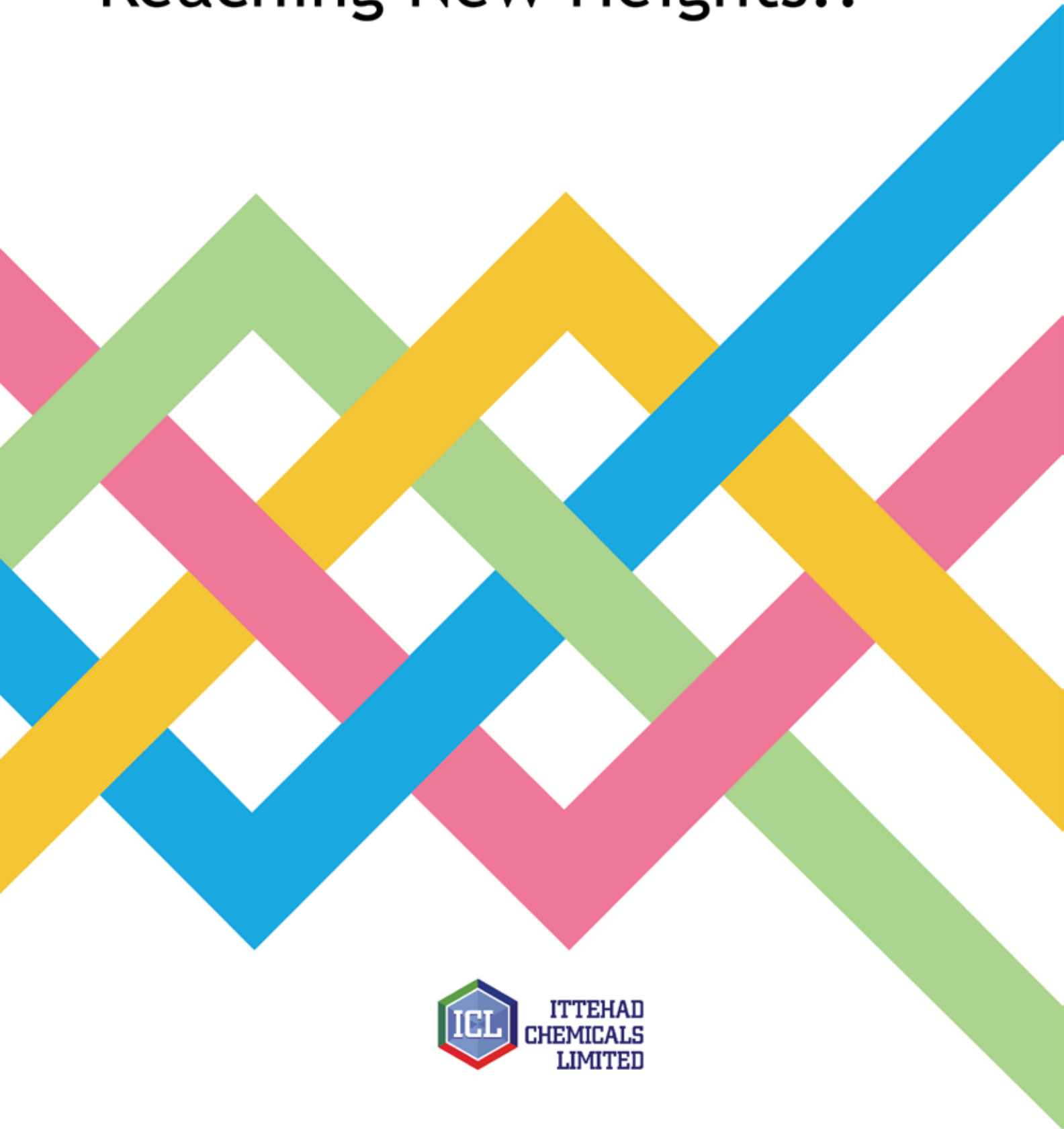


Annual Report
2018

Reaching New Heights..



ITTEHAD
CHEMICALS
LIMITED

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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 COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Javed Iqbal

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 Sheikhpura.
Ph: 042 – 37950222 – 25, Fax: 042 – 37950206

SHARES REGISTRAR

M/s. Corplink (Pvt.) Limited
Corporate and Financial Consultants
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Ph : 042 – 35839182, Fax : 042 – 35869037

BANKERS

<u>Banks - Conventional Side</u>	<u>Banks - Islamic Window Operations</u>
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



Continuity gives us roots, Change gives us branches letting us Stretch and Grow and Reach New Heights.

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 27th Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Friday, October 26, 2018, 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, 2017.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2018-19 and to fix their remuneration. M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.
4. To approve Final Cash Dividend of Rs. 1.10 per share i.e. 11% as recommended by the Board of Directors.

Special Business:

5. To approve the issuance of bonus shares in the proportion of 1 share for every 10 shares held i.e., 10% and if considered appropriate, to pass with or without amendment/modification, the following resolution as an ordinary resolution:

“RESOLVED THAT

- a) a sum of Rupees 77,000,000 out of the free reserves of the Company be capitalized and applied towards the issue of 7,700,000 ordinary shares of Rs. 10/- each and allotted as fully paid bonus shares to the Members in the proportion of 1 (one) bonus share for every 10 (ten) existing ordinary shares held by the Members whose names appear on the Members Register on the close of business on October 17, 2018;
 - b) these bonus shares shall rank *pari passu* in all respects with the existing shares of the Company but shall not be eligible for the dividend declared for the year ended June 30, 2018;
 - c) In case of fraction shares, the Chief Financial Officer and / or Company Secretary be and is hereby authorized to consolidate such fractional entitlement and sell in the stock market and the proceeds of sale (less expenses) when realized, be donated to any Charitable Institution.
 - d) For the purpose of giving effect to the foregoing, the CEO and / or the Chief Financial Officer and / or the Company Secretary be and are hereby singly or jointly authorized to do all acts, deeds and things and take any OR all necessary steps to fulfill the legal, corporate procedural formalities and to file all documents/returns as deemed necessary, ancillary and appropriate to give effect to aforesaid resolutions.”
6. Any other business with the permission of the Chair.

By Order of the Board

Abdul Mansoor Khan
Company Secretary

Lahore
September 25, 2018

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 18, 2018 to October 26, 2018 (both days inclusive). Transfers received in order by our Share Registrars, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore by the close of business on October 17, 2018 will be considered in time for the purpose of entitlement of cash dividend and the Bonus shares to the transferees.
- 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. In the absence of bank account details or in case of incomplete details, the Company will withhold the payment of cash dividend of those shareholders who have not provided the same in the light of relevant provisions of prevailing laws.
- 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 the 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 filers of income tax returns and (b) 20% for non-filers of income tax returns.

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all Members whose names are not entered into the Active Tax –payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 20% instead of 15%. Withholding of tax exemption on dividend income shall be allowed if copy of valid exemption certificate is made available at office of our Share Registrar by the close of business on October 17, 2018.

- ix. In pursuant to the clarification of FBR, in case of joint account each joint holder is to be treated individually as either a filer or non – filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the members (CDC & Physical), in writing duly signed by each joint holder along with copies of CNICs as follows to the Shares Registrar of the Company. If the response to the notification is not received within stipulated time, each joint holder shall be assumed to have equal number of shares.

Folio/CDC A/c. No.:		Name of Company:		
Total Shares Held	Principal Share Holder (Name & CNIC)	Shares Held	Joint Share Holder (Name & CNIC)	Shares Held

- x. Members seeking exemption from deduction of income tax or eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat to our Shares Registrar in case of physical shares or to CDC in case of CDC Shareholders.
- xi. The Annual Report is being transmitted to shareholders through CDC or DVD or USB instead of sending in Book form / hard copy in terms of SRO No. 470(I)/2016 dated May 31, 2016 and its subsequent approval in the Annual General Meeting held on October 26, 2017.
- xii. 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

- xiii. 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.
- xiv. The Annual Report for the Financial Year ended June 30, 2018 will be placed on Company's website www. ittehadchemicals.com in due course of time.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on October 26, 2018.

ISSUE OF BONUS SHARES:

The Directors recommends that with the existing profitability, the Company's financial position justifies capitalization of Rupees 77 Million out of profits available for appropriation as at June 30, 2018, by issuing fully paid Bonus Shares in the proportion of one (1) Bonus share for every ten (10) ordinary shares held. The Directors of the Company, directly or indirectly, are not personally interested in this issue, except to the extent of their shareholding in the Company.

Chairman's Review



Dear stakeholders

It is a great pleasure and an honour to have this opportunity to write you. The success of the Company over the years has been the upshot of our corporate vision and the collective efforts of all stakeholders.

The Board is consisted of highly talented, qualified and experienced professionals in their specialized fields who are engaged in strategic planning, setting leadership direction and ensuring the highest levels of ethical, moral and legal conducts. The Board has developed Mechanism to evaluate its own performance, its Committees and its Members as required under the Listed Companies (Code of Corporate Governance) Regulations 2017. The Board has established two (02) Committees. The Audit Committee ensures effectiveness of internal controls and reviews the financial statements in order to ensure that the accounts fairly represent the financial position of the Company. The HR Committee overviews HR policy framework and recommends selection and compensation of senior management team.

While reviewing the prevailing economy indicators; the FY18 started on a positive tone and GDP was anticipated to improve. However, political uncertainty, due to this being election year, impeded the prospects. It is a good sign for Pakistan that the democratic process has moved on to bring in a third consecutive elected regime; however, the economy is facing many challenges e.g. a weakening economy coupled with high inflation rate; large fiscal deficit; widening current account deficit and increasing imports from China for infrastructure projects related to CPEC.

Looking ahead, since the Chemical sector is largely power intensive; hence the impact of fuel expense is significant. Presently the sector is extremely impacted by escalated power tariff and charging of higher RLNG prices which is further inflated due to devaluation of Pakistan Rupee and increase in Oil prices. On a positive note, the Company has successfully transformed its entire Production Technology to a state of the art power efficient and environmental friendly Ion Exchange Membrane Plants. The Board has also embarked upon exploring various other avenues in order to diversify business.

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, who has ensured the Company's sustained growth.

Lahore
September 25, 2018

Muhammad Siddique Khatri
Chairman

Directors' Report



The Directors of the Company take pleasure in presenting the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2018 and Auditors' Report thereon.

FINANCIAL PERFORMANCE

During the year under review, the Company maintained healthy trend of sales and posted net sales revenue of Rupees 5,742 Million with an increase of 15% over previous year (2017: Rupees 4,990 Million). The cost of sales stood at Rupees 4,780 Million (2017: Rupees 4,170 Million) bringing gross profit to Rupees 963 Million (2017: Rupees 820 Million).

On account of better Caustic Soda prices in local as well as international market, the gross profit margin slightly improved to 16.75% from 16.43% as compared to corresponding period of last year. The other income include Rupees 109 Million from sale of scrap during the period. Freight charges increased due to growth in sales of caustic soda and upsurge in oil prices. The charging of higher RLNG tariff by Sui Northern Gas Pipelines Limited instead of System Gas tariff fueled by devaluation of Pak Rupee and upturn in international oil prices remained major impediments during the period.

