

Annual Report

2020



Innovate-Diversify-Grow



ITTEHAD CHEMICALS LIMITED

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Product Profile

CAUSTIC SODA

Caustic Soda, also known as Sodium Hydroxide, forms a strong alkaline solution when dissolved in water. ICL produces Caustic Soda in the form of flakes, solid, liquid (31% and 50% concentration). In solid form, it is hygroscopic and as such readily absorbs water from the air. Hence, it is stored in airtight containers.



SODIUM HYPOCHLORITE

Sodium Hypochlorite is used for a wide range of applications where its powerful disinfection and oxidation properties are utilized to deliver technical and commercial advantage. It is manufactured by passing gaseous chlorine through a well-cooled solution of dilute Caustic Soda.



LIQUID CHLORINE

Chlorine is the single material on which production of other chemicals mostly depends. It is used in 60% of all Commercial Chemistry, 85% of all Pharmaceutical Chemistry and 95% of all yield enhancing or agrochemical chemistry.



HYDROCHLORIC ACID

Hydrochloric acid is second only to Sulphuric Acid in its numerous and diverse uses in manufacturing industry and synthetic chemistry. Hydrochloric acid is a solution of the Gas Hydrogen Chloride (HCL) in water. The Hydrogen Chloride Gas is derived from the burning of Chlorine and Hydrogen.



ZINC SULPHATE

Zinc Sulphate Monohydrate is free flowing white powdery material, which is highly soluble in water.



CALCIUM CHLORIDE

The Entire product is manufactured in accordance with international specifications required for Food Grade Material.



LABSA

LABSA is an anionic surfactant, whose molecules are characterized by a hydrophilic and a hydrophobic group. LABSA is chiefly used in the detergent industry for the manufacture of washing powder, detergent powder, detergent cake, liquid soap, oil soap, scouring bar and cleaning powder. This chemical finds applications in anionic specialty formulations. The quality of pesticide sprays can be improved from it.



SLES

Sodium laureth sulfate (SLES), an accepted contraction of sodium lauryl ether sulfate (SLES), is an anionic detergent and surfactant found in many personal care products (soaps, shampoos, toothpaste, etc.). SLES is an inexpensive and very effective foaming agent. [1] SLES, sodium lauryl sulfate (SLS), ammonium lauryl sulfate (ALS), and sodium pareth sulfate are surfactants that are used in many cosmetic products for their cleaning and emulsifying properties.



Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Siddique Khatri	Chairman	Non-Executive Director
Mr. Abdul Sattar Khatri	Director/CEO	Executive Director
Mr. Waqas Siddiq Khatri	Director	Executive Director
Mr. Abdullah Mustafa	Director	Non-Executive Director
Mrs. Farhana Abdul Sattar Khatri	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

RISK MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Waqas Siddiq Khatri	Member

CHIEF FINANCIAL OFFICER

Mr. Aamir Shahzad Mughal

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

FACTORY/ PLANT

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

SHARES REGISTRAR

M/s Hameed Majeed Associate (Pvt.) Limited
1st Floor, H.M. House, 7 Bank Square
The Mall, Lahore
Ph: 042 - 37235081 - 82

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

Innovation is seeing
what everybody has
seen and thinking
what nobody has
thought.

-Albert Szent-Györgyi





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 Core 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 29th Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Monday, October 26, 2020, 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 Extraordinary General Meeting held on March 28, 2020.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended June 30, 2020 together with the Directors' and Auditors' Reports thereon.
3. To approve Final Cash Dividend of Rs. 1.00 per share i.e. 10% as recommended by the Board of Directors.
4. To appoint Auditors for the year 2020-21 and to fix their remuneration.

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

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

By Order of the Board
Sd/-

Abdul Mansoor Khan
Company Secretary

Lahore
September 18, 2020

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 20, 2020 to October 26, 2020 (both days inclusive). Transfers received in order by our Share Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on October 19, 2020 will be considered in time for dividend entitlement as well as for the purpose of attending and vote in Annual General Meeting.
- ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.
- iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number and CDC account numbers at the time of attending the Annual General Meeting for identification purpose.
- iv. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.
- v. Members are requested to notify the change of address immediately, if any, to Company's Shares Registrar.

- vi. Under the provisions of section 242 of the Companies Act 2017, any dividend payable in cash shall only be paid through electronic mode directly into the Bank Account designated by the entitled shareholders. The shareholders are hereby advised to provide a dividend mandate in favour of e-dividend by providing dividend mandate form (specimen available on Company's website). In case of CDC shareholders, please update the record with your CDC Participant.
- vii. 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 filer of income tax returns and (b) 30% for non-filers of income tax returns. The members are advised to update their status accordingly in order to avoid any inconvenience for any dividend.
- viii. In accordance with the provisions of Section 244 of the Companies Act, 2017, where a dividend has been declared by a company but has not been paid or claimed, within a time period specified under Section 242, to any shareholder entitled to the payment of the dividend, the company shall, within fifteen days from the date of expiry of the said period, transfer the total amount of dividend which remains unpaid or unclaimed to a separate profit bearing account to be called the unpaid dividend account opened by the company for this purpose in any scheduled bank. The deposits in the unpaid dividend account shall be used for payment to a claimant. The Company will ensure the aforesaid compliance in case of any dividend payment along with ensuring compliance of other provisions of the aforesaid section.
- ix. 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

- x. The Annual Report is being transmitted to shareholders through CD or DVD or USB instead of sending in Book form / hard copy in terms of SECP SRO # 470(I)/2016 dated May 31, 2016 and its subsequent approval in the Annual General Meeting held on October 26, 2017.
- xi. Pursuant to "Companies (Postal Ballot) Regulations, 2018" issued vide SECP SRO.254(I)/2018 dated February 22, 2018 members may exercise their right to vote through e-voting.
- xii. The Annual Report for the Financial Year ended June 30, 2020 will be placed on Company's website www. ittehadchemicals.com in due course of time.

Chairman's Review

Dear stakeholders

It is a great pleasure to impart the endeavors of the Board of Directors in leading the Company towards achievement of strategic goals.

Following the reelection of the Directors in the Extra Ordinary General Meeting held on March 28, 2020, the Board reconstituted the three (03) Committees

- The Audit Committee which 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 which overviews HR policy framework and recommends selection and compensation of senior management team.
- The Risk Management Committee which foresees the potential Risks which the Company is likely to face and apprise the Board about the measures for mitigating such risks.


The Board and its Committees are comprised of members having appropriate mix of core competencies, diversity, requisite skills, knowledge, 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 2019.

Presently, the country is witnessing a gradual come back to normal activities post COVID-19 situation (Corona Virus) pandemic. The Government's policies of lock-down and smart lock-downs have been helpful in controlling human casualties. The economic activities are carefully being resumed; however, we are still passing through testing times as pandemic of Coronavirus (COVID-19) has drastically impacted the key economic indicators of Pakistan. We believe that with passage of time, economic activities will further flourish.

Moving ahead, despite a tough year, the Board continued to explore new opportunities for future growth and remained focus on improving existing lines of business with the ultimate objective of maximizing shareholders' wealth in long run. Looking at the bright side, the Government has lowered the interest rates which would ease the debt service burden of the Company in the ensuing year. The Chemical sector is largely power intensive; hence the impact of fuel expense is significant which is expected to decline to some extent in prevailing international RLNG price scenario. Apart from above, the capacity utilization of Company's state of the art LABSA Plant is steadily increasing. The Management of your company is keenly observing the prevailing situation and is taking measures to cope up with the challenges likely to be faced in foreseeable future.

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

Lahore
September 18, 2020


Muhammad Siddique Khatri
Chairman

Directors' Report

The Directors of the Company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2020 and Auditor's Report thereon.

ECONOMY OVERVIEW

The period under review remained a challenging year and the evolving COVID-19 situation (Corona Virus) pandemic has driven the global economies into slump. The deadly virus has engulfed the whole world putting everything under lockdown situation. Pakistan has also been distressed by the outbreak of Coronavirus and its economy has experienced an extensive decline during the current fiscal year as negative growth has been recorded after long time. There was a significant devaluation of the rupee against the U.S. dollar during the year which resulted in increase of debt burden. In order to mitigate the adverse socio-economic impact, the government took measures to address both the fiscal and economic shocks and float Rs.1.2 trillion financial package to support the economic activities in the country.

FINANCIAL PERFORMANCE

By the grace of Almighty Allah, the Management took the best possible measures and the performance of the Company can be termed quite satisfactory considering the threat posed by evolving COVID-19 situation (Corona Virus) pandemic coupled with stiff market competition, highest ever RLNG / LESCO Tariff Rates and higher interest cost due to higher KIBOR Rates which has adversely impacted the profitability of the Company during the period.

During the year under review, the Company maintained healthy trend of sales and posted net sales revenue of Rupees 8,857 Million with an increase of 33% (2019: Rupees 6,644 Million). As informed through earlier reports, the significant increase in the turnover of the year under review is mainly due to inclusion of Company's state of the art LABSA Plant in company's operations at the beginning of the year. The cost of sales stood at Rupees 7,675 Million (2019: Rupees 5,265 Million) bringing gross profit to Rupees 1,182 Million (2019: Rupees 1,379 Million). The gross profit margin decline to 13% from 21% as compared to corresponding period of last year.

After taking fair value gain on investment property Rs. 62 Million as detailed in Note # 10 of the Audited Financial Statements, the bottom line showed a net profit after tax amounting to Rupees 61 Million (2019: Rupees 405 Million) which yielded earning(s) per share Rupees 0.72 per share (2019: Rupees 4.78 per share).