The bottom line showed a net profit after tax amounting to Rupees 415 Million (2017: Rupees 233 Million) which yielded earning(s) per share of Rupees 5.40 per share (2017: Rupees 3.37 per share).

FINANCIAL HIGHLIGHTS

The comparative financial results for the year ended June 30, 2017 & 2018 are as under:

	Financial Year ended June 30	
	2018	2017
	Rupees in "000"	
Net Sales	5,742,792	4,990,137
Gross Profit	962,983	819,710
Operating Profit	504,350	384,103
Profit /(Loss) before Tax	360,866	220,151
Profit after Tax	415,487	233,347
Earnings Per Share (Rupees)	5.40	3.37

PROFIT AND APPROPRIATIONS

	Financial Year ended June 30	
	2018	2017
	Rupees in "000"	
Total comprehensive income for the year	593,373	234,384
Less un-realized gain (surplus on revaluation of fixed assets)	(177,886)	-
Add: - Un-appropriated profit brought forward	1,321,454	1,184,570
Profit available for appropriation	1,736,941	1,418,954
Appropriations:		
Final cash dividend paid @ 13% for the financial year 2016-2017 (2015-2016: 15%)	(100,100)	(97,500)
Profit available for appropriation	1,636,841	1,321,454

CASH DIVIDEND / BONUS SHARES

The Board of Directors is pleased to propose a final cash dividend of Rs. 1.10 per share i.e. 11% and the issuance of bonus shares in the proportion of 1 share for every 10 shares held i.e., 10% for the financial year ended June 30, 2018. The final dividend and issuance of bonus shares are subject to the approval of shareholders in Annual General Meeting scheduled to be held on October 26, 2018.

BALANCING, MODERNIZATION AND REPLACEMENT (BMR)

By the grace of Almighty Allah the Company's state of the art power efficient Ion Exchange Membrane Plant-3 having capacity 37,500 M. Ton Per Annum commenced its commercial operations in the month of June 2018. Management is focusing on technological modernization in order to improve production efficiencies. The installation of one Electrolyzer for Caustic Soda having Capacity 12,500 M.Ton per annum being the 2nd phase of IEM Plant III BMR is also in progress.

As conveyed in the earlier reports, in order to diversify its business, the Board of Directors has approved Linear Alkyl Benzene Sulphonic Acid (LABSA) / Sodium Laureth Sulfate (SLES) Project having capacity of approximately 24,000 M. Tons per annum. Total Project Cost of LABSA / SLES Plant and 2nd phase of IEM Plant III is estimated Rupees Six Hundred Million (Rupees 600 Million). The Financial Close of the project has been achieved successfully. The letter of credit (L/C) has been established for LABSA / SLES Plant. The project is likely to be commissioned by the end of FY 2019. The Management is also taking into consideration installation of Sulphate Removal System & Sodium Sulphate Anhydrous Plant.

JCR-VIS CREDIT RATING

During the year, JCR-VIS Credit Rating Co. Ltd., reassessed credit rating of the Company and has reaffirmed the medium to long-term entity rating of Ittehad Chemicals Limited (ICL) at 'A-' (Single A Minus) and short-term entity rating at 'A-2' (A-Two). Outlook on the assigned rating is 'Stable' as announced on January 25, 2018. The aforesaid ratings denote a very strong capacity for timely payment of financial commitments.

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 is given in serial # 1 & 2 of "Statement of Compliance" annexed with this Annual Report. During the year, Five (05) Board meetings, Four (04) Audit Committee meetings and One (01) HR & Remuneration Committee Meetings 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
Mr. Muhammad Siddique Khatri	5	N/A	N/A
Mr. Abdul Sattar Khatri	5	N/A	N/A
Mr. Waqas Siddiq Khatri	5	N/A	1
Mr. Abdullah Mustafa	5	4	1
Ms. Farhana Abdul Sattar Khatri	5	N/A	N/A
Mr. Pervaiz Ahmad Khan	5	4	1
Mr. Pervez Ismail	3	2	N/A
Mr. Abdul Ghafoor Khatri*	2	2	N/A

* Mr. Abdul Ghafoor Khatri resigned during the year and Mr. Pervez Ismail appointed in his place to fill the casual vacancy.

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

DIRECTORS' REMUNERATION

The Company doesn't pay any kind of remuneration to non-executive directors; however the Board has approved payment of Meeting Attendance Fee Rupees 30,000 for each Board and its Committees' Meetings as well as reimbursement of expenses incurred (if any) in boarding, lodging and travelling to independent and Non-Executive Directors only. The Board of Directors has revised the monthly remuneration of Mr. Abdul Sattar Khatri, Chief Executive Officer to Rupees 560,000 and Mr. Waqas Khatri (Executive Director) to Rupees 450,000 subsequent to the Balance Sheet date i.e. w.e.f. August 01, 2018. Other terms and conditions of their employment remain unchanged.

DIRECTORS' TRAINING PROGRAMS

The Directors are aware of their fiduciary responsibilities. Six (06) Board Members out of seven (07) had already attained certification offered by SECP approved Institutes for Directors' Training Program. During the year, the Board arranged certification of Mr. Pervaz Ismail, Director of the Company by The Institute of Chartered Accountants of Pakistan duly approved by SECP.

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 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 has 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 based on its audited accounts as on June 30, 2018 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 prevailing laws relating to related party transactions.
- xii. The trading made by directors, CEO, CFO, Company Secretary 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 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 6,601,865 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 2018-19. 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, 2018 is annexed.


FUTURE OUTLOOK

The Management of your Company is entrusted to enhance shareholders' value. The Company's state of the art power efficient Ion Exchange Membrane Plant-3 having capacity 37,500 M. Ton Per Annum has just commenced its commercial operations by the end of June 2018 and shall make its contribution towards the profitability. As conveyed earlier in the report, the Board of Directors has approved Linear Alkyl Benzene Sulphonic Acid (LABSA) / Sodium Laureth Sulfate (SLES) Project in order to diversify business operations. The project is likely to be commissioned by the end of FY 2019. This would further improve the profitability of the company. Ever increasing energy cost will remain challenges for the Company.


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.

Lahore
September 25, 2018


Muhammad Saddique Khatri
Chairman

On behalf of the Board


Mr. Abdul Sattar Khatri
Chief Executive Officer



There is no top,
there is always
further heights
to reach.

صحت، تحفظ اور ماحول:

ہم اپنے ملازمین کو کام کرنے کے لئے صحت مند اور 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، ٹریگ ایمرجنسی کے حوالے سے تیاری اور ماحولیاتی اثرات جو کہ ارد گرد آبادیوں پر اثر انداز ہو سکتے ہیں کو کم کرنے کے لئے ہر وقت کوشاں ہیں۔ کمپنی کو ایٹمی انجینئرنگ سسٹم آئی ایس او 9001:2015، انوائزمنٹ مینجمنٹ سسٹم آئی ایس او 14001:2015 اور TUV آسٹریا یور آف انسپیکشن اینڈ سرفیکلشن پرائیویٹ لمیٹڈ کی آکوپیشنل ہیلتھ سیفٹی مینجمنٹ سسٹم 18001:2007 OHSAS 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 لمیٹڈ 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 رفاہی تنظیموں کو 66,01,865 روپے دیے ہیں۔

بیرونی آڈیٹرز:

موجودہ آڈیٹرز BDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائرڈ اور اہلیت کے حامل ہونے کی بنا پر 19-2018 کے لئے دوبارہ تعیناتی کی پیش کش کی ہے۔ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے بی ڈی او ابراہیم 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 او ابراہیم اینڈ کمپنی کے متعلق ICAP نے کوالٹی کنٹرول ریویو کے تحت اطمینان بخش ریٹنگ جاری کی ہے۔

شیئر ہولڈنگ کا پینل:

شیئر ہولڈنگ کی معلومات برطریق 30 جون 2018 ہمراہ منسلک ہے۔

مستقبل کا نقطہ نظر:

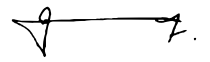
آپ کی کمپنی کی انتظامیہ حصص داران کے اثاثے بڑھانے کی پوری کوشش کر رہی ہے۔ کم ایندھن کے استعمال کے حامل IME پلانٹ III پروڈیوٹس 37,500MT سالانہ جو کہ جون 2018 کے آخر سے پیداوار شروع کر چکا ہے۔ اس پلانٹ کی بدولت منافع میں بہتری آئے گی۔ جیسا کہ پہلے بتایا گیا ہے بورڈ آف ڈائریکٹرز نے LABSA/SLES کا پراجیکٹ منظور کر دیا ہے۔ کاروباری معاملات کو پھیلانے کے لئے امید ہے کہ یہ پراجیکٹ 2019 کے آخر میں کام کرنا شروع کر دے گا اور اس سے کمپنی کے منافع میں بھی اضافہ ہوگا۔ توانائی کی بڑھتی ہوئی قیمت کمپنی کے لئے مشکلات کا باعث رہے گی۔

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 عبدالسائر کھتری
چیف ایگزیکٹو



جناب محمد صدیق کھتری
چیرمین

لاہور

ستمبر 25، 2018

عبدالغفور کھتری نے سال کے دوران استعفیٰ دے دیا اور اس وقت نشست کو پُر کرنے کے لئے جناب پرویز اسماعیل کو مقرر کر دیا گیا۔ کارپوریٹ انفارمیشن کے ہیڈ 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 ایگزیکٹو ڈائریکٹرز کو کسی قسم کا معاوضہ ادا نہیں کرتی تاہم بورڈ نے بورڈ اور اُس کی کمیٹیوں کی ہرمیننگ میں شامل ہونے کی فیس 30000 روپے مقرر کی ہے اور میننگ کے علاوہ ہونے والے سفری اور دیگر اخراجات صرف نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو ادا کیے جاتے ہیں۔ بورڈ نے چیف ایگزیکٹو آفیسر جناب عبدالستار کھتری کا معاوضہ 560,000 اور جناب وقاص کھتری ایگزیکٹو ڈائریکٹر کا معاوضہ 450,000 جو کہ یکم اگست 2018 سے مختص کر دیا ہے۔ ملازمت کی دوسری شرائط میں کوئی تبدیلی نہیں ہے۔

ڈائریکٹرز کا تربیتی پروگرام:

ڈائریکٹرز اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔ سات میں سے چھ بورڈ ممبرز نے SECP سے منظور شدہ ادارہ سے ڈائریکٹر جو کہ ٹریننگ پروگرام کر سکتے ہیں سرٹیفکیٹ حاصل کیا۔ رواں سال کے بورڈ کے تربیتی پروگرام میں جناب پرویز اسماعیل جو کہ کمپنی کے ڈائریکٹر ہیں SECP سے منظور شدہ ادارے ICAP سے سرٹیفکیٹ حاصل کیا ہے۔

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 داریوں 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 فلوا 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 مد نظر 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 و شبہات نہیں ہیں۔
- 7- گزشتہ چھ سال کا آپریننگ مواد منسلک کیا گیا ہے۔
- 8- ٹیکس اور لیویز کے بقایا جات کے متعلق معلومات اکاؤنٹس کے نوٹس میں دی گئی ہے۔
- 9- آڈٹ شدہ اکاؤنٹس کی بنیاد پر پریوڈنٹ فنڈ کی انویسٹمنٹ کی ویلیو 30 جون 2018 کے مطابق فنانسئل سٹیٹمنٹ کے نوٹ نمبر 41 میں دی گئی ہے۔
- 10- ضابطہ میں بیان شدہ تمام 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 ان کی بیگمات اور انکے بچوں کی جانب سے کمپنی کے شیرز میں سال کے دوران کی گئی ٹریڈنگ (اگر کوئی ہے) اور شیرز کی تعداد کے متعلق کسی بھی قسم کی معلومات منسلک ہیں۔

نقد منافع ایلونس حصص:

بورڈ آف ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے مالی سال کے لئے 1.10 روپے کا حتمی نقد منافع فی شیئر 11 فیصد اور 10 فیصد ایلونس حصص کے اجراء جو کے ہر 10 حصص کے مالک کو ایک بونس شیئر دیتے ہوئے خوشی محسوس کر رہے ہیں۔ حتمی منافع اور بونس حصص کا اجراء 26 اکتوبر 2018 کو ختم ہونے والے سالانہ اجلاس عام کے حصص داران کی منظوری سے مشروط ہے۔

توازن، جدت اور متبادل:

اللہ کے فضل و کرم سے کمپنی کے موثر لاگت کے IEM پلانٹ کے پراجیکٹ جسکی صلاحیت 37500M.T سالانہ ہے نے جون 2018 میں کام کرنا شروع کر دیا ہے۔ انتظامیہ پیداواری صلاحیت کو بہتر بنانے کے لئے ٹیکنالوجی کی جدت پر زور دے رہی ہے۔ کاسٹک سوڈا کے الیکٹرو لائٹنگ کی تنصیب پر کام جاری ہے جسکی صلاحیت 12500M.T ہے جو کہ IEM-3 (BMR) کا دوسرا مرحلہ ہے۔

جیسا کہ پچھلی رپورٹ میں بتایا گیا ہے کہ کاروبار متنوع کرنے کے لئے ڈائریکٹرز نے LABSA/SLES پراجیکٹ کو منظور کیا ہے جسکی پیداواری صلاحیت تقریباً M.T 24000 سالانہ ہے۔ LABSA/SLES اور IEM پلانٹ III کے دوسرے مرحلے کی لاگت کا تخمینہ 600 ملین روپے ہے اور پراجیکٹ کے لئے رقم کا بندوبست بھی کامیابی سے ہو گیا ہے۔ LABSA پلانٹ کے لئے لیٹر آف کریڈٹ بھی بنا دیا گیا ہے۔ 2019 کے اختتام تک یہ پراجیکٹ مکمل ہو جائے گا۔ انتظامیہ Sulphate Removal System & Sodium Sulphate Anhydrous Plant لگانے کے بارے میں بھی غور و خوض کر رہی ہے۔

JCR-VIS کی کریڈٹ ریٹنگ:

سال 2018 کے دوران JCR-VIS کی کریڈٹ ریٹنگ کمپنی نے کمپنی کی کریڈٹ ریٹنگ کا دوبارہ جائزہ لیا اور اتحاد کیمیکل کی درمیانہ درجہ سے طویل مدتی درجہ بندی A (سنگل A) اور قلیل مدتی درجہ بندی A-2 پر کی ہے۔ تفویض کی گئی ریٹنگ 25 جنوری 2018 کے اعلان کے مطابق مستحکم ہے۔ یہ درجہ بندی ظاہر کرتی ہے کہ کمپنی مالی ادائیگیوں کی بھرپور صلاحیت رکھتی ہے۔

بورڈ اور اسکی کمیٹیاں:

لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورننس کی شق 36 کے مطابق فہرستی بورڈ کی ساخت اس رپورٹ سے منسلک شیڈول آف کمپلائنس کے سیریل 1 اور 2 میں درج ہے۔ سال کے دوران پانچ بورڈ کے اجلاس، چار آڈٹ کمیٹی اجلاس اور ایک HR کمیٹی اجلاس منعقد کیا ہے۔

بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے۔			ڈائریکٹر کا نام
بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی	
5	N/A	N/A	جناب محمد صدیق کھتری
5	N/A	N/A	جناب عبدالستار کھتری
5	N/A	1	جناب وقاص کھتری
5	4	1	جناب عبداللہ مصطفیٰ کھتری
5	N/A	N/A	محترمہ فرحانہ کھتری
5	4	1	جناب پرویز احمد خان
3	2	N/A	جناب پرویز اسماعیل
2	2	N/A	جناب عبدالغفور کھتری

ڈائریکٹرز رپورٹ:

کمپنی کے ڈائریکٹرز سالانہ رپورٹ مع 30 جون 2018 کو ختم ہونے والے مالی سال کے پڑتال شدہ مالی گوشوارے اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مالی کارکردگی:

زیر جائزہ سال کے دوران کمپنی کی مجموعی فروخت 15% کے اضافے کے ساتھ 5,742 ملین روپے (2017: 4,990 ملین روپے) رہی۔ فروخت کی لاگت 4,780 ملین روپے (2017 میں 4,170 ملین روپے) رہی جس سے 963 ملین روپے (2017 میں 820 ملین روپے) کا خام منافع حاصل ہوا۔

گزشتہ مالی سال کی نسبت اس سال ملکی اور غیر ملکی سطح پر کاسٹک سوڈا کی قیمت بہتر رہی جس سے خام منافع کی شرح 16.43 فیصد سے 16.75 فیصد ہو گئی۔ دوران سال 109 ملین روپے سکرپ کی فروخت دوسری آمدنی (Other Income) میں شامل ہے اور اسکے ساتھ رواں سال میں نقل و حمل کے اخراجات میں کاسٹک سوڈے کی فروخت کے بڑھنے اور تیل کی قیمتوں میں اضافے کے باعث بڑھوتری دیکھنے میں آئی۔ جبکہ دوسری طرف سوئی گیس پائپ لائن کی جانب سے سسٹم گیس ٹیرف کی بجائے RLNG کی وصولی اور اسکے ساتھ تیل کی قیمتوں میں اضافہ اور روپے کی قدر میں کمی موجودہ سال کے دوران بڑا مسئلہ رہا ہے۔ گوشوارے کی آخری سطر 415 ملین روپے (2017 میں 233 ملین روپے) کا مجموعی منافع دکھاتی ہے جس سے 5.40 روپے فی حصص (2017 میں 3.37 فی حصص) کی آمدنی ہوئی۔

مالیاتی جھلکیاں:

30 جون 2018 اور 2017 ختم ہونے والے سال کے لئے تقابلی مالیاتی نتائج درج ذیل ہیں۔

نام	2017 "000" روپے	2018 "000" روپے
مجموعی فروخت	4,990,137	5,742,792
مجموعی منافع	819,710	962,983
آپریٹنگ منافع	384,103	504,350
گیس سے پہلے منافع	220,151	360,866
گیس کے بعد منافع	233,347	415,487
فی حصص کمائی	3.37	5.40

منافع اور تخصیص:

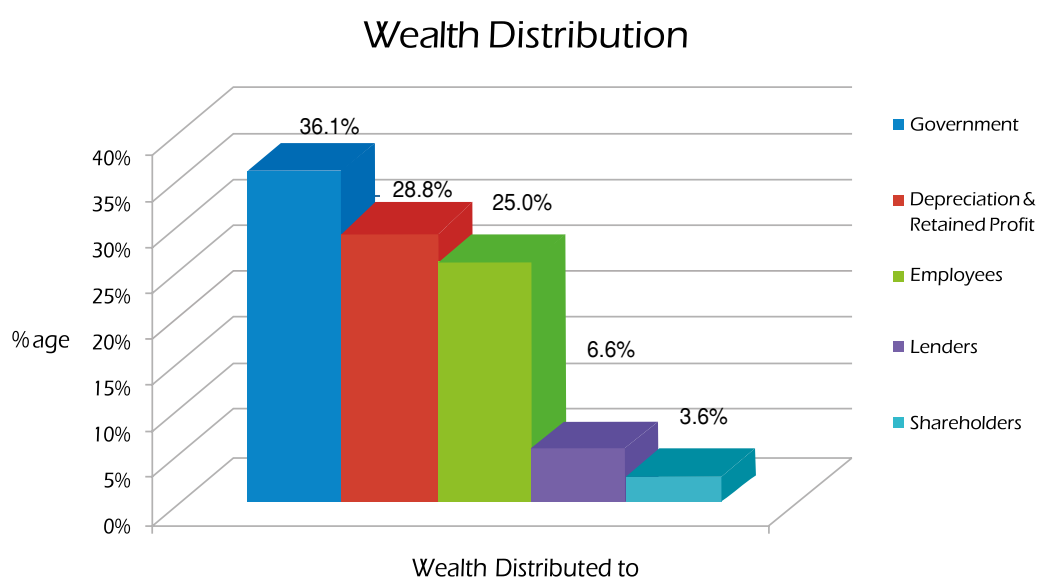
اختتام مالی سال 30 جون	2017 "000" روپے	2018 "000" روپے
کل آمدنی	234,384	593,373
تفریق: غیر حقیقی منافع (اثاثوں کی قیمت میں اضافہ)	-	(177,886)
بشمول: آگے لایا گیا غیر تخصیص منافع	1,184,570	1,321,454
تخصیص کے لئے موجودہ منافع	1,418,954	1,736,941
تخصیص		
مالی سال 2016-17 حتمی نقد منافع 13% کے حساب سے	(97,500)	(100,100)
(2015-16: 15%)		
تخصیص کے لئے موجودہ منافع	1,321,454	1,636,841

Operating and Financial Highlights

	Unit	2018	2017	2016	2015	2014	2013
PROFIT AND LOSS							
Sales	Rs. in mln	5,743	4,990	4,557	4,046	4,104	4,278
Gross Profit	Rs. in mln	963	820	791	423	813	865
Operating Profit	Rs. in mln	504	384	372	31	405	453
Profit / (loss) before tax	Rs. in mln	361	220	224	(74)	281	333
Profit after tax	Rs. in mln	415	233	167	84	200	295
EBITDA	Rs. in mln	859	718	685	225	592	637
Earning per share - Basic and Diluted	Rs.	5.40	3.37	2.64	1.54	4.01	5.89
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	5,452	4,128	3,638	3,756	2,485	2,496
Current Assets	Rs. in mln	2,031	2,065	2,014	1,437	1,704	1,619
Current Liabilities	Rs. in mln	3,007	2,436	2,126	2,045	1,491	1,722
Long Term Liabilities	Rs. in mln	1,023	944	1,344	933	909	411
Share capital	Rs. in mln	770	770	650	500	500	360
Shareholders' Equity	Rs. in mln	2,737	2,421	1,985	1,578	1,541	1,376
INVESTOR INFORMATION							
Gross Profit Margin	%	16.77	16.43	17.35	10.45	19.81	20.23
Net Profit Margin	%	7.23	4.68	3.67	2.09	4.88	6.89
Return on Equity	%	16.11	10.59	9.40	5.42	13.74	23.29
Price Earning Ratio Restated		6.44	9.28	9.89	30.38	8.06	7.38
Net Asset Per Share	Rs.	35.54	31.45	30.53	31.56	30.81	38.23
Long -Term Debt to Equity Ratio		0.50	0.49	0.71	0.69	0.43	0.21
Current Ratio		0.68	0.85	0.95	0.70	1.14	0.94
Quick Ratio		0.45	0.49	0.48	0.39	0.60	0.52
Interest Coverage Ratio		3.27	2.17	2.25	0.28	3.04	3.71
Debtor Turnover	No. of Times	12.86	10.67	10.76	10.21	7.85	8.09
Inventory Turnover	No. of Times	7.16	4.80	3.78	5.66	4.06	4.74
Dividend Payout	%	20.39	38.58	56.82	64.94	24.94	18.33
Bonus Shares	%	10.00	-	-	-	-	38.8889
Dividend Per Share		1.10	1.30	1.50	1.00	1.00	1.50