FINANCIAL HIGHLIGHTS

The comparative financial results for the year ended Jun 30, 2020 are as under:

	Financial Year ended June 30	
	2020	2019
	Rupees in "000"	
Net Sales	8,856,601	6,644,377
Gross Profit	1,181,643	1,378,886
Operating Profit	496,032	756,031
Profit before Tax	77,727	505,088
Profit after Tax	60,800	405,051
Earnings Per Share (Rupees)	0.72	4.78

PROFIT AND APPROPRIATIONS

	Financial Year ended June 30	
	2020	2019
	Rupees in '000'	
Total Comprehensive Income for the Year	65,324	399,785
Add: - Un-appropriated profit brought forward	1,853,951	1,636,841
Adjustment in Retained Earnings – Net (IFRS 9)	–	(20,975)
Adjustment in Retained Earnings – Net (IFRS 16)	(15,205)	–
Profit available for appropriation	1,904,070	2,015,651
Appropriations:		
Final cash dividend paid @ Nil for the Financial Year 2018--2019 (2017-2018: 11 %)	–	(84,700)
Bonus Shares Issue	–	(77,000)
Profit available for appropriation	1,904,070	1,853,951

CASH DIVIDEND

The Board of Directors is pleased to propose a final cash dividend of Rs. 1 per share i.e. 10% for the financial year ended June 30, 2020. The final dividend is subject to the approval of shareholders in Annual General Meeting scheduled to be held on October 26, 2020.

CORPORATE BRIEFING SESSION (CBS)

As per the requirement of the Pakistan Stock Exchange, it is mandatory for all listed companies to hold at least one Corporate Briefing Session (CBS) for stakeholders during a Financial Year. During the year under review, the Company arranged a CBS on June 25, 2020 at its Registered Office through Video Link facility which highlighted the Company's strategy, operations and performance. The Board recognizes the importance of building a strong relationship with all stakeholders. Corporate briefings are interactive sessions and provides Management an opportunity to convey stakeholders overall performance and future outlook of the Company.

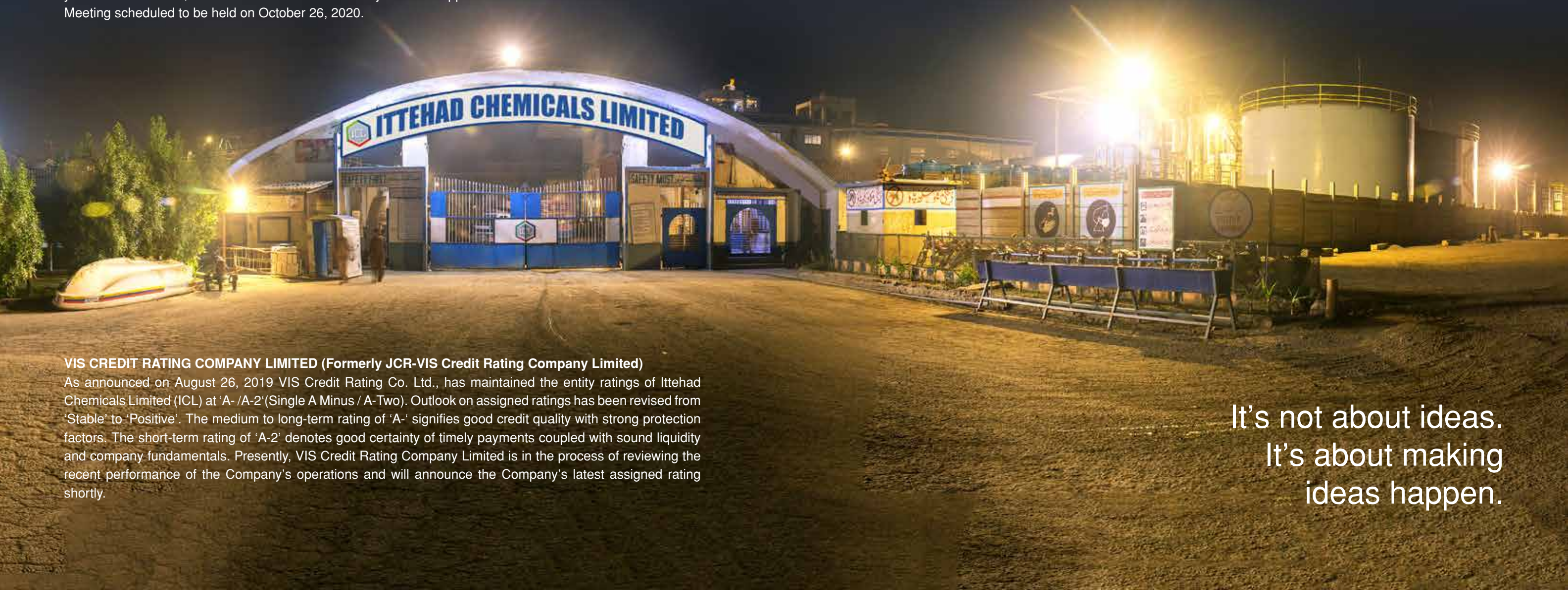
BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

As per requirements of Clause # 34 (2) (i, ii, iii) of Listed Companies (Code of Corporate Governance) Regulations 2019 (the "CCG"), the composition of the Board and its Committees has given in "Statement of Compliance" annexed with this Annual Report. During the year, Six (06) Board meetings, Five (05) Audit Committee Meetings, One (01) HR & Remuneration Committee Meeting One (01) Risk Management Committee Meeting were held. The attendance of Board and its Committees' members is hereunder:

VIS CREDIT RATING COMPANY LIMITED (Formerly JCR-VIS Credit Rating Company Limited)

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

It's not about ideas.
It's about making
ideas happen.



Name of Director	Number of Meetings attended			
	Board of Directors	Audit Committee	HR & R Committee	Risk Management Committee
Mr. Muhammad Siddique Khatri	6	N/A	N/A	1
Mr. Abdul Sattar Khatri	6	N/A	N/A	1
Mr. Waqas Siddiq Khatri	6	N/A	1	1
Mr. Abdullah Mustafa	6	5	1	N/A
Mrs. Farhana Abdul Sattar Khatri	6	N/A	N/A	N/A
Mr. Pervaiz Ahmad Khan	6	5	1	N/A
Mr. Pervez Ismail	6	5	N/A	N/A

The names of Members of Board Committees are also disclosed under the head "Corporate Information" as required under the Clause # 34 of CCG.

CHANGES IN THE BOARD OF DIRECTORS

In the Extra Ordinary General Meeting held on March 28, 2020 the re-election of Directors took place:

- The following Directors were elected.
 - i. Mr. Muhammad Siddique Khatri – Non Executive Director
 - ii. Mr. Abdul Sattar Khatri – CEO / Executive Director
 - iii. Mrs. Farhana Abdul Sattar Khatri – Non Executive Director
 - iv. Mr. Waqas Siddique Khatri – Executive Director
 - v. Mr. Abdullah Mustafa – Non Executive Director
 - vi. Mr. Pervaiz Ahmad Khan – Independent Director
 - vii. Mr. Pervez Ismail – Independent Director
- Mr. Muhammad Siddique Khatri has been appointed Chairman of the Board of Directors.
- Mr. Abdul Sattar Khatri has been appointed as Chief Executive Officer for a term of 3 years commencing from March 28, 2020 and presently drawing a monthly remuneration of Rs. 560,000 as recommended by HR & R Committee. He would also be entitled to all other allowances, benefits, perquisites and terminal benefits as are admissible to Senior Executives of the Company according to the rules of the Company.
- Mr. Waqas Khatri has been reappointed as an Executive Director of the Company w.e.f. March 28, 2020 and presently drawing a monthly remuneration of Rs. 450,000. He would also be entitled to all other allowances, benefits, perquisites and terminal benefits as are admissible to Senior Executives of the Company according to the rules of the Company.

AUDIT COMMITTEE

Consequent upon the reelection of the Directors, the Board has reconstituted the Audit Committee. Presently, the Audit Committee comprises of the following members:

- | | | |
|---------------------------|----------|------------------------|
| 1. Mr. Pervez Ismail | Chairman | Independent Director |
| 2. Mr. Pervaiz Ahmad Khan | Member | Independent Director |
| 3. Mr. Abdullah Mustafa | Member | Non-Executive Director |

Innovation is the
ability to see change
as an opportunity -
not a threat

- Steve Jobs



HUMAN RESOURCE AND REMUNERATION COMMITTEE

Consequent upon the reelection of the Directors, the Board has reconstituted the Human Resource and Remuneration Committee. Presently, HR & R Committee comprises of the following members:

1.	Mr. Pervaiz Ahmad Khan	Chairman	Independent Director
2.	Mr. Abdullah Mustafa	Member	Non-Executive Director
3.	Mr. Waqas Siddiq Khatri	Member	Executive Director

RISK MANAGEMENT COMMITTEE

Consequent upon the reelection of the Directors, the Board has reconstituted the Risk Management Committee. Presently, the Committee comprises of the following members:

1.	Mr. Muhammad Siddique Khatri	Chairman	Non-Executive Director
2.	Mr. Abdul Sattar Khatri	Member	Executive Director
3.	Mr. Waqas Siddiq Khatri	Member	Executive Director

DIRECTORS' REMUNERATION

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

DIRECTORS' TRAINING PROGRAMS

The Board ensured the Compliance with the regulation # 19 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director's Training Program.