Statement of Value Added

	Year ended June 30	
	2018	2017
	(Rs. in Million)	
Wealth Generated:		
Total revenue net of discount and allowances	6,878	5,934
Bought-in-material and services	4,530	3,879
	2,348	2,054
Wealth Distributed:		
To Employees		
Salaries, benefits and other costs	587	522
To Government		
Income tax, sales tax, special excise duty & WWF	847	801
To Providers of capital		
To shareholders (Dividend & Bonus Shares)	85	100
To Financial Institutes (Mark up/interest on borrowed funds)	154	177
Retained for Reinvestment and Growth		
Depreciation and retained profits	675	454
	2,348	2,054



Statement of Compliance with “Listed Companies (Code of Corporate Governance) Regulations, 2017” for the year ended June 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

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	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.
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. Presently, six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Directors’ Training Program, the Board has arranged for certification offered by The Institute of Chartered Accountants of Pakistan duly approved by SECP for Mr. Pervez Ismail, Director of the company. He has successfully completed Director Training Program of ICAP.
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

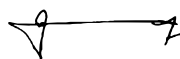
Names	Designation held
Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

b) HR and Remuneration Committee

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

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 held i.e. one (01) Meeting in each quarter and one (01) Meeting of HR & Remuneration Committee Meeting held in 4th quarter of the Year.
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, 2018



Muhammad Saddique Khatri
Chairman

On behalf of the Board



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, 2018 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, 2018.

Lahore
Dated: September 25, 2018



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Muhammad Imran



Financial Statements

for the year ended 30 June 2018

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, 2018, and profit and loss account, 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, profit and loss account, 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, 2018 and of the profit and other comprehensive loss, 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.	Promulgation of Companies Act, 2017	
	<p>The Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.</p> <p>In view of the significant changes in disclosures, we consider it as a key audit matter.</p> <p>Refer to note 3.1 to the financial statements.</p>	<p>We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.</p> <p>We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance.</p> <p>We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.</p>

S. No	Key audit matters	How the matter was addressed in our audit
2.	Capitalization of property, plant and equipment	
	<p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2018. 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.</p> <p>Refer to notes 6.1 to the financial statements.</p>	<p>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.</p> <p>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.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p> <p>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.</p>
3.	Inventory valuation	
	<p>As at June 30, 2018, the Company held Rs. 667.546 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.</p> <p>As disclosed in Note 6.7 and 6.8, inventory is held at the lower of cost and net realisable 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.</p> <p>The determination of whether inventory will be realised 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:</p>	<p>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.</p> <p>We assessed the Company's disclosures in the financial statements in respect of inventory.</p>

S. No	Key audit matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Use inventory ageing reports together with historical trends to estimate the likely future saleability 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. <p>Refer to Note 13 & 14 of the financial statements –Inventory.</p>	
4.	Contingencies	
	<p>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.</p> <p>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 the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p> <p>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.</p> <p>There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matters.</p>	<p>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.</p> <p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> • We discussed the cases 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, 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;

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • 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	
	<p>The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the risks and rewards have been transferred, resulting in a significant risk associated with revenue from an audit perspective.</p> <p>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.</p> <p>Refer to note 6.22 of the financial statements</p>	<p>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.</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing predictive analytical tests on the different revenue streams • 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	
	<p>Accrued liabilities include an amount of 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 Sindh High Court.</p> <p>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</p>	<p>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.</p> <p>We undertook number of procedures to verify the completeness of provision in the financial statements. This included, among others:</p>

S. No	Key audit matters	How the matter was addressed in our audit
	<p>disposal of appeal. The matter is still pending in Honorable Sindh High Court.</p> <p>The Company has recognized a provision to industrial as well as captive power consumption which is considered prudent from management's perspective.</p> <p>There is significant uncertainty attached to the future outcome of this pending matter and, therefore, it is considered as key audit matter.</p>	<ul style="list-style-type: none"> • 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.

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, profit and loss account, 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.

Lahore
Dated: September 25, 2018



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Muhammad Imran

Balance Sheet

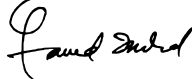
as at 30 June, 2018

	Note	2018	2017	2016
Rupees in thousand				
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	7	5,452,040	4,127,596	3,637,902
Capital work in progress	8	70,129	238,094	452,146
		5,522,169	4,365,690	4,090,048
Intangible assets	9	6,445	6,445	6,445
Investment property	10	128,400	117,600	104,400
Long term investments	11	-	-	-
Long term deposits	12	51,104	41,690	34,182
		5,708,118	4,531,425	4,235,075
CURRENT ASSETS				
Stores, spares and loose tools	13	401,463	477,341	519,748
Stock in trade	14	266,083	391,744	476,639
Trade debts	15	524,262	551,326	500,801
Loans and advances	16	198,118	197,664	143,579
Trade deposits and short term prepayments	17	5,783	11,060	12,142
Tax refunds due from the Government	18	408,487	181,375	80,438
Taxation - net	19	133,226	146,268	154,109
Cash and bank balances	20	94,072	108,012	126,405
		2,031,494	2,064,790	2,013,861
		7,739,612	6,596,215	6,248,936
TOTAL ASSETS				
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	21.1	1,250,000	1,250,000	1,000,000
Issued, subscribed and paid up capital	21.2	770,000	770,000	650,000
Reserves	22			
Capital reserves - Share premium		330,000	330,000	150,000
Revenue reserves - Unappropriated profit		1,636,841	1,321,454	1,184,570
Surplus on revaluation of fixed assets	23	972,734	794,848	794,848
		3,709,575	3,216,302	2,779,418
NON CURRENT LIABILITIES				
Long term financing	24	188,450	514,065	757,791
Long term diminishing musharaka	25	612,841	168,557	323,233
Deferred liabilities	26	221,808	261,770	262,755
		1,023,099	944,392	1,343,779
CURRENT LIABILITIES				
Trade and other payables	27	1,200,669	1,005,727	820,680
Unclaimed dividend		796	664	325
Mark-up accrued	28	48,540	32,694	27,667
Short term borrowings	29	1,176,496	890,499	948,986
Current portion of long term liabilities	30	580,437	505,937	328,081
		3,006,938	2,435,521	2,125,739
CONTINGENCIES AND COMMITMENTS				
	31			
TOTAL EQUITY AND LIABILITIES		7,739,612	6,596,215	6,248,936

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


Chief Executive


Director


Chief Financial Officer

Profit and Loss Account

For the year ended 30 June, 2018

		2018	2017
		Rupees in thousand	
Sales	32	5,742,792	4,990,137
Cost of sales	33	(4,779,809)	(4,170,427)
Gross profit		962,983	819,710
Selling and distribution expenses	34	(361,906)	(260,530)
General and administrative expenses	35	(173,152)	(157,338)
Other operating expenses	36	(59,237)	(67,409)
Other income	37	135,662	49,670
		(458,633)	(435,607)
Operating profit		504,350	384,103
Financial charges	38	(154,284)	(177,152)
Fair value gain on investment property	10	10,800	13,200
Profit before taxation		360,866	220,151
Taxation	39	54,621	13,196
Profit after taxation		415,487	233,347
Earnings per share - Basic and diluted (Rupees)	42	5.40	3.37

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

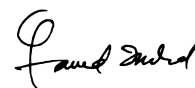
The annexed notes from 1 to 56 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Comprehensive Income

For the year ended 30 June, 2018

Note	2018	2017
	Rupees in thousand	
Profit after taxation for the year	415,487	233,347
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit liability	-	1,442
Related tax effect	-	(405)
Items that may be reclassified to profit and loss account in subsequent periods		
Surplus on revaluation of fixed assets - free hold land	177,886	-
Related tax effect	-	-
	177,886	-
Total comprehensive income for the year	593,373	234,384

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


Chief Executive


Director


Chief Financial Officer

Cash Flow Statement

For the year ended 30 June, 2018

	Note	2018	2017
		Rupees in thousand	
Cash flows from operating activities			
Profit before tax		360,866	220,151
Adjustments for items not involving movement of funds:			
Depreciation	7.5	355,069	334,120
Provision for staff retirement gratuity	26.3	20,274	18,943
Loss on sale of fixed assets	36 & 37	37,473	51,897
Gain on revaluation of investment property	10	(10,800)	(13,200)
Foreign exchange gain	37	(10,027)	(437)
Provision for doubtful debts	15	5,321	-
Provision for doubtful advances	16	1,374	-
Bad debts written off	35	716	-
Provision for obsolete stores and spares	13	16,000	-
Financial charges	38	154,284	177,152
Net cash flow before working capital changes		930,550	788,626
Decrease / (increase) in current assets			
Stores, spares and loose tools		59,878	42,407
Stock in trade		125,661	84,895
Trade debts		31,054	(50,088)
Loans and advances		(1,828)	(54,085)
Trade deposits and short term prepayments		5,277	1,082
Tax refunds due from the Government		(122,927)	(2,672)
		97,115	21,539
Increase in current liabilities			
Trade and other payables		194,942	185,047
Cash generated from operations		1,222,607	995,212
Taxes paid		(91,066)	(90,422)
Gratuity paid		(5,692)	(5,696)
Financial charges paid		(164,442)	(179,830)
Net cash generated from operating activities		961,407	719,264
Cash flows from investing activities			
Additions to operating fixed assets		(29,698)	(157,330)
Additions to capital work in progress		(1,317,973)	(501,804)
Proceeds from sale of operating fixed assets		2,540	5,179
Long term deposits		(9,414)	(7,508)
Net cash used in investing activities		(1,354,545)	(661,463)
Cash flows from financing activities			
Proceeds from long term financing		-	96,788
Repayments of long term financing		(338,615)	(188,614)
Proceeds from long term diminishing musharaka		699,108	17,370
Repayments of long term diminishing musharaka		(167,324)	(146,090)
Dividend paid		(99,968)	(97,161)
Proceeds from issue of right shares		-	300,000
Short term borrowings		285,997	(58,487)
Net cash generated from / (used in) financing activities		379,198	(76,194)
Net decrease in cash and cash equivalents		(13,940)	(18,393)
Cash and cash equivalents at the beginning of the year		108,012	126,405
Cash and cash equivalents at the end of the year	20	94,072	108,012

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, 2018

Note	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Share premium	Unappropriated profit	Total
(Rupees in thousand)					
Balance as at July 01, 2016 as reported	650,000	-	150,000	1,184,570	1,984,570
Effect of change in accounting policy					
- Surplus on revaluation of fixed assets	4	-	794,848	-	794,848
Balance as on July 01, 2016 - restated	650,000	794,848	150,000	1,184,570	2,779,418
Transaction with owners:					
Final cash dividend 2016: Re. 1.5 per share	-	-	-	(97,500)	(97,500)
Right shares issued during the year	120,000	-	180,000	-	300,000
	120,000	-	180,000	(97,500)	202,500
Total comprehensive income for the year					
Profit for the year	-	-	-	233,347	233,347
Remeasurement of defined benefit liability - net	-	-	-	1,037	1,037
	-	-	-	234,384	234,384
Balance as at June 30, 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)
	-	-	-	(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	770,000	972,734	330,000	1,636,841	3,709,575

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, 2018

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 Sheikhpura 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.
Multan	Paracha Street, Manzil, B.C.G, Multan.
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.