CODE OF CONDUCT

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

COMPLIANCE WITH THE LISTED COMPANIES CODE OF CORPORATE GOVERNANCE REGULATIONS 2019

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 Jun 30, 2020 is given in Note # 44 of the Financial Statements.
- x. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- xi. The Company has complied with requirements as stipulated in Code relating to related party transactions.
- xii. The trading made by directors, CEO, CFO, Company Secretary 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 Occupational Health & Safety Management System ISO 45001:2018, Quality Management System (QMS) ISO 9001:2015, Environment Management System (EMS) ISO 14001:2015, and Halal Food Certification & Assessment 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 11,301,226 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 2020-21. 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, 2020 is annexed.

FUTURE OUTLOOK

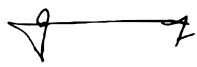
By the blessing of Almighty Allah, Pakistan has managed to contain the devastating effects of the COVID-19 through its lockdown strategy and is gradually moving towards sustainable growth phase. One of the positive results of the Government's macro-economic reforms is reduction in the Current Account Deficit, which narrowed in June-July FY 2020. The State Bank of Pakistan has also brought down the policy rate by 625 basis point and has allowed deferment of principal amount of loan, refinancing of loan at concessionary rates, salary refinancing etc. Further, the cost of RLNG is expected to be lower during ongoing Financial Year compared to the preceding year due to prevailing international RLNG price scenario, all of these would contribute to increase in the profitability of the ensuing financial year. The Management is also considering expansion of its state of the art LABSA Plant, Upgradation of its Power Plant and is devotedly taking measures to address the challenges.

ACKNOWLEDGMENT

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

On behalf of the Board

Lahore
September 18, 2020


Muhammad Saddique Khatri
Chairman


Abdul Sattar Khatri
Chief Executive Officer

بیرونی آڈیٹرز
موجودہ آڈیٹرز BDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائرڈ اور اہلیت کے حامل ہونے کی بنا پر 2020-21 کے لئے دوبارہ تعیناتی کی پیش کش کی ہے۔ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے بی ڈی اے اور 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 اے اور ابراہیم اینڈ کمپنی کے متعلق ICAP نے کوالٹی کنٹرول ریویو کے تحت اطمینان بخش ریٹنگ جاری کی ہے

شیر ہولڈنگ کی فہرست

30 جون 2020 کو شیر ہولڈنگ کی فہرست ساتھ منسلک ہے۔

مستقبل کا نقطہ نظر

اللہ کے فضل و کرم سے پاکستان نے اپنی لاک ڈاؤن حکمت عملی کے ذریعے کوویڈ-19 کے تباہ کن اثرات پر قابو پایا اور آہستہ آہستہ پائیدار نمو کے مرحلے کی جانب بڑھ رہا ہے۔ مزید یہ کہ حکومت کی میکرو معاشی اصلاحات کے کچھ مثبت نتائج، خاص طور پر کرنٹ اکاؤنٹ خسارے میں، جولائی تا جون مالی سال 2020ء میں کمی ہوئی۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو 6.25 بنیادی پوائنٹس تک کم کیا ہے۔ اور قرضوں کی اصل رقم کو مؤخر، کاروباری اداروں کو سہولت مہیا کرنے کے لیے مراعات یافتہ شرحوں پر قرضوں کی دوبارہ مالی اعانت، تنخواہ کی مالی اعانت کی اجازت دی ہے مزید ری گیسفائیڈ لیکو فائینڈنجپل گیس (آر ایل این جی) کی عالمی صورتحال میں موجودہ سال میں کمی کی توقع ہے جس سے موجودہ سال میں منافع میں اضافہ کی توقع ہے۔ انتظامیہ جدت کے حامل LABSA پلانٹ میں بڑھوتری اور پاور پلانٹ کی بہتری اور چیلنجوں سے نمٹنے کے لیے پوری لگن کے ساتھ اقدامات کر رہی ہے۔

اظہار تشکر

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بینکوں 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

لاہور
18 ستمبر 2020



جناب عبدالستار کھتری
چیف ایگزیکٹو



جناب محمد صدیق کھتری
چیئر مین

کوڈ آف کارپوریٹ گورننس کے ضابطہ کی تعلیم:

بورڈ نے کارپوریٹ گورننس 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 کمینیز ایکٹ 2017 کے عین مطابق تیار کیے گئے ہیں۔ یہ گوشوارے کمپنی کے معاملات کی شفاف حالت اسکے آپریشن کے نتائج، کیش فلواور 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 آپریٹنگ مواد منسلک کیا گیا ہے۔
- 8- ٹیکس اور لیویز کے بقایا جات کے متعلق معلومات اکاؤنٹس کے نوٹس میں دی گئی ہے۔
- 9- پراویڈنٹ فنڈ کی انویسٹمنٹ کی ویلیو 30 جون 2020 کے مطابق اکاؤنٹس کی بنیاد پر فنانسئل سٹیٹمنٹ کے نوٹ نمبر 44 میں دی گئی ہے۔
- 10- ضابطہ میں بیان شدہ تمام اہم معلومات سٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بروقت فراہم کی گئی ہیں۔
- 11- متعلقہ پارٹی ٹرانزیکشن کے حوالے سے تمام ضروریات کے مطابق کمپنی نے عملدرآمد کیا ہے۔
- 12- کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری 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۔

صحت تحفظ اور ماحولیات

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 ماحولیات کو آلودگی کو کم کرنے، فضلے میں کمی، توانائی کی بچت، حفاظتی آگاہی، ٹریڈ ایمرجنسی کے حوالے سے تیاری اور ماحولیات کی اثرات جو کہ ارد گرد آبادیوں پر اثر انداز ہو سکتے ہیں کو کم کرنے کے لئے ہر وقت کوشاں ہیں۔ کمپنی کوالٹی مینجمنٹ سسٹم آئی ایس او 45001:2018، کوالٹی مینجمنٹ سسٹم آئی ایس او 9001:2015، انوائرنمنٹ مینجمنٹ سسٹم آئی ایس او 14001:2015 اور TUV آسٹریا بیورو آف انسپیکشن اینڈ سرٹیفیکیشن پرائیویٹ لیمیٹڈ سے بھی نوازا گیا ہے۔

کاروباری سماجی ذمہ داری

صحت تعلیم اور معاشرے کی بہتری ہمارے بنیادی کارپوریٹ سماجی پروگرام کا حصہ ہے۔ اس سلسلے میں اتحاد کیمیکلز لیمیٹڈ صحت، تعلیم اور سماجی بہتری کے لئے کام کرنے والی مختلف تنظیموں کی مالی امداد بھی کر رہی ہے۔ زیر جائزہ سال کے دوران کمپنی نے مختلف رفاہی تنظیموں کو 11,301,226 روپے دیے ہیں

جناب وقاص کھتری کو کمپنی کے ایگزیکٹو ڈائریکٹر کے طور پر دوبارہ منتخب کیا گیا ہے۔ جس کی معیاد 28 مارچ 2020 سے شروع ہو چکی ہے اور موجودہ ماہانہ معاوضہ 4 لاکھ 50 ہزار روپے ہے۔ اس کے علاوہ انہیں تمام الاؤنسز، مراعات، آمدن اور ٹرینٹل فوائد جو کہ کمپنی کے قواعد و ضوابط کے مطابق کمپنی کے سینئر ایگزیکٹو کے لیے لاگو ہوتے ہیں، ادا کیے جائیں گے۔

آڈٹ کمیٹی

ڈائریکٹرز کے دوبارہ انتخاب کے نتیجے میں بورڈ نے دوبارہ آڈٹ کمیٹی تشکیل کی جو کہ درج ذیل ممبران پر مشتمل ہے۔

1- جناب پرویز اسماعیل	چیئر مین	آزاد ڈائریکٹر
2- جناب پرویز احمد خان	رکن	آزاد ڈائریکٹر
3- جناب عبداللہ مصطفیٰ	رکن	نان ایگزیکٹو ڈائریکٹر

ہیومن ریسورس اور معاوضہ کمیٹی

ڈائریکٹرز کے دوبارہ انتخاب کے نتیجے میں بورڈ نے دوبارہ ہیومن ریسورس اور معاوضہ کمیٹی تشکیل کی ہے جو کہ درج ذیل ممبران پر مشتمل ہے۔

1- جناب پرویز احمد خان	چیئر مین	آزاد ڈائریکٹر
2- جناب عبداللہ مصطفیٰ	رکن	نان ایگزیکٹو ڈائریکٹر
3- جناب وقاص صدیق کھتری	رکن	ایگزیکٹو ڈائریکٹر

رسک مینجمنٹ کمیٹی

ڈائریکٹرز کے دوبارہ انتخاب کے نتیجے میں بورڈ نے دوبارہ رسک مینجمنٹ کمیٹی تشکیل کی ہے جو کہ مندرجہ ذیل ممبران پر مشتمل ہے۔

1- جناب محمد صدیق کھتری	چیئر مین	نان ایگزیکٹو ڈائریکٹر
2- جناب عبدالستار کھتری	رکن	ایگزیکٹو ڈائریکٹر
3- جناب وقاص صدیق کھتری	رکن	ایگزیکٹو ڈائریکٹر

ڈائریکٹرز کا معاوضہ

کمپنی نان ایگزیکٹو ڈائریکٹرز / آزاد ڈائریکٹرز کو کسی قسم کا معاوضہ ادا نہیں کرتی تاہم بورڈ نے بورڈ اور اس کی کمیٹیوں کی ہر میٹنگ میں شامل ہونے کی فیس 30,000 روپے مقرر کی ہے اور میٹنگ کے علاوہ ہونے والے سفری اور دیگر اخراجات صرف نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو ادا کیے جاتے ہیں۔

ڈائریکٹرز کے تربیتی پروگرام

کمپنی CCG ریگولیشن کے سیکشن نمبر 19 کے تحت سات میں سے چھ بورڈ ممبرز نے SECP سے منظور شدہ ادارہ سے ڈائریکٹرز ٹریننگ پروگرام کے سرٹیفکیٹ حاصل کیے ہوئے ہیں۔

ضابطہ اخلاق / Code of Conduct

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

منافع اور تخصیص

بورڈ اور اس کی کمیٹیاں، اجلاس اور حاضری

لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورننس کی شق (2)34(i,ii,iii) کے مطابق فہرستی بورڈ کی ساخت اس رپورٹ سے منسلک شیڈول آف کمپلائنس کے سیریل 1 اور 2 میں درج ہے۔ سال کے دوران چھ (6) بورڈ کے اجلاس، پانچ (5) آڈٹ کمیٹی اجلاس، ایک (1) HR & R کمیٹی اور ایک (1) رسک مینجمنٹ کمیٹی کا اجلاس منعقد کیا ہے۔

بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے۔

بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے۔				ڈائریکٹر کا نام
بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی	رسک مینجمنٹ کمیٹی	
6	N/A	N/A	1	جناب محمد صدیق کھتری
6	N/A	N/A	1	جناب عبدالستار کھتری
6	N/A	1	1	جناب وقاص کھتری
6	5	1	N/A	جناب عبداللہ مصطفیٰ
6	N/A	N/A	N/A	محترمہ فرحانہ کھتری
6	5	1	N/A	جناب پرویز احمد خان
6	5	N/A	N/A	جناب پرویز اسماعیل

کارپوریٹ انفارمیشن کے عنوان کے نیچے بورڈ کمیٹی کے ممبران کے نام کی فہرست سالانہ رپورٹ کے ساتھ منسلک ہے۔ جسکو CCG میں شق نمبر 34 میں لازم قرار دیا گیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلی

28 مارچ 2020ء کو منعقد ہونے والے غیر معمولی اجلاس عام میں ڈائریکٹرز کا دوبارہ انتخاب ہوا۔ درج ذیل ڈائریکٹرز کا انتخاب کیا گیا۔

1-	جناب محمد صدیق کھتری	نان ایگزیکٹو ڈائریکٹر
2-	جناب عبدالستار کھتری	سی ای اور ایگزیکٹو ڈائریکٹر
3-	محترمہ فرحانہ کھتری	نان ایگزیکٹو ڈائریکٹر
4-	جناب وقاص صدیق کھتری	ایگزیکٹو ڈائریکٹر
5-	جناب عبداللہ مصطفیٰ	نان ایگزیکٹو ڈائریکٹر
6-	جناب پرویز احمد خان	آزاد ڈائریکٹر
7-	جناب پرویز اسماعیل	آزاد ڈائریکٹر

جناب محمد صدیق کھتری کو چیئرمین بورڈ آف ڈائریکٹرز منتخب کیا گیا۔

جناب عبدالستار کھتری کو 3 سال کے لیے سی ای او منتخب کیا گیا جس کا آغاز 28 مارچ 2020ء سے ہوا۔ ایچ آر اینڈ آر کمیٹی کی جانب سے موجودہ ماہانہ 5 لاکھ 60 ہزار روپے معاوضہ مقرر کیا گیا۔ اس کے علاوہ انہیں تمام الاؤنسز، مراعات، آمدن اور ریٹائرمنٹ فوائڈ جو کہ کمپنی کے قواعد و ضوابط کے مطابق کمپنی کے سینئر ایگزیکٹو کے لیے لاگو ہوتے ہیں، ادا کیے جائیں گے۔

اختتام مالی سال 30 جون

2020 "000" روپے	2019 "000" روپے	
65,324	399,785	کل آمدنی برائے سال
1,853,951	1,636,841	بشمول آگے لایا گیا غیر تخصیص منافع
-	(20,975)	برقرار آمدنی میں تبدیلی۔ صافی (9) (1FRS)
(15,205)	-	برقرار آمدنی میں تبدیلی۔ صافی (16) (1FRS)
1,904,070	2,015,651	تخصیص کیلئے موجودہ منافع
		تخصیص
		مالی سال 2018-2019 کے لیے حتمی نقد منافع 0%
-	(84,700)	کی شرح سے ادا کیا گیا۔ (2017-2018) 11%
-	(77,000)	بونس حصص جاری کیے گئے
1,904,073	1,853,951	تخصیص کیلئے موجودہ منافع

نقد منافع

بورڈ آف ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے مالی سال کے لیے 1.00 روپے کا حتمی نقد منافع فی حصص یعنی 10% کی تجویز دیتے ہوئے خوشی محسوس کر رہے ہیں۔ حتمی منافع 26 اکتوبر 2020ء کو ہونے والے سالانہ اجلاس عام میں حصص داران کی منظوری سے مشروط ہے۔

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

جیسا کہ 26 اگست 2019 کے دوران VIS کریڈٹ ریٹنگ کمپنی نے اعلان کیا کہ اتحاد کیمیکلز لمیٹڈ کی درجہ بندی A- / A-2 (سنگل A - مائنس A-2) برقرار رکھی گئی ہے۔ مستقبل کی درجہ بندی مستحکم سے مثبت کردی گئی ہے۔ درمیانہ درجہ سے طویل مدتی درجہ بندی۔ A کمپنی کے اچھے مالی معیار اور مضبوط تحفظ کے عوامل کو ظاہر کرتا ہے۔ اور قلیل مدتی درجہ بندی A-2 کمپنی کی اچھی مالی اور بنیادی حالت کو اور بروقت ادائیگی کی حقانیت کو ظاہر کرتی ہے۔ فی الحال VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ، کمپنی کی کارروائیوں کی حالیہ کارکردگی کا جائزہ لینے کے عمل میں ہے اور جلد ہی کمپنی کے تفویض کردہ درجہ بندی کا اعلان کرے گی۔

کارپوریٹ بریفنگ سیشن (سی بی ایس)

پاکستان سٹاک ایکسچینج کے قانون کے مطابق، مالی سال کے دوران تمام لسٹڈ کمپنیوں کا حصص داران کے لیے کم از کم ایک کارپوریٹ بریفنگ سیشن کا انعقاد لازمی ہے۔ زیر غور سال کے دوران کمپنی نے 25 جون 2020ء کو اپنے رجسٹرڈ آفس میں ویڈیو لنک کی سہولت کے ذریعے ایک سی بی ایس کا اہتمام کیا جس میں کمپنی کی حکمت عملی، کام اور کارکردگی کو اجاگر کیا گیا۔ بورڈ تمام حصص داران کے ساتھ مضبوط تعلقات استوار کرنے کی اہمیت کو تسلیم کرتا ہے۔ کارپوریٹ بریفنگ میل جول کے مواقع ہیں اور انتظامیہ حصص داران تک کمپنی کی مجموعی کارکردگی اور مستقبل کے نظریہ کو پہنچانے کا ایک موقع فراہم کرتی ہے۔

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز سالانہ رپورٹ بمع 30 جون 2020ء 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۔

معیشت کا جائزہ

زیر جائزہ عرصہ ایک مشکل سال رہا اور تیزی سے پھیلنے ہوئے کوویڈ-19 (کورونا وائرس) کی وبائی صورتحال نے عالمی معیشتوں کو زوال کا شکار کر دیا۔ اس مہلک وائرس نے ہر چیز کو لاک ڈاؤن کی حالت میں کرتے ہوئے پوری دنیا کو اپنی لپیٹ میں لے لیا۔ پاکستان بھی کورونا وائرس پھیلنے سے متاثر ہوا ہے اور اس کی معیشت کو رواں مالی سال کے دوران وسیع پیمانے پر گراوٹ / تنزلی کا سامنا کرنا پڑا ہے اور کافی عرصے کے بعد نمونہ ریکارڈ کی گئی ہے۔ سال کے دوران امریکی ڈالر کے مقابلے میں روپے کی قیمت میں نمایاں کمی ہوئی۔ جس کے نتیجے میں قرضوں کے بوجھ میں اضافہ ہوا۔ حکومت نے مالی اور معاشی دونوں جھکوں سے نمٹنے کے لیے اقدامات کیے اور ملک میں معاشی سرگرمیوں کی بہتری کے لیے 1.2 کھرب روپے کا مالیاتی پیکیج دیا۔

مالی کارکردگی

اللہ کے فضل و کرم سے انتظامیہ کے بہترین ممکنہ اقدامات کے نتیجے میں کمپنی کی کارکردگی کو کافی اطمینان بخش کہا جا سکتا ہے باوجود اسکے کہ عالمی وبائی Covid-19 (کورونا وائرس)، مارکیٹ میں سخت مقابلے کے رجحان، LESCO/RLNG کی بلند ترین قیمتیں، KIBOR Rates اور زیادہ شرح سود جس نے اس مدت کے درمیان کمپنی کے نفع کو بری طرح متاثر کیا ہے۔