The third and fourth schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except 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 POLICY – SURPLUS ON REVALUATION OF FIXED ASSETS

The Companies Act, 2017 (“the Act”) has been promulgated on May 30, 2017 introducing certain new requirements regarding preparation and filing of financial statements by companies. Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. As the said section carried certain accounting treatment relating to revaluation of fixed assets, the Company has changed its accounting policy and accounted for this change in accordance with the IAS 8 “Accounting policies changes in accounting estimates and errors” for the year ended June 30, 2018.

This change in accounting policy has been applied retrospectively as per the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). There is no effect on prior periods as only presentation has been changed. The surplus on revaluation of fixed assets, which was previously disclosed in the balance sheet of the Company after capital and reserves, has now been included as part of equity with corresponding inclusion in statement of change in equity.

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

5.1 Amendments that are effective in current year and are 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)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

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 12	Disclosure of Interests in Other Entities	January 01, 2017
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5.2 Amendments not yet effective

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

	Conceptual framework for Financial reporting 2018 - Original Issue	March 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 4	Insurance Contracts - 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	Applies when IFRS 9 is applied
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	January 01, 2018
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
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	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018
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 below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

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 effects of IFRS 9 - Financial Instruments, IFRS 15 - Revenues from Contracts with Customers and IFRS 16 - Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

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, unless otherwise stated.

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 "available for sale".

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 events 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

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to profit and loss account currently.

6.18.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. 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 are carried as loans and receivables.

These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Investments at fair value through profit or loss

A non-derivative financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit and loss when incurred.

Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Subsequent to initial recognition, the financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

Subsequent to initial recognition, these financial assets are carried at amortised cost. Amortisation of premium / discount, if any, on the acquisition of investments is carried out using the effective yield method.

Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose of the financial assets within twelve months of the balance sheet date.

Subsequent to initial recognition, these financial assets are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in equity through other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

6.18.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently carried at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognised in the profit and loss account.

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, 2017 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 of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax and sales discounts, if any.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

- Sale of goods are recorded when the risks and rewards are transferred, that is, on dispatch of goods to customers.
- Rental income is recognized on accrual basis.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- 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	(Rupees in thousand)										Total
	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles			
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 (Note 7:1)	(6,000)	-	-	-	-	-	-	-			(6,000)
Revaluation	177,886	-	-	-	-	-	-	-			177,886
Disposals (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
Net carrying value basis											
year ended June 30, 2017											
Opening net book value (NBV)	851,566	147,849	2,199	2,557,645	32,286	4,099	15,414	26,844			3,637,902
Additions (at cost)	94,415	10,046	-	731,044	16,107	319	2,445	26,514			880,890
Revaluation	-	-	-	-	-	-	-	-			-
Disposals / transfers (NBV)	-	(1,734)	-	(53,734)	-	-	(162)	(1,446)			(57,076)
Depreciation charge	-	(15,139)	(220)	(300,652)	(6,347)	(436)	(3,425)	(7,901)			(334,120)
Closing net book value	945,981	141,022	1,979	2,934,303	42,046	3,982	14,272	44,011			4,127,596
Gross carrying value basis											
year ended June 30, 2017											
Cost	945,981	276,654	7,273	5,320,701	117,776	9,765	56,340	82,266			6,816,756
Accumulated depreciation	-	(135,632)	(5,294)	(2,386,398)	(75,730)	(5,783)	(42,068)	(38,255)			(2,689,160)
Net book value	945,981	141,022	1,979	2,934,303	42,046	3,982	14,272	44,011			4,127,596
Depreciation rate % per annum	-	10	10	10 to 33	15	10	15 to 30	20			

7.1 This represents reimbursement of expenses incurred by the Company to clear the title of the free hold land by the owner of the property.

7.2 Free hold lands of the Company are located at Kala Shah Kaku Sheikhpura with an area of 886 Kanal - 2 Marla, Upper Mall Scheme with an area of 2 Kanal - 12 Marla and at Khanpur Canal Sheikhpura with an area of 135 Kanal - 6 Marla. The land of at Upper Mall and Khanpur Canal has been held for establishment of head office and factory, respectively.

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 (2017: Rs. 794.848 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 (2017: Rs. 794.848 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 145.133 million (2017: Rs. 151.133 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:

	2018	2017
	(Rupees in thousand)	
Cost of sales	345,313	326,198
Selling and distribution expenses	1,393	1,317
General and administrative expenses	8,363	6,605
	355,069	334,120

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

Description	(Rupees in thousand)				
	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)
Vehicles					
Suzuki Alto LWG-8258	512	471	41	310	269
Honda Civic LRH-104	1,136	1,101	35	675	640
Suzuki Mehran AWP-11-023	471	144	327	325	(2)
Suzuki Ravi LES-10-5718	519	430	89	330	241
Toyota Corolla XLI AQM-133	862	756	106	900	794
	3,500	2,902	598	2,540	1,942
Plant and machinery	134,764	95,389	39,375	-	(39,375)
Office and other equipment	83	43	40	-	(40)
Total - 2018	138,347	98,334	40,013	2,540	(37,473)
Total - 2017	143,708	86,632	57,076	5,179	(51,897)

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	2018 Rupees in thousand	2017
8 CAPITAL WORK IN PROGRESS			
This comprises of:			
Building		-	1,200
Plant and machinery		58,490	185,100
Advances	8.3	11,639	51,794
		<u>70,129</u>	<u>238,094</u>

	Note	Advances	Building	Plant and machinery	Total
		(Rupees in thousand)			
8.1 Movement of carrying amount					
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		<u>11,639</u>	<u>-</u>	<u>58,490</u>	<u>70,129</u>
Year ended June 30, 2017					
Opening balance		26,180	-	425,966	452,146
Additions (at cost)	8.2	25,614	6,338	477,556	509,508
Transferred to operating fixed assets		-	(5,138)	(718,422)	(723,560)
Closing balance		<u>51,794</u>	<u>1,200</u>	<u>185,100</u>	<u>238,094</u>

8.2 Borrowing cost capitalised during the year amounted to Rs. 26.004 million (2017: Rs. 7.705 million) at an average rate of 7.53% (2017: 7.59%) per annum.

8.3 Advances includes balance amounting to Rs. 10 million (2017: Rs. 2.5 million) against purchase of shops at Faisalabad from Pearl Group. However, the title of these shops have not been transferred yet.

	Note	2018 Rupees in thousand	2017
9 INTANGIBLE ASSETS			
Computer software and licences	9.1	-	-
Goodwill	9.2	6,445	6,445
		<u>6,445</u>	<u>6,445</u>
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,		<u>-</u>	<u>-</u>
Gross carrying value as at 30 June			
Cost		22,542	22,542
Accumulated amortization		(22,542)	(22,542)
Net book value		<u>-</u>	<u>-</u>
Amortization % per annum			
		33.33%	33.33%
The amortization charge for the year has been allocated as follows:			
Administrative expenses		<u>-</u>	<u>-</u>

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.

10 INVESTMENT PROPERTY

Freehold land	10.1	<u>128,400</u>	<u>117,600</u>
10.1 The movement in this account is as follows:			
Opening balance		117,600	104,400
Fair value gain on revaluation shown in "income statement"		10,800	13,200
	10.2	<u>128,400</u>	<u>117,600</u>

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, 2018 as determined by approved independent valuer M/s Unicorn International Surveyors. 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 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.

10.3 The forced sale value of investment property is Rs. 102.720 million (2017: Rs. 94.080 million).

	Note	2018 Rupees in thousand	2017
11 LONG TERM INVESTMENTS			
Investment in related party - unquoted			
Chemi Visco Fiber Limited			
5,625,000 (2017: 5,625,000) fully paid ordinary shares	11.1	56,250	56,250
Less: Provision for diminution in value of investment		(56,250)	(56,250)
Relevant information:			
Percentage of investment in equity held 7.91%			
(2017: 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.			
12 LONG TERM DEPOSITS			
Long term deposit	12.1	51,104	41,690
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.			
13 STORES, SPARES AND LOOSE TOOLS			
Stores			
in hand	13.1	55,131	92,186
in transit		1,536	-
		56,667	92,186
Spares			
in hand	13.1	358,045	385,005
in transit		8,763	6,162
		366,808	391,167
		423,475	483,353
Less: Provision for obsolete stores and spares	13.2	22,012	6,012
		401,463	477,341

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	2018 Rupees in thousand	2017
13.2 Movement of provision for obsolete stores and spares			
Opening balance		6,012	8,774
Addition during the year		16,000	-
Reversal during the year		-	-
Written off during the year		-	(2,762)
		<u>22,012</u>	<u>6,012</u>
14 STOCK IN TRADE			
Raw materials:			
in hand	33	55,627	49,300
in transit		13,456	-
		<u>69,083</u>	<u>49,300</u>
Packing materials		20,457	12,878
Work in process	33	33,941	28,133
Finished goods	14.1 & 33	142,602	301,433
		<u>266,083</u>	<u>391,744</u>

14.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 22.00 million (2017: Rs. 42.00 million).