زیر جائزہ سال کے دوران کمپنی کی فروخت کا مثبت رجحان برقرار رہا اور کمپنی کی مجموعی فروخت %33 فیصد اضافے کے ساتھ 8,857 ملین روپے (2019: 6,624) ملین روپے رہی۔ جیسا کہ گزشتہ رپورٹس میں بتایا گیا ہے کہ زیر غور سال کے کاروبار میں نمایاں اضافہ بنیادی طور پر اس سال کے آغاز میں کمپنی کے جدت کے حامل LABSA پلانٹ کی شروعات کی وجہ سے ہے۔ فروخت کی لاگت 7,675 ملین روپے (2019: 5,265) ملین روپے رہی جس سے 1,182 ملین روپے (2019: 1,379) ملین روپے) خام منافع حاصل ہوا۔ گزشتہ مالی سال کی نسبت خام منافع کی شرح %21 سے کم ہو کر %13 رہی۔

سرمایہ کاری کی املاک پر 62 ملین روپے کا فائدہ اٹھانے کے بعد جسکی تفصیل پڑتال شدہ مالیاتی حسابات کے نوٹ #10 میں دی گئی ہے۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 61 ملین روپے (2019: 405) ملین روپے) کا خالص منافع دکھاتی ہے جس سے فی حصص 0.72 روپے (2019: 4.78 روپے فی حصص) آمدنی ہوئی۔

مالی جھلکیاں

30 جون 2020ء اور 2018ء کو ختم ہونے والے سال کے لیے تقابلی مالیاتی نتائج مندرجہ ذیل ہیں۔

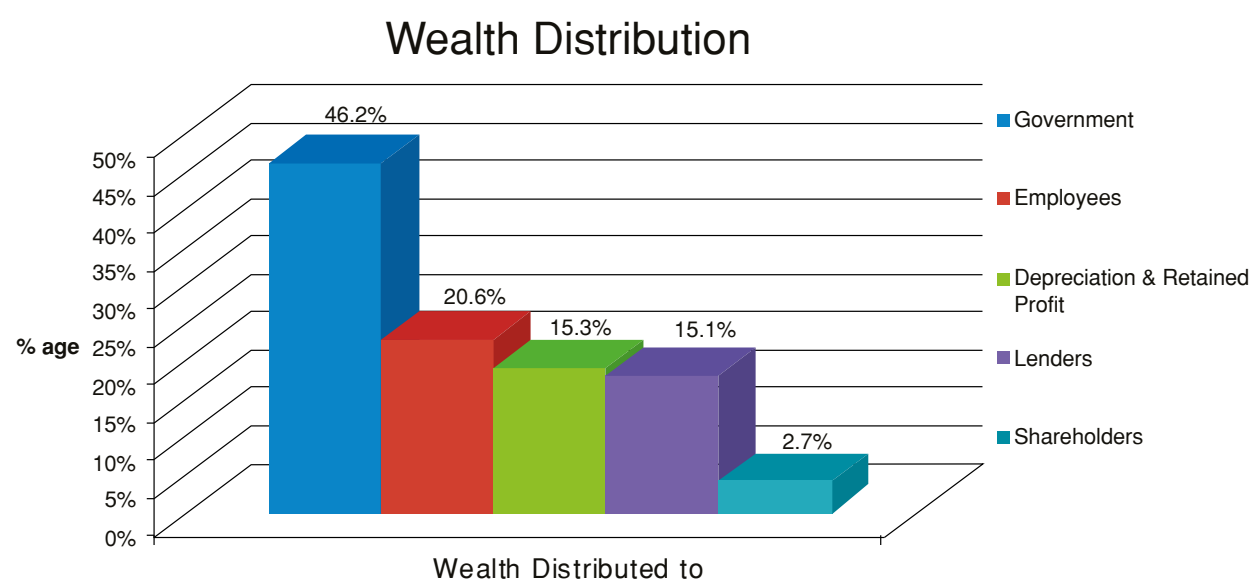
نام	2019 "000" روپے	2020 "000" روپے
مجموعی فروخت	6,644,377	8,856,601
مجموعی منافع	1,378,886	1,181,643
آپریٹنگ منافع	756,031	496,032
ٹیکس سے پہلے منافع	505,088	77,727
ٹیکس کے بعد منافع	405,051	60,800
فی حصص کمائی (روپے)	4.78	0.72

Operating and Financial Highlights

Unit	2020	2019	2018	2017	2016	2015	
PROFIT AND LOSS							
Sales	Rs. in mln	8,857	6,644	5,743	4,990	4,557	4,046
Gross Profit	Rs. in mln	1,182	1,379	963	820	791	423
Operating Profit	Rs. in mln	496	756	504	384	372	31
Profit / (loss) before tax	Rs. in mln	78	505	361	220	224	(74)
Profit after tax	Rs. in mln	61	405	415	233	167	84
EBITDA	Rs. in mln	1,069	1,248	859	718	685	225
Earning per share - Basic and Diluted	Rs.	0.72	4.78	4.91	3.37	2.64	1.54
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	5,872	6,335	5,452	4,128	3,638	3,756
Current Assets	Rs. in mln	2,968	2,915	2,031	2,065	2,014	1,437
Current Liabilities	Rs. in mln	2,508	3,461	3,007	2,436	2,126	2,045
Long Term Liabilities	Rs. in mln	2,579	2,012	1,023	944	1,344	933
Share capital	Rs. in mln	847	847	770	770	650	500
Shareholders' Equity	Rs. in mln	3,081	3,031	2,737	2,421	1,985	1,578
INVESTOR INFORMATION							
Gross Profit Margin	%	13.34	20.75	16.77	16.43	17.35	10.45
Net Profit Margin	%	0.69	6.10	7.23	4.68	3.67	2.09
Return on Equity	%	1.99	14.05	16.11	10.59	9.40	5.42
Price Earning Ratio Restated		36.60	5.64	6.44	9.28	9.89	30.38
Net Asset Per Share	Rs.	36.38	35.78	35.54	31.45	30.53	31.56
Long -Term Debt to Equity Ratio		0.60	0.66	0.50	0.49	0.71	0.69
Current Ratio		1.18	0.84	0.68	0.85	0.95	0.70
Quick Ratio		0.74	0.50	0.45	0.49	0.48	0.39
Interest Coverage Ratio		1.03	2.96	3.27	2.17	2.25	0.28
Debtor Turnover	No. of Times	13.05	11.81	12.86	10.67	10.76	10.21
Inventory Turnover	No. of Times	6.95	4.40	7.16	4.80	3.78	5.66
Dividend Payout	%	139.31	-	20.39	38.58	56.82	64.94
Bonus Shares	%	-	-	10.00	-	-	-
Dividend Per Share		1.00	-	1.10	1.30	1.50	1.00

Statement of Value Added

	Year ended June 30	
	2020	2019
	(Rs. in Million)	
Wealth Generated:		
Total revenue net of discount and allowances	10,513	7,912
Bought-in-material and services	7,339	4,964
	<u>3,173</u>	<u>2,948</u>
Wealth Distributed:		
To Employees		
Salaries, benefits and other costs	654	597
To Government		
Income tax, sales tax and worker welfare fund	1,467	1,203
To Providers of capital		
To shareholders (Dividend & Bonus Shares)	85	–
To Financial Institutes (Mark up/interest on borrowed funds)	480	256
Retained for Reinvestment and Growth		
Depreciation and retained profits	487	892
	<u>3,173</u>	<u>2,948</u>



Statement of Compliance with “Listed Companies (Code of Corporate Governance) Regulations, 2019” for the year ended June 30, 2020

The statement is being presented to comply with the Listed Companies Code of Corporate Governance Regulations 2019 (“the Regulations”) (CCG) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Ittehad Chemicals Limited (the “Company”) has complied the requirements contained in Regulations in the following manner;

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

Category	Numbers
Male	06
Female	01

- The composition of Board is as follows:

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

- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 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.
- 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.
- 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.
- 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.
- The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Company is Compliant with the regulation # 19 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director’s Training Program.
- The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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


c) Risk Management Committee


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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
- a) Audit Committee: Five (05) Audit Committee Meetings held during Financial Year ended June 30, 2020. Two (02) Meetings in 1st Quarter and remaining three (03) Meetings; one (1) in each quarter.
- b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2020.
- c) Risk Management Committee: One meeting during the financial year ended June 30, 2020.
15. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and is 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

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 requirements of regulations 3,6,7,8,27,32,33 and 36, of the CCG have been complied with.
19. The Company has fully ensured the compliance of mandatory provisions of the Code. Since the Code requires "comply or explain approach" towards the non-mandatory provisions of the Code; hence, we confirm that all requirements of optional provisions also complied with except presently the Board has not constituted a separate Nomination Committee and the functions are being performed by the HR & RC and the fractional requirement for Independent directors has not been rounded up as one keeping in view the requisite qualification, experience and expertise of the present Board of Directors. Further, the Board yet not decided to place key elements of its significant policies / TORs of Board Committees / Directors' remuneration policy on the website keeping in view its high sensitivity; however, the Company has placed the Code of Conduct on its website.

Lahore
September 18, 2020


Muhammad Saddique Khatri
Chairman


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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ittehad Chemicals Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Muhammad Imran

Lahore
Dated: September 18, 2020



Financial Statements

for the year ended 30 June 2020

Independent Auditors' Report to the Members

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ITTEHAD CHEMICALS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2020, and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Capital expenditures	
	The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2020. 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>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>

S. No	Key audit matters	How the matter was addressed in our audit
	Refer to notes 6.1 to the financial statements.	<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>
2.	Inventory valuation	
	<p>As at June 30, 2020, the Company held Rs. 1,103.859 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 6.8 and 6.9, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items; The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required. Refer to Note 6.8, 6.9, 13 & 14 of the financial statements – Inventory. 	<ul style="list-style-type: none"> Our audit procedures involved assessing the Company's accounting policies over recognizing and valuation of inventory in compliance with applicable accounting standards. We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value. An analytical review was also performed on inventory. We assessed the Company's disclosures in the financial statements in respect of inventory.

S. No	Key audit matters	How the matter was addressed in our audit
3.	Contingencies	
	<p>As disclosed in note 34.1 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 matter.</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; 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.
4.	Revenue recognition	
	<p>The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of the goods have been transferred to customers and the customer can direct the use of and substantially obtain all the benefits from the</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>

S. No	Key audit matters	How the matter was addressed in our audit
	<p>goods, 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 6.24 to the financial statements for accounting policies and the relevant detailed disclosures respectively.</p>	<p>We developed an understanding of relevant business process and performed the following procedures:</p> <ul style="list-style-type: none"> Control testing over the point of transfer of control of the goods to customers and the customers can direct the use of and substantially obtain all the benefits from the goods, was supported by substantive audit procedures including, amongst others: Performing predictive analytical tests on the different revenue streams. 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. Scanning for any manual journal entries relating to revenue recorded during the year which were considered to be material are met other specific risk based criteria for inspecting underline documentation.
5.	Control environment relating to the financial reporting process and related IT systems	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<ul style="list-style-type: none"> Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the statement of profit or loss and statement of financial position.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Lahore
Dated: September 18, 2020



BDO Ebrahim & Co
Chartered Accountants

Statement of Financial Position as at 30 June, 2020

	Note	2020 Rupees in thousand	2019 Rupees in thousand
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,872,413	6,334,613
Capital work in progress	8	46,476	35,541
		5,918,889	6,370,154
Intangible assets	9	6,445	6,445
Investment property	10	195,000	133,125
Long term investments	11	19	-
Long term deposits	12	52,042	51,906
		6,172,395	6,561,630
CURRENT ASSETS			
Stores, spares and loose tools	13	418,741	407,749
Stock in trade	14	685,118	788,704
Trade debts	15	799,171	664,516
Loans and advances	16	208,399	216,651
Trade deposits and short term prepayments	17	5,003	10,730
Tax refunds due from the Government	18	419,605	526,492
Taxation - net	19	297,623	189,989
Cash and bank balances	20	134,501	109,892
		2,968,161	2,914,723
		9,140,556	9,476,353
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	21.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	21.2	847,000	847,000
Reserves	22		
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		1,904,070	1,853,951
Surplus on revaluation of fixed assets	23	972,734	972,734
		4,053,804	4,003,685
NON CURRENT LIABILITIES			
Long term financing	24	334,580	266,667
Long term diminishing musharaka	25	1,407,081	1,413,628
Lease liabilities	26	40,387	-
Deferred liabilities	27	364,794	331,589
Deferred grant	28	5,934	-
GIDC payable	29	426,196	-
		2,578,972	2,011,884
CURRENT LIABILITIES			
Trade and other payables	30	1,201,550	1,648,478
Unclaimed dividend		1,020	1,040
Mark-up accrued	31	78,374	125,554
Short term borrowings	32	1,138,575	1,379,519
Current portion of long term liabilities	33	88,261	306,193
		2,507,780	3,460,784
CONTINGENCIES AND COMMITMENTS			
	34		
		9,140,556	9,476,353

The annexed notes from 1 to 62 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer


Statement of Profit or Loss Account For the year ended 30 June, 2020

	Note	2020 Rupees in thousand	2019 Rupees in thousand
Sales	35	8,856,601	6,644,377
Cost of sales	36	(7,674,958)	(5,265,491)
Gross profit		1,181,643	1,378,886
Selling and distribution expenses	37	(501,041)	(412,025)
General and administrative expenses	38	(208,306)	(199,304)
Other operating expenses	39	(60,662)	(76,915)
Other income	40	84,398	65,389
		(685,611)	(622,855)
Operating profit		496,032	756,031
Financial charges	41	(480,180)	(255,668)
Fair value gain on investment property	10	61,875	4,725
Profit before taxation		77,727	505,088
Taxation	42	(16,927)	(100,037)
Profit after taxation		60,800	405,051
Earnings per share - Basic and diluted (Rupees)	45	0.72	4.78

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

The annexed notes from 1 to 62 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

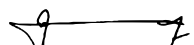
Statement of Comprehensive Income

For the year ended 30 June, 2020

Note	2020	2019
	Rupees in thousand	
	60,800	405,051
Profit after taxation for the year		
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit liability	6,228	(7,283)
Related tax effect	(1,704)	2,017
	4,524	(5,266)
Items that may be reclassified to profit and loss account in subsequent periods		
	—	—
Total comprehensive income for the year	65,324	399,785

The annexed notes from 1 to 62 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

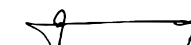
Statement of Cash Flows

For the year ended 30 June, 2020

Note	2020	2019
	Rupees in thousand	
	77,727	505,088
Cash flows from operating activities		
Profit before tax		
Adjustments for items not involving movement of funds:		
Depreciation	572,747	491,852
Provision for staff retirement gratuity	34,069	23,905
Loss on sale of fixed assets	53,641	42,891
Gain on revaluation of investment property	(61,875)	(4,725)
Foreign exchange gain	(10,774)	(11,780)
Provision for doubtful debts	8,369	8,718
Provision for obsolete stores and spares	12,000	18,000
Financial charges	480,180	255,668
Net cash flow before working capital changes	1,166,084	1,329,617
Decrease / (increase) in current assets		
Stores, spares and loose tools	(22,992)	(24,286)
Stock in trade	103,586	(522,621)
Trade debts	(132,249)	(167,156)
Loans and advances	8,252	(18,533)
Trade deposits and short term prepayments	5,727	(4,947)
Tax refunds due from the Government	98,191	(29,564)
	60,515	(767,107)
Increase in current liabilities		
Trade and other payables	(20,730)	447,805
Cash generated from operations	1,205,869	1,010,315
Taxes paid	(100,833)	(145,089)
Gratuity paid	(5,773)	(10,550)
Financial charges paid	(527,360)	(227,922)
Net cash generated from operating activities	571,903	626,754
Cash flows from investing activities		
Additions to operating fixed assets	(5,582)	(75,917)
Additions to capital work in progress	(135,470)	(1,271,585)
Proceeds from sale of operating fixed assets	1,170	14,043
Long term investment	(19)	-
Long term deposits	(136)	(802)
Net cash used in investing activities	(140,037)	(1,334,261)
Cash flows from financing activities		
Proceeds from long term financing	98,495	300,000
Repayments of long term financing	(221,783)	(325,614)
Proceeds from long term diminishing musharaka	49,981	798,930
Repayment of finance lease liabilities	(5,486)	-
Repayments of long term diminishing musharaka	(87,500)	(168,556)
Dividend paid	(20)	(84,456)
Short term borrowings	(240,944)	203,023
Net cash (used in) / generated from financing activities	(407,257)	723,327
Net increase in cash and cash equivalents	24,609	15,820
Cash and cash equivalents at the beginning of the year	109,892	94,072
Cash and cash equivalents at the end of the year	134,501	109,892

The annexed notes from 1 to 62 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, 2020

Note	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves		Total
			Capital Reserves	Revenue Reserves	
	Ordinary shares		Share premium	Unappropriated profit	
(Rupees in thousand)					
	770,000	972,734	330,000	1,615,866	3,688,600
Transaction with owners:					
	–	–	–	(84,700)	(84,700)
	77,000	–	–	(77,000)	–
	77,000	–	–	(161,700)	(84,700)
Total comprehensive income for the year					
	–	–	–	405,051	405,051
	–	–	–	(5,266)	(5,266)
	–	–	–	399,785	399,785
	847,000	972,734	330,000	1,853,951	4,003,685
	–	–	–	(15,205)	(15,205)
	847,000	972,734	330,000	1,838,746	3,988,480
Transaction with owners					
Total comprehensive income for the year					
	–	–	–	60,800	60,800
	–	–	–	4,524	4,524
	–	–	–	65,324	65,324
	847,000	972,734	330,000	1,904,070	4,053,804

The annexed notes from 1 to 62 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, 2020

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

Karachi
Faisalabad
Islamabad

Office address

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 6.1, 6.4, 6.6, 6.7 and 6.22 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 43.

3.3 Functional and presentation currency

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

4 CHANGE IN ACCOUNTING POLICES - IFRS 16 LEASES

The Company has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

4.1 Change in accounting policy

The Company has adopted IFRS 16 "Leases" from July 1, 2019 which is effective from the annual period beginning on or after January 1, 2019. The detail of new accounting policy adopted and the nature and effect of the changes from the previous accounting policy are set out below:

4.1.1 Effective in current year and are relevant to the Company.

IFRS 16 - Leases

IFRS-16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of July 01, 2019.

Transition method and practical expedients utilised

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (July 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at July 01, 2019.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful life lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition to IFRS 16, the Company recognised right-to-use assets and lease liabilities on the date of initial application as follows;

Significant judgements

IFRS 16 requires the Company to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

A portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature and payments made in respect of these leases are accordingly expensed in the statement of profit or loss.