15 TRADE DEBTS			
Unsecured			
Considered good - Foreign		80,098	78,762
Secured		17,234	17,234
Unsecured			
Considered good - Local		426,930	455,330
Considered doubtful		39,507	35,440
		<u>466,437</u>	<u>490,770</u>
		<u>563,769</u>	<u>586,766</u>
Less: Provision for doubtful debts	15.1	39,507	35,440
		<u>524,262</u>	<u>551,326</u>

15.1 Movement of provision for doubtful debts is as follows:

Opening balance		35,440	53,197
Adjustment on account of:			
Doubtful debts written off		(604)	(17,757)
Recovery of doubtful debts		(650)	-
Provision made for doubtful debts		5,321	-
Net adjustment		<u>4,067</u>	<u>(17,757)</u>
Closing balance		<u>39,507</u>	<u>35,440</u>

	Note	2018 Rupees in thousand	2017
16 LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	16.1 & 3	17,392	14,985
Advance to supplies and services (Unsecured)			
Considered good		179,752	182,342
Considered doubtful		1,374	-
		181,126	182,342
Against import		974	337
		199,492	197,664
Less: Provision for doubtful advances		1,374	-
		198,118	197,664
16.1			
This includes advance to Mr. Mustafa Khatri amounting to Rs. 3.611 million and Mr. Abdul Hai Khatri amounting to 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. 8.259 million (2017: Rs. 4.648 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			
Movement of provision for doubtful debts is as follows:			
Opening balance		-	-
Addition during the year		1,374	-
Closing balance		1,374	-
17 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)	17.1	2,303	6,115
Prepayments		3,480	4,945
		5,783	11,060
17.1			
This represents short term deposits in the normal course of business and does not carry any interest or markup.			
18 TAX REFUNDS DUE FROM GOVERNMENT			
(Considered good)			
Income tax		279,927	175,742
Sales tax		128,560	5,633
		408,487	181,375
19 TAXATION - NET			
Advance income tax		133,226	146,268
Less: Provision for taxation	39	-	-
		133,226	146,268

	Note	2018 Rupees in thousand	2017
20 CASH AND BANK BALANCES			
Cash in hand		480	590
Cheques in hand		69,757	91,856
Cash at banks			
Current accounts	20.1	23,835	15,566
		<u>94,072</u>	<u>108,012</u>

20.1 Cash with bank in current accounts do not carry any interest or markup.

21 SHARE CAPITAL

21.1 Authorized share capital

2018	2017		2018	2017
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
<u>125,000,000</u>	<u>125,000,000</u>		<u>1,250,000</u>	<u>1,250,000</u>

21.2 Issued, subscribed and paid up capital

2018	2017			2018	2017
Number of ordinary shares of Rs. 10/- each					
27,100,000	27,100,000	Fully paid in cash	21.2.2	271,000	271,000
24,900,000	24,900,000	Issued for consideration other than cash	(21.2.3)	249,000	249,000
25,000,000	25,000,000	Fully paid bonus shares		250,000	250,000
<u>77,000,000</u>	<u>77,000,000</u>			<u>770,000</u>	<u>770,000</u>

21.2.1 Movement of share capital is as follows:

	Number of Shares	Rupees (thousand)
Opening balance	77,000,000	770,000
Right shares issued during the year	-	-
Closing balance	<u>77,000,000</u>	<u>770,000</u>

21.2.2 During the prior year the Board of Directors of the Company has issued 12,000,000 ordinary right shares at Rs. 25/- (including premium of Rs. 15/- per share) to existing shareholders i.e. in proportion of 18.462 right shares for every 100 ordinary shares held.

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.

	Note	2018 Rupees in thousand	2017
22 RESERVES			
Capital			
Share premium	22.1	330,000	330,000
Revenue			
Un-appropriated profit		1,636,841	1,321,454
		<u>1,966,841</u>	<u>1,651,454</u>

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

Opening balance		794,848	794,848
Revaluation surplus arising during the year		177,886	-
	23.1	<u>972,734</u>	<u>794,848</u>

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

Secured:

Banking Companies			
The Bank of Punjab	24.1	115,350	192,250
MCB Bank Limited	24.2	300,000	450,000
		415,350	642,250

Other Financial Institutions

Pak Kuwait Investment Company (Private) Limited	24.3	13,000	39,000
Pak Libya Holding Company (Private) Limited	24.4	57,143	114,286
Pak Brunei Investment Company Limited	24.5	28,571	57,143
		98,714	210,429
		514,064	852,679
Less: Current portion shown under current liabilities	30	325,614	338,614
		<u>188,450</u>	<u>514,065</u>

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.

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.

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 six months average KIBOR plus 1.50%. The loan was disbursed in January 2015 and is repayable in seven equal semi-annual instalments commencing from January 2016.

		2018	2017
		— 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
	The Bank of Punjab - TAQWA	25.4	23,826
		867,664	335,880
	Less: Current portion shown under current liabilities	30	254,823
		<u>612,841</u>	<u>168,557</u>

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.

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.

25.3 This finances has been obtained under the Islamic mode of financing 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 the rate of six months average KIBOR plus 1.25%. This finance was disbursed during the year in various tranches and are repayable in eight semi annual equal instalments with the one year grace period for principal payment.

25.4 This finances has been obtained under the Islamic mode of financing and is secured against ranking charge over specific assets imported through BOP (DM assets) and ranking charge over plant and machinery of the Company and 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 during the year in various tranches but yet not fully disbursed and are repayable in eight semi annual equal instalments with the one year grace period for principal payment.

	Note	2018 Rupees in thousand	2017
26 DEFERRED LIABILITIES			
Deferred taxation	26.1	122,134	176,678
Provision for gratuity	26.3	99,674	85,092
		<u>221,808</u>	<u>261,770</u>
26.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		515,173	421,323
Deductible temporary differences			
Provision for gratuity		(26,863)	(23,865)
Provision for doubtful debts		(10,318)	(9,098)
Provision for WPPF		(5,340)	(3,373)
Provision for obsolete stores and spares		(5,932)	-
Tax credits		(344,586)	(208,309)
		<u>122,134</u>	<u>176,678</u>
26.2 The gross movement in the deferred tax liability during the year is as follow:			
Balance as at July 1,		176,678	189,468
Charge to profit and loss account		(54,544)	(13,195)
Charge recognised in other comprehensive income		-	405
		<u>122,134</u>	<u>176,678</u>

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, 2017 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.

	2018 Percentage Per annum	2017 Percentage Per annum
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	9.25	9.25
Expected rate of increase in salary	8.25	8.25
	2018	2017
	Rupees in thousand	
c) Reconciliation of payable to defined benefit plan		
	2018	2017
	Rupees in thousand	
Present value of obligation	99,674	85,092
Liability recognized in balance sheet	99,674	85,092
d) Movement of the liability recognized in the statement of financial position		
Opening net liability	85,092	73,287
Charge for the year	20,274	18,943
Remeasurement chargeable to other Comprehensive income	-	(1,442)
Contribution paid to outgoing employees	(5,692)	(5,696)
Closing net liability	99,674	85,092
e) Movement in present value of defined benefit obligations		
Present value of obligation at the start of the year	85,092	73,287
Current service cost	12,717	12,604
Interest cost	7,557	6,339
Experience adjustment and actuarial loss / (gain) on obligation	-	(1,442)
Contribution paid to outgoing employees	(5,692)	(5,696)
Closing present value of defined benefit obligations	99,674	85,092
f) Charge for the year		
Current service cost	12,717	12,604
Interest cost	7,557	6,339
Charge for the year	20,274	18,943
g) The expected charge in respect of defined benefit plan for the year ending June 30, 2019 is not available.		
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	77,428	93,970
Salary increase	94,070	77,206

i) The average duration of the defined benefit obligation is 10 years.

	Note	2018 Rupees in thousand	2017
j) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		-	(1,442)
Tax impact at 30% (2017: 30%) - net of export %age		-	405
		-	(1,037)

27 TRADE AND OTHER PAYABLES

Trade creditors		86,741	84,327
Accrued liabilities	27.1 & 27.2	1,007,484	851,822
Advances from customers		79,964	55,004
Retention money		5,870	2,411
Income tax deducted at source		418	1
Workers' Profit Participation Fund	27.3	19,815	12,029
Workers Welfare Fund		351	117
Other liabilities		26	16
		<u>1,200,669</u>	<u>1,005,727</u>

27.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 11.190 million (2017: Rs. 7.275 million).

27.2 This includes an amount of Rs. 634.883 million (2017: Rs. 497.568 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.

27.3 Workers' Profit Participation Fund

Balance as at July 01,		12,029	11,739
Interest at prescribed rate		272	268
Less: Amount paid to fund		10,929	10,876
		1,372	1,131
Current year's allocation at 5%	36	18,443	10,898
		<u>19,815</u>	<u>12,029</u>

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

28 MARK UP ACCRUED

Secured			
Long term financing		5,890	18,764
Long term diminishing musharaka		27,926	3,870
Short term borrowings		14,724	10,060
		<u>48,540</u>	<u>32,694</u>

	Note	2018 Rupees in thousand	2017
29 SHORT TERM BORROWINGS			
Secured			
Banking companies			
Running finances			
MCB Bank Limited	29.1	69,078	26,992
Askari Bank Limited	29.1	93,182	16,422
The Bank of Punjab	29.1	142,017	77,399
MCB Bank Limited	29.1	269,687	195,401
Samba Bank Limited	29.1	283,902	-
		857,866	316,214
Term finance			
Askari Bank Limited	29.2	-	150,000
Dubai Islamic Bank (Pakistan) Limited	29.2	8,368	13,285
Bank Al-Falah Limited	29.2	175,262	175,000
Pak Brunei Investment Company Limited	29.2	100,000	200,000
Al-Baraka Bank (Pakistan) Limited	29.2	35,000	36,000
		318,630	574,285
		1,176,496	890,499

29.1 Short term running finance facilities from various banks aggregated to Rs. 940 million (2017: Rs. 640 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.50% per annum (2017: three months KIBOR plus 1.25% to 1.9% 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. 900 million (2017: Rs. 900 million) and carry mark-up ranging from Matching KIBOR plus 1.00% to 1.25% per annum (2017: 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. 100 million (2017: Rs. 300 million) are available to the Company.

30 CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	24	325,614	338,614
Long term diminishing musharaka	25	254,823	167,323
		580,437	505,937

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingent liabilities

- a) The show cause notice was served by the learned ACIR to make rectification of mistakes on adjusting the available brought forward minimum tax credit and intended to delete the available refunds amounting to Rs. 43.963 million. The Company being aggrieved filed a writ petition before the Honorable Lahore High Court, Lahore. The above petition was disposed off on July 02, 2018. The Honorable Lahore High Court after hearing the parties converted the writ petition into representation and transmitted the same along with annexures to concerned ACIR Audit 01, Zone-01, LTU Lahore so as to address, all legal and factual issues raised by the Company through

a speaking order before proceeding on merits of the case. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum refund adjustment of Rs. 43.963 million.

- b) 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.
- c) 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 (2017: Rs. 4.080 million).
- d) 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 (2017: Rs. 2.922 million).
- e) 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), 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. 1.423 million.
- f) 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.
- 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. 4.219 million (2017: Rs. 3.864 million) against these claims.

- h) Letters of guarantee outstanding as at June 30, 2018 were Rs. 280.244 million (2017: Rs. 233.439 million).

31.2 Commitments

Commitments as on June 30, 2018 were as follows:

- a) Against letters of credit amounting to Rs. 607.704 million (2017: Rs. 642.924 million).
b) Against purchase of land and shops amounting to Rs. 1.838 million (2017: Rs. 9.338 million).