On transition to IFRS 16, the Company recognised right-to-use assets and lease liabilities on the date of initial application as follows;

	(Rupees in thousand)
Property, plant and equipment	
Right-of-use assets - Buildings	30,463
Deferred tax assets	5,599
	<u>36,062</u>
Lease liabilities	
Non-current	45,400
Current	5,867
Retained earnings	(15,205)
	<u>36,062</u>

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

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

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

	Effective date (annual periods beginning on or after)		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018	IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform
IFRS 8	January 01, 2019	IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9
IFRS 9	January 01, 2019	IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification
IFRS 14	July 01, 2019	IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published
IFRS 16	July 01, 2019	IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality
IAS 19	January 01, 2019	IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities
IAS 28	January 01, 2019	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality
IFRIC 23	January 01, 2019	IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use
Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:		IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous
5.2 Amendments not yet effective		IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform
The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:		The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:	
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		Annual improvements to IFRSs (2015 – 2017) Cycle:	
IFRS 3	Business Combinations - amendments to clarify the definition of a business	IFRS 3	Business Combinations
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	IFRS 11	Joint Arrangements
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	IAS 12	Income Taxes
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	IAS 23	Borrowing Costs
			January 01, 2019
			January 01, 2019
			January 01, 2019
			January 01, 2019

5.3 Standards or interpretations not yet effective

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

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

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

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 14 Regulatory Deferral Accounts

IFRS 17 Insurance Contracts

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

5.4 Conceptual Framework for Financial Reporting by IASB

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

The IASB issued 'Interest Rate Benchmark Reform' which amended followings IFRS:

IFRS 7	Financial Instruments "disclosures"	January 01,2020
IFRS 9	Financial Instruments	January 01,2020
IAS 39	Financial Instruments: Recognition and Measurement	January 01,2020

Interest Rate Benchmark Reform amended IFRS 7 and IFRS 9 and IAS 39 as a first reaction to the potential effects the IBOR reform could have on financial reporting, this amendment requiring additional disclosures around uncertainty arising from the interest rate benchmark reform.

6 SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property, plant and equipment

a) Owned assets

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

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

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

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholder's equity and value of fixed assets. If an asset's 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 statement of profit or loss.

b) 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.

c) Capital work in progress

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 asset's 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 6.24.

When an item of property, plant and equipment is transferred to investment property following a change in its use, difference 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 Leases

Right of use assets

The right-of-use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

6.6 Investment in associates

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

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

6.7 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.

6.8 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.

6.9 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 production overheads	-	Cost of material as above plus proportionate
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.

6.10 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.

6.11 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 statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

6.12 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up 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".

6.13 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

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, whether or not billed to the Company and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.14 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.

6.15 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.

6.16 Deferred grant

The Deferred Grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

6.17 Cash and bank balances

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

6.18 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.

6.19 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.

6.20 Financial instruments

6.20.1 Financial assets

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

Amortized cost

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

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Equity Instrument - FVOCI

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

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

Fair value through profit or loss (FVTPL)

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

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

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

Impairment

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

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

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

6.20.2 Financial liabilities

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

6.20.3 Recognition and measurement

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

6.20.4 Derecognition

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

6.21 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.

6.22 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.

6.23 Employee benefits

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

6.23.1 Staff retirement benefits

a) 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.

b) 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, 2020 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.

6.23.2 Compensated absences

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

6.24 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

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

Contract assets

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

Contract liabilities

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

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

6.25 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.

6.26 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.

6.27 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.

6.28 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.

6.29 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.

6.30 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.

6.31 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 PROPERTY, PLANT AND EQUIPMENT

	Note	2020 Rupees in thousand	2019
Operating fixed assets	7.1	5,842,860	6,334,613
Right of use assets	7.11	29,553	-
		<u>5,872,413</u>	<u>6,334,613</u>

7.1 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	
Net carrying value basis year ended June 30, 2020								
Opening net book value (NBV)	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	6,334,613
Additions / Transfer (at cost)	-	17,465	-	110,079	357	175	1,984	130,117
Disposals (NBV)	-	(1)	-	(54,317)	-	-	(5)	(54,811)
Depreciation charge	-	(24,153)	(86)	(520,002)	(7,881)	(413)	(3,531)	(10,993)
Closing net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	5,842,860
Gross carrying value basis year ended June 30, 2020								
Cost	1,173,587	407,432	3,906	7,677,211	143,389	10,737	66,395	9,589,727
Accumulated depreciation	-	(179,680)	(3,131)	(3,343,296)	(98,537)	(6,992)	(52,087)	(3,746,867)
Net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	5,842,860
Net carrying value basis year ended June 30, 2019								
Opening net book value (NBV)	1,117,867	188,278	1,781	4,029,101	45,537	3,715	15,318	5,452,040
Additions (at cost)	55,720	75,673	-	1,264,111	14,556	661	3,989	1,431,359
Adjustment against land during year	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals / transfers (NBV)	-	(8,854)	(776)	(47,150)	-	-	(35)	(56,934)
Depreciation charge	-	(20,656)	(144)	(447,907)	(7,717)	(393)	(3,412)	(11,623)
Closing net book value	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	6,334,613
Gross carrying value basis year ended June 30, 2019								
Cost	1,173,587	389,981	3,906	7,746,250	143,032	10,562	64,470	9,642,221
Accumulated depreciation	-	(155,540)	(3,045)	(2,948,095)	(90,656)	(6,579)	(48,610)	(3,307,608)
Net book value	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	6,334,613
Depreciation rate % per annum	-	10	10	10 to 33	15	10	15 to 30	20

7.2 Free hold lands of the Company are located at Mudwala Khurd Sheikhpura with an area covering 74 kanals and 11 Marla, 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. These lands have been held for establishment of head office and factory.

7.3 This includes transfer from capital work-in-progress amounting to Rs. 124.534 million (2019: Rs. 1,355.441 million).

7.4 Free hold land was revalued by independent valuers M/s. Harvester 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. Harvester 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 (2019: Rs. 972.374 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 (2019: Rs. 972.734 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.853 million (2019: Rs. 200.853 million).

7.5 The forced sale value of free hold land was Rs. 950.186 million as at June 30, 2018.

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

	2019	2018
	Rupees in thousand	
Cost of sales	556,719	480,721
Selling and distribution expenses	2,688	2,346
General and administrative expenses	13,340	8,785
	<u>572,747</u>	<u>491,852</u>

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

Description	(Rupees in thousand)				Mode of disposal	Particulars of buyers
	Cost	Accumulated depreciation	Net Book value	Sale proceeds		
Vehicles						
Suzuki Mehran LED-07-9843	407	380	27	90	63	Mr. Naeem Qadir
Hona City LED-09-7726	1,279	1,135	144	250	106	Mr. Waqar Ahmad
Suzuki Bolla LES-7581	646	512	134	300	166	Mr. Imdad ullah
Suzuki Bolan LE-8782	685	528	157	330	173	Mr. Shahzad Aslam
Suzuki Mehran LED-07-7232	403	377	26	175	149	Mr. Naveed Anjum
	3,420	2,932	488	1,145	657	
Laptop	59	54	5	25	20	Mr. Muhammad Nawaz
Misc assets (P&M) and building	179,133	124,815	54,318	-	(54,318)	
Total - 2019	182,612	127,801	54,811	1,170	(53,641)	
Total - 2018	187,072	130,138	56,934	14,043	(42,891)	

7.8 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.

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

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

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

7.10 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.

7.11 Right of use assets

The following is the statement of right-of-use assets:

	Note	2020	2019
		Rupees in thousand	
Building			
Year ended June 30, 2020			
Net carry value basis			
Opening net book value (July 01, 2019)	4.1	30,463	-
Re-measurement	7.12	4,779	-
Depreciation charge		(5,689)	-
Closing net book value		<u>29,553</u>	<u>-</u>
Gross carry value basis			
Cost		62,658	-
Accumulated depreciation		(33,105)	-
Net book value		<u>29,553</u>	<u>-</u>
Depreciation rate % per annum		10%	

7.12 At the reporting period the Company has remeasured the right-of-use of assets and corresponding liabilities by using the revised discount rate.

8 CAPITAL WORK IN PROGRESS

This comprises of:

	Note	2020	2019
		Rupees in thousand	
Building		8,315	15,059
Plant and machinery		20,872	3,193
Advances	8.3	17,289	17,289
		<u>46,476</u>	<u>35,541</u>

	Advances	Building	Plant and machinery	Total
Note	Rupees in thousand			
8.1 Movement of carrying amount				
Year ended June 30, 2020				
Opening balance	17,289	15,059	3,193	35,541
Additions (at cost)	8.2 -	24,740	110,730	135,470
Transferred to operating fixed assets	-	(31,484)	(93,051)	(124,535)
Closing balance	17,289	8,315	20,872	46,476
Year ended June 30, 2018				
Opening balance	11,639	-	58,490	70,129
Additions (at cost)	8.2 15,650	25,807	1,279,396	1,320,853
Transferred to operating fixed assets	(10,000)	(10,748)	(1,334,693)	(1,355,441)
Closing balance	17,289	15,059	3,193	35,541

8.2 Borrowing cost capitalised during the year amounted to Nil (2019: Rs. 49.268 million) at an average rate of Nil (2019: 11.01 %) per annum.

8.3 Advances includes balance amounting to Rs. 1.639 million (2019: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This also includes advances amounting to Rs. 15.650 million (2019: 15.650 million) to Lahore Electric Supply Company Limited against grid station up gradation.