	Note	2018	2017
		Rupees in thousand	
32 SALES			
Sales			
Manufacturing	32.1	6,663,331	5,805,759
Trading		78,932	78,090
		<u>6,742,263</u>	<u>5,883,849</u>
Less: Sales tax		901,125	813,903
Commission to selling agents		98,346	79,809
		<u>999,471</u>	<u>893,712</u>
		<u>5,742,792</u>	<u>4,990,137</u>

32.1 This amount includes export sales amounting to Rs. 607.379 million (2017: Rs. 338.857 million).

32.2 Country wise export sales is as follows:

Afghanistan	59,939	17,845
United Arab Emirates	192,897	131,302
India	228,694	111,454
Oman	125,849	78,256
	<u>607,379</u>	<u>338,857</u>

33 COST OF SALES

Raw materials consumed			
Opening stock		49,300	102,976
Purchases		601,221	541,055
		<u>650,521</u>	<u>644,031</u>
Closing stock	14	(69,083)	(49,300)
		<u>581,438</u>	<u>594,731</u>
Stores, spares and consumables		246,058	316,273
Packing materials consumed		44,605	38,660
Salaries, wages and other benefits	33.1	453,396	396,894
Fuel and power		2,833,809	2,372,195
Repair and maintenance		48,485	41,066
Rent, rates and taxes		1,065	906
Insurance		11,710	15,246
Depreciation	7.5	345,313	326,198
Vehicle running expenses		10,721	14,167
Telephone, telex and postage		592	650
Printing and stationery		83	89
Provision for slow moving stores and spares	13.2	16,000	-
Other expenses		4,034	3,657
		<u>4,015,871</u>	<u>3,526,001</u>

	Note	2018	2017
		Rupees in thousand	
Work in process			
Opening		28,133	21,107
Closing	14	(33,941)	(28,133)
		(5,808)	(7,026)
Cost of goods manufactured		4,591,501	4,113,706
Cost of stores traded		29,477	34,742
Finished goods			
Opening		301,433	323,412
Closing	14	(142,602)	(301,433)
		158,831	21,979
		<u>4,779,809</u>	<u>4,170,427</u>

33.1 This amount includes Rs. 25.990 million (2017: Rs. 15.142 million) in respect of employees' retirement benefits.

34 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	34.1	32,596	30,994
Travelling and conveyance		9,558	1,029
Vehicle running expenses		2,503	2,192
Advertisement		73	172
Telephone, telex and postage		1,183	1,153
Marketing service charges		26,070	23,541
Freight		280,225	191,901
Rent, rates and taxes		3,568	3,354
Printing and stationery		383	431
Fee and subscription		172	227
Fuel and power		1,915	1,742
Repair and maintenance		1,559	1,569
Insurance		708	908
Depreciation	7.5	1,393	1,317
		<u>361,906</u>	<u>260,530</u>

34.1 This amount includes Rs. 1.71 million (2017: Rs. 2.905 million) in respect of employees' retirement benefits.

35 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	35.1	100,810	93,972
Traveling and conveyance		10,127	13,357
Vehicle running expenses		5,825	5,737
Telephone, telex and postage		2,586	2,421
Rent, rates and taxes		7,393	7,696
Printing and stationery		761	840
Fee and subscription		3,916	5,541
Legal and professional charges		10,807	4,633
Fuel and power		3,015	3,141
Provision for doubtful debts and advances		6,695	-
Repair and maintenance		2,976	3,060
Depreciation	7.5	8,363	6,605
Bad debts written off		716	-
Donations	35.2	6,602	7,191
Other expenses		2,560	3,144
		<u>173,152</u>	<u>157,338</u>

35.1 This amount includes Rs. 2.748 million (2017: Rs. 3.599 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:

Rana Al-habib Memorial Hospital Foundation	1,600
Dastkari School KSK	1,078
Kiran Foundation	750
	<u>3,428</u>

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

Donation amounting to Rs. 0.750 million (2017: Rs. 1.800 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	2018 Rupees in thousand	2017
36 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		750	750
Half yearly review fee		189	189
Tax and certification charges		16	164
Out of pocket expenses		71	133
		<u>1,026</u>	<u>1,236</u>
Loss on sale of fixed assets		2	259
Loss on decommissioned fixed assets	36.1	39,415	54,899
Workers' profit participation fund	27.3	18,443	10,898
Workers welfare fund		351	117
		<u>59,237</u>	<u>67,409</u>

36.1 This represents an amount of Rs. 39.415 million (2017: 54.899) on account of scrapping of DSA plant as, no future economic benefits are expected from its use.

37 OTHER INCOME

Income from financial assets			
Gain on foreign exchange		10,027	437
Income from non- financial assets			
Gain on sale of fixed assets		1,944	3,261
Sale of scrap		109,228	42,172
Liabilities no longer payable written back		9,013	-
Recovery of doubtful debts		650	-
Rental income	37.1	4,800	3,800
		<u>125,635</u>	<u>49,233</u>
		<u>135,662</u>	<u>49,670</u>

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

	Note	2018 Rupees in thousand	2017
38 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		54,225	64,952
Long term diminishing musharaka		22,904	36,220
Short term borrowings		68,816	71,235
Worker's profit participation fund		272	268
		<u>146,217</u>	<u>172,675</u>
Bank charges and commission		8,067	4,477
		<u>154,284</u>	<u>177,152</u>
39 TAXATION			
Current	39.2	-	-
Prior year		(77)	(2)
Deferred tax		(54,544)	(13,194)
		<u>(54,621)</u>	<u>(13,196)</u>

39.1 As the tax charge represent minimum 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 10% 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. 65.548 million (2017: Rs. 46.284 million) has been adjusted against minimum tax provision during the year.

39.3 The applicable income tax rate for subsequent years beyond Tax Year 2018 was reduced to 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018.

39.4 By virtue of amendments introduced through Finance Act, 2017, 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 40% of its after tax profits within six months of the end of the said tax year through cash dividend or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax.

The foresaid provisions shall not apply to a Company which distributes profit equal to forty 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 or bonus shares within the prescribed time and period, the Company will face tax implications.

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

Through the Finance Act, 2018, the rate of tax on undistributed profits referred above has been changed from 7.5% to 5% for tax year 2019. Moreover, minimum distribution for the levy of this tax has been proposed to be reduced from 40% to 20% and for this purposes, bonus shares will not be considered as part of distribution.

39.5 Comparison of tax provision against tax assessments

Years	Note	Excess/ (Short)	Tax provision	Tax assessment/ tax return
		(Rupees in thousand)		
2016-17	39.6	-	-	-
2015-16	39.6	-	-	-
2014-15	39.7	4,638	4,638	-

39.6 Minimum tax for Tax Year 2016 and 2017 of Rs. 44.095 million and Rs. 47.427 million was fully adjusted against the tax credits under section 65B.

39.7 Tax provision for Tax Year 2015 was not required and adjusted against tax credit 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 separate 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. 5.928 million (2017: Rs. 5.246 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2018, 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. 4.295 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	4,295	100
	2018	2017

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)	415,487	233,347
Weighted average number of ordinary shares - (in thousand)	77,000	69,246
Earnings per share - (Rupees)	5.40	3.37

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

	Financing	Equity reserves	Total
	(Rupees in thousands)		
Balance as at July 1, 2017	2,079,058	664	2,079,722
Borrowings from Banking Companies	985,105	-	985,105
Repayment	(505,939)	-	(505,939)
Dividend paid on ordinary shares	-	(99,968)	(99,968)
Dividend payable	-	100,100	100,100
Balance as at June 30, 2018	2,558,224	796	2,559,020

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:

2018 2017
 ————— Rupees in thousand —————

44.1 Transactions with related parties

Relation with the Company	Nature of transaction	2018	2017
Other related party Chemi Multifabrics Limited	Marketing service charges	27,782	23,574
Associated company Ittehad Developer	Loan received	-	143,200
Ittehad Developer	Loan paid	-	(143,200)
Staff retirement fund	Contribution to staff retirement	444	437
Directors and employees	Remuneration to directors and key management personnel	79,995	72,611
Key management personnel	Loans & advances	8,259	-

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 Industrie (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

44.3 The balances with related parties have been disclosed in the relevant notes to the financial statements.

44.4 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.

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:

	2018	2017
	— Rupees in thousand —	
Long term deposits	51,104	41,690
Trade debts - net of provision	524,262	551,326
Loans and advances - net of provision	17,392	14,985
Trade deposits	2,303	6,115
Bank balances	93,592	107,422
	<u>688,653</u>	<u>721,538</u>

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	80,098	78,762
Domestic	444,164	472,564
	<u>524,262</u>	<u>551,326</u>

Trade receivables by geographical split is as follows:

	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
	(Rupees in thousand)			2018	2017
Country					
Afghanistan	-	35	35	35	-
United Arab Emirates	-	62,319	62,319	62,319	60,966
India	-	327	327	327	4,340
Oman	-	327	327	17,417	13,456
Total	-	80,098	80,098	80,098	78,762

Hal Chemicals FZE (foreign debtor) had been defaulted, therefore, on the prudence basis an amount of Rs. 5.114 (2017: 5.114 million) has been charged as provision for doubtful debts, to profit and loss account. However, no legal action has been taken yet.

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

	2018	2017
	Rupees in thousand	
Dealers	92,565	139,221
End-user customers	431,696	412,105
	524,262	551,326
The aging of trade receivable at the reporting date is:		
Not past due	375,508	357,833
Past due 1-30 days	82,232	111,561
Past due 30-150 days	29,813	54,851
Past due more than 150 days	36,708	27,081
	524,261	551,326

The company's most significant customers, are dealers from whom the receivable was Rs. 92.565 million (2017: Rs. 139.221 million) and foreign debtors amounting to Rs. 80.098 million (2017: Rs. 78.762 million) of the total carrying amount as at June 30, 2018.

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. 5.321 (2017: Nil million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 39.507 (2017: Rs. 35.440) has been provided for as doubtful debts.

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+	AA+
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	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA

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)						
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	-	-	-
	<u>3,706,885</u>	<u>3,937,216</u>	<u>2,655,719</u>	<u>374,202</u>	<u>441,818</u>	<u>465,477</u>
2017						
Financial liabilities						
Long term financing	852,679	948,830	201,208	194,580	356,408	196,634
Long term diminishing musharaka	335,880	372,162	97,181	94,809	180,172	-
Trade and other payables	938,576	939,240	939,240	-	-	-
Mark-up accrued	32,694	32,694	32,694	-	-	-
Short term borrowing	890,499	906,865	966,743	-	-	-
	<u>3,050,328</u>	<u>3,199,791</u>	<u>2,237,066</u>	<u>289,389</u>	<u>536,580</u>	<u>196,634</u>

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	2018 Rupees in thousand	2017 Rupees in thousand
Trade debts		80,098	78,762
Gross balance sheet exposure		80,098	78,762
Outstanding letters of credit	31.2	(607,704)	(642,924)
Net exposure		<u>(527,606)</u>	<u>(564,162)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
USD to PKR	113.50	104.85	121.60	105.00

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	<u>8,010</u>	<u>7,876</u>
------	--------------	--------------

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 2018 Rupees in thousand	2017 Rupees in thousand
Financial Liabilities			
Variable rate instruments:			
Long term loans		514,064	852,679
Long term diminishing musharaka		867,664	335,880
Short term borrowings		1,176,496	890,499
		<u>2,558,224</u>	<u>2,079,058</u>

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 2017.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities	(25,582)	25,582
As at June 30, 2017		
Cash flow sensitivity - Variable rate financial liabilities	(20,791)	20,791

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

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, 2018 and June 30, 2017.

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

	2018						
	Carrying amount		Fair value				
	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2018							
Financial assets							
Loans and receivables at cost or amortised cost							
Long-term deposits	51,104	-	51,104	-	-	-	-
Trade debts - net of provisions	524,262	-	524,262	-	-	-	-
Loans and advances	17,392	-	17,392	-	-	-	-
Trade deposits	2,303	-	2,303	-	-	-	-
Cash and bank balances	94,072	-	94,072	-	-	-	-
	689,133	-	689,133	-	-	-	-
Financial liabilities at amortised cost							
Long term financing	-	514,064	514,064	-	-	-	-
Long term diminishing musharaka	-	867,664	867,664	-	-	-	-
Trade and other payables	-	1,100,121	1,100,121	-	-	-	-
Mark-up accrued	-	48,540	48,540	-	-	-	-
Short-term borrowings	-	1,176,496	1,176,496	-	-	-	-
	-	3,706,885	3,706,885	-	-	-	-

	2017						
	Carrying amount		Fair value				
	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2017							
Financial liabilities at amortised cost							
Long term financing	-	852,679	852,679	-	-	-	-
Long term diminishing musharaka	-	335,880	335,880	-	-	-	-
Trade and other payables	-	938,576	938,576	-	-	-	-
Mark-up accrued	-	32,694	32,694	-	-	-	-
Short-term borrowings	-	890,499	890,499	-	-	-	-
	-	3,050,328	3,050,328	-	-	-	-

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.

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	
	2018	2017	2018	2017	2018	2017
----- (Rupees in thousand) -----						
Managerial remuneration	4,000	4,000	3,200	3,200	61,010	72,811
House rent allowance	1,800	1,800	1,440	1,440	27,455	32,765
Medical expenses	200	200	160	160	3,051	3,641
Bonus (performance)	500	500	400	400	6,596	7,712
	6,500	6,500	5,200	5,200	98,112	116,929
Number of persons	1	1	1	1	39	72

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. 1.65 million (2017: Rs. 1.20 million).

48.3 The corresponding year figures include remunerations of Company's Executives whose basic salary exceeds five hundred thousand rupees in a financial year.

49 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2018	2017	2018	2017	
Caustic soda liquid	157,500	120,000	87,453	82,063	Cautious production strategy based on actual demands.
Caustic soda flakes	10,000	10,000	4,968	3,921	
Liquid Chlorine	13,200	13,200	8,389	7,874	
Hydrochloric acid	200,000	200,000	188,333	174,045	
Sodium hypochlorite	49,500	49,500	21,995	19,898	
Bleaching earth	3,300	3,300	-	-	
Zinc sulphate	600	600	166	7	
Chlorinated parafin wax	3,000	3,000	-	-	
Silphuric acid	3,300	3,300	525	522	
Calcium Chloride Prills	20,000	20,000	16,470	14,389	
Humic Acid	120	120	45	-	

	2018	2017
50 NUMBER OF EMPLOYEES		
Number of employees at June 30,		
Permanent		
Head office	58	56
Factory	465	419
Contractual		
Head office	4	4
Factory	146	178
Average number of employees during the year		
Permanent		
Head office	57	62
Factory	442	419
Contractual		
Head office	4	4
Factory	162	183

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.

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. However, no significant reclassification has been made except for unclaimed dividend previously presented under "trade and other payable" now separately presented on the face of statement of financial position amounting to Rs. 0.796 million.

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 37,500 M.T per annum.

53.2 The Company has embarked upon exploring various avenues in order to diversify its business. The Board of Directors has approved Linear Alkyl Benzene Sulphonic Acid (LABSA) Project and 2nd phase of IEM III Plant for which the Letter of Credit (L/C) has been established. These projects are likely to be commissioned in the financial year 2018-2019. This will further improve the profitability of the Company.

53.3 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

- a) Subsequent to the statement of financial position date, the Board of Directors of the Company in its meeting held on September 25, 2018 has recommended final cash dividend for the year ended June 30, 2018 at 11% i.e. Re. 1.10 per share (2017: 13% i.e. Re. 1.3 per share).
- b) The Board of Directors of the company in their meeting held on September 25, 2018 has recommended to issue bonus shares @10% i.e in the proportion of 10 bonus shares for every 100 shares held for the year ended June 30, 2018.

These financial statements do not reflect these appropriations.

55 DATE OF AUTHORIZATION OF ISSUE


These financial statements were authorized for issue on September 25, 2018 by the Board of Directors of the Company.

56 GENERAL

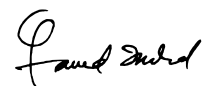
Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.



Chief Executive



Director



Chief Financial Officer

Pattern of Shareholding

as at 30 June 2018

Number of Shareholders	From	Shareholding	To	Total Shares Held
153	1		100	3,232
228	101		500	103,268
260	501		1,000	241,572
457	1,001		5,000	1,222,780
124	5,001		10,000	1,006,503
45	10,001		15,000	581,960
32	15,001		20,000	579,173
18	20,001		25,000	408,734
10	25,001		30,000	282,830
13	30,001		35,000	437,000
8	35,001		40,000	305,319
1	40,001		45,000	42,500
9	45,001		50,000	431,916
2	50,001		55,000	105,449
3	55,001		60,000	176,391
5	60,001		65,000	318,500
2	65,001		70,000	135,500
1	70,001		75,000	75,000
5	75,001		80,000	388,877
2	90,001		95,000	187,500
4	95,001		100,000	392,000
1	110,001		115,000	111,374
2	115,001		120,000	236,922
3	120,001		125,000	370,843
2	135,001		140,000	270,984
1	165,001		170,000	166,831
1	175,001		180,000	175,500
2	185,001		190,000	377,692
1	190,001		195,000	192,000
1	220,001		225,000	223,938
1	235,001		240,000	236,923
1	245,001		250,000	247,000
1	270,001		275,000	272,000
1	280,001		285,000	284,000
1	290,001		295,000	290,500
2	300,001		305,000	605,620
1	320,001		325,000	320,761
2	325,001		330,000	654,822
1	365,001		370,000	369,076
1	375,001		380,000	377,299
3	395,001		400,000	1,197,999
1	400,001		405,000	400,500
1	415,001		420,000	416,500
1	420,001		425,000	421,000
1	445,001		450,000	450,000
1	450,001		455,000	454,299
2	460,001		465,000	923,229
1	495,001		500,000	500,000
1	520,001		525,000	524,026
1	530,001		535,000	534,721
1	555,001		560,000	558,249
2	560,001		565,000	1,127,235
2	615,001		620,000	1,238,453
1	620,001		625,000	620,733
1	630,001		635,000	631,216
1	690,001		695,000	691,500
1	730,001		735,000	733,000
2	745,001		750,000	1,493,866
1	770,001		775,000	772,606
2	795,001		800,000	1,591,446
1	810,001		815,000	813,208
1	860,001		865,000	862,437
1	910,001		915,000	911,206
1	1,055,001		1,060,000	1,056,382
1	1,135,001		1,140,000	1,139,567
1	1,145,001		1,150,000	1,146,216
2	1,185,001		1,190,000	2,372,469
1	1,195,001		1,200,000	1,196,461
1	1,205,001		1,210,000	1,206,760
1	1,240,001		1,245,000	1,240,554
1	1,810,001		1,815,000	1,810,932
1	2,875,001		2,880,000	2,878,686
1	2,925,001		2,930,000	2,927,024
1	3,685,001		3,690,000	3,686,759
1	4,230,001		4,235,000	4,231,919
1	4,620,001		4,625,000	4,622,605
1	6,235,001		6,240,000	6,235,989
1	10,170,001		10,175,000	10,170,159
1,454				77,000,000

Pattern of Shareholding

as at 30 June 2018

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	19,680,535	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.	369,076	0.4793%
Insurance Companies	15,000	0.0195%
Modarabas and Mutual Funds	4,477,250	5.8146%
General Public		
a. Local	41,869,539	54.3760%
b. Foreign	3,000	0.0039%
Others (to be specified)		
1- Joint Stock Companies	9,495,600	12.3319%
2- Pension Funds	574,000	0.7455%
3- Foreign Companies	416,500	0.5409%
4- Others	99,500	0.1292%
	<u>77,000,000</u>	<u>100%</u>
Share holders holding 10% or more	10,357,851	13.4518%

Pattern of Shareholding

as at 30 June 2018

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	CDC - TRUSTEE ABL STOCK FUND (CDC)	500,000	0.6494%
2	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF) (CDC)	290,500	0.3773%
3	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	733,000	0.9519%
4	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	93,000	0.1208%
5	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	462,000	0.6000%
6	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	135,500	0.1760%
7	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND (CDC)	327,750	0.4256%
8	CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	691,500	0.8981%
9	MC FSL - TRUSTEE JS GROWTH FUND (CDC)	796,000	1.0338%
10	MCBFSL - TRUSTEE JS VALUE FUND (CDC)	400,000	0.5195%

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. MUHAMMAD SIDDIQUE	10,357,851	13.4518%
2	MR. ABDUL SATTAR KHATRI	4,622,605	6.0034%
3	MRS. FARHANA ABDUL SATTAR KHATRI	862,437	1.1200%
4	MR. WAQAS SIDDIQ KHATRI	564,989	0.7338%
5	MR. ABDULLAH MUSTAFA	2,878,686	3.7386%
6	MR. PERVAIZ AHMAD KHAN	769	0.0010%
7	MR. PERVEZ ISMAIL	500	0.0006%
8	MRS. SABINA MEHTAB W/O MUHAMMAD SIDDIQ	392,698	0.5100%

Executives: - -

Public Sector Companies & Corporations: - -

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: 1,006,076 1.2443%

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1	MR. MUHAMMAD SIDDIQUE	10,357,851	13.4518%
2	MR. SHAHZAD YOUSUF KHARTI	6,235,989	8.0987%
3	MR. ABDUL SATTAR KHATRI	4,622,605	6.0034%
4	CHEMITEX INDUSTRIES LTD.	4,231,919	5.4960%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	NAME	SALE	PURCHASE
1	MR. PERVEZ ISMAIL		500

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









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-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial Calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Investor of
Securities and Exchange
Commission of Pakistan



jamapunji.pk



@jamapunji_pk

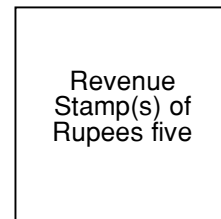
*Mobile apps are also available for download for android and ios devices

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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 27th Annual General Meeting of the Company to be held on Friday, October 26, 2018 at 11.00 a.m. at the registered office and any adjournment thereof.

Signed this _____ day of _____ 2018.



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
CORRECT
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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 اہم----- بحیثیت ممبر اتحاد کیمیکلز
لمیٹڈ اور حال----- عمومی حصص بمطابق رجسٹرڈ فولیو اسی ڈی سی پارٹنرسپینٹ شناختی نمبر اور سی ڈی سی اکاؤنٹ
نمبر----- بذریعہ تحریر یا محترم / محترمہ----- کو یا ان کی غیر
حاضری کی صورت میں محترم / محترمہ----- کو جو بحوالہ رجسٹرڈ فولیو اسی ڈی سی پارٹنرسپینٹ
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 27 ویں سالانہ اجلاس عام میں ووٹ ڈال
سکیں جو 26 اکتوبر 2018ء بروز جمعہ کو صبح 11:00 بجے رجسٹرڈ آفس میں یا اس کے کسی بھی التوا کی صورت میں منعقد ہوگا۔

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

دستخط

(جو کمپنی کے پاس رجسٹرڈ ہیں)

<u>گواہ نمبر 2</u> دستخط----- نام----- پتہ----- قومی شناختی کارڈ یا پاسپورٹ نمبر-----	<u>گواہ نمبر 1</u> دستخط----- نام----- پتہ----- قومی شناختی کارڈ یا پاسپورٹ نمبر-----
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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 کر دے جو شیئر ہولڈر نہ ہو۔

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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:

G.T. Road, Kala Shah Kaku,

District Sheikhpura, Pakistan.

Tel: +92 42 37950222 - 25, Fax: +92 42 37950206