9 INTANGIBLE ASSETS

Computer software and licences
Goodwill

Note	2020	2019
	Rupees in thousand	
9.1	-	-
9.2	6,445	6,445
	6,445	6,445

9.1 Computer software and licences

Net carrying value as at 1 July

	Note	2020	2019
Opening balance as on July 01,		-	-
Amortization charge	38	-	-
Net book value as at June 30,		-	-

Gross carrying value as at 30 June

	2020	2019
Cost	22,542	22,542
Accumulated amortization	(22,542)	(22,542)
Net book value	-	-

Amortization % per annum

33.33%	33.33%
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The amortization charge for the year has been allocated as follows:

Administrative expenses	-	-
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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 The movement in this account is as follows:

Note	2020	2019
	Rupees in thousand	
10.1	195,000	133,125
	133,125	128,400
	61,875	4,725
10.2	195,000	133,125

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, 2020 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

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

Valuation techniques used to derive level 2 fair values - Land

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

10.3 The forced sale value of investment property is Rs. 174.750 million (2019: Rs. 113.156 million).

11 LONG TERM INVESTMENTS

Investment in related parties - unquoted

	Note	2020	2019
		Rupees in thousand	
Chemi Visco Fiber Limited	11.1	-	-
Ittehad Salt Processing (Private) Limited	11.2	19	-
		19	-

11.1 Chemi Visco Fiber Limited

5,625,000 (2019: 5,625,000) fully paid ordinary shares		56,250	56,250
Less: Provision for diminution in value of investment	11.1.1	(56,250)	(56,250)

	Note	2020 Rupees in thousand	2019
Relevant information:			
Percentage of investment in equity held 7.91% (2019: 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.

11.2 Ittehad Salt Processing (Private) Limited 1,900 (2019: Nil) fully paid ordinary shares	11.3	19	-
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Relevant information:
Percentage of investment in equity held 19% (2019: Nil%) (Chief Executive : Mr. Ahmed Mustafa)
Location: Pakistan

11.3 This represents investment made in related party and the Company has been incorporated on December 3, 2019. The principal line of business of the related party is to carry on business of exploring, operating and working on mines to extract minerals, salt, sand and stone etc.

12 LONG TERM DEPOSITS

Long term deposit	12.1	52,042	51,906
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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 mark-up and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Company. Majority of the long-term deposits relates to deposits given to government utility departments with undetermined life period for the impact of discounting hence these are not remeasured.

13 STORES, SPARES AND LOOSE TOOLS

Stores:			
in hand	13.1	60,047	61,674
in transit		8,361	8,805
		68,408	70,479
Spares:			
in hand	13.1	355,220	342,844
in transit		3,821	2,256
		359,041	345,100
		427,449	415,579
Less: Provision for obsolete stores and spares	13.2	8,708	7,830
		418,741	407,749

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.

13.2 Movement of provision for obsolete stores and spares

	Note	2020 Rupees in thousand	2019
Opening balance		7,830	22,012
Provision during the year		12,000	18,000
Reversal during the year		-	(275)
Written off during the year		(11,122)	(31,907)
		8,708	7,830

14 STOCK IN TRADE

Raw materials:			
in hand	36	233,605	260,627
in transit		4,871	27,181
		238,476	287,808
Packing materials			
in hand		9,931	16,737
in transit		5,308	-
Work in process	36	38,912	38,143
Finished goods	14.1 & 36	392,491	446,016
		685,118	788,704

14.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. Nil million (2019: Rs. 6.00 million). Further, the finished goods also includes stock in transit amounting to Rs. 19.542 Million (2019: Nil) which was still on the way to port at the yearend.

15 TRADE DEBTS

Unsecured			
Considered good - Foreign		77,530	104,705
Secured			
Considered good	15.2	17,234	17,234
Considered doubtful	15.1	17,234	17,234
		-	-
Unsecured			
Considered good - Local		721,641	559,811
Considered doubtful		55,242	46,873
		776,883	606,684
		854,413	711,389
Less: Provision for doubtful debts	15.1	55,242	46,873
		799,171	664,516

15.1 Movement of provision for doubtful debts is as follows:

Opening balance		64,107	39,507
IFRS 9 - Financial Instruments - Impact of change in accounting policy (Note 4.1)		-	29,965
Balance as at July1, 2020/2019		64,107	69,472
Adjustment on account of:			
Doubtful debts written off		-	(14,028)
Recovery of doubtful debts		-	(55)
Provision made for doubtful debts		8,369	8,718
Net adjustment		8,369	(5,365)
Closing balance		72,476	64,107

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

16 LOANS AND ADVANCES

	Note	2020 Rupees in thousand	2019 Rupees in thousand
Advances - (Unsecured - considered good)			
To employees	16.1 & 2	8,039	7,945
Advance to supplies and services (Unsecured)			
Considered good	16.4	198,465	203,599
Considered doubtful		1,374	1,374
		204,973	204,973
Against import		1,895	5,107
		209,773	218,025
Less: Provision for doubtful advances		1,374	1,374
		208,399	216,651

16.1 This includes advance to employees against salaries in accordance with the terms of their employment, which is not pas due. These advances are unsecured, interest free and payable on demand.

16.2 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.

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

16.4 This includes advances includes an amount of Rs. 171.510 million (2019: Rs. 186.252 million) provided to Sui Northern Gas Pipelines Limited against running bills and are settled as and when the monthly bills are issues. These advances do not carry any interest or mark-up.

	Note	2020 Rupees in thousand	2019 Rupees in thousand
16.5 Movement of provision for doubtful debts is as follows:			
Opening balance		1,374	1,374
Addition during the year		—	—
Closing balance		1,374	1,374

17 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2020 Rupees in thousand	2019 Rupees in thousand
Trade deposits - (Considered good)	17.1	1,137	1,260
Prepayments		3,866	9,470
		5,003	10,730

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

18 TAX REFUNDS DUE FROM THE GOVERNMENT

(Considered good)
Income tax
Sales tax

Note	2020 Rupees in thousand	2019 Rupees in thousand
	359,672	368,368
	59,933	158,124
	419,605	526,492

19 TAXATION - NET

Advance income tax
Less: Provision for taxation

Note	2020 Rupees in thousand	2019 Rupees in thousand
42	299,069	189,989
	1,446	—
	297,623	189,989

20 CASH AND BANK BALANCES

Cash in hand
Cheques in hand
Cash at banks
Current accounts

Note	2020 Rupees in thousand	2019 Rupees in thousand
	643	491
	114,232	81,353
20.1	19,626	28,048
	134,501	109,892

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

21 SHARE CAPITAL

21.1 Authorized share capital

	2020	2019		2020	2019
	Number of ordinary shares of Rs. 10/- each				
100,000,000	100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000	25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
125,000,000	125,000,000			1,250,000	1,250,000

21.2 Issued, subscribed and paid up capital

	2020	2019		2020	2019
	Number of ordinary shares of Rs. 10/- each				
27,100,000	27,100,000	27,100,000	Fully paid in cash	271,000	271,000
24,900,000	24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
32,700,000	32,700,000	32,700,000	Fully paid bonus shares	327,000	327,000
84,700,000	84,700,000			847,000	847,000

21.2.1 Movement of share capital is as follows:

	2020	2019	Number of Shares	Rupees (thousand)
Opening balance	84,700,000	84,700,000		
Shares issued during the year	—	—		
Closing balance	84,700,000	84,700,000		

21.2.2 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.

21.2.3 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

22 RESERVES	Note	2020	2019
		Rupees in thousand	
Capital			
Share premium	22.1	330,000	330,000
Revenue			
Un-appropriated profit		1,904,070	1,853,951
		<u>2,234,070</u>	<u>2,183,951</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

	Note	2020	2019
		Rupees in thousand	
Opening balance		972,734	972,734
Revaluation surplus arising during the year		—	—
	23.1	<u>972,734</u>	<u>972,734</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:	Note	2020	2019
		Rupees in thousand	
Banking Companies			
The Bank of Punjab	24.1	—	38,450
MCB Bank Limited	24.2	—	150,000
MCB Bank Limited- SBP Refinance	24.3	92,561	—
		<u>92,561</u>	<u>188,450</u>
Other Financial Institutions			
Pak Brunei Investment Company Limited (Private) Limited	24.4	266,667	300,000
		<u>266,667</u>	<u>300,000</u>
		<u>359,228</u>	<u>488,450</u>
Less: Current portion shown under current liabilities	33	24,648	221,783
		<u>334,580</u>	<u>266,667</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. During the year the loan has been fully paid.

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. During the year the loan has been fully paid.

24.3 The Company has obtained term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 98.495 million specifically for paying salaries and wages to Company's employees. The Company has made first drawdown of Rs. 32.810 million in May 2020 and second drawdown of Rs. 65.632 million has been made in June 2020. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal monthly installments commencing from January 31, 2021.

This term loan is secured by way of mortgage of all present and future plant and machinery hypothecation charge over all assets belonging to the Company with 27% margin. The rate of mark-up is fixed at 3%.

24.4 This finance is secured against hypothecation / mortgage charge over all present and future fixed assets of the Company with 25% margin and carries mark up at three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year.

25 LONG TERM DIMINISHING MUSHARAKA	Note	2020	2019
		Rupees in thousand	
Secured;			
Banking Companies			
The Bank of Punjab - TAQWA	25.1	612,500	675,282
The Bank of Punjab - TAQWA	25.2	420,519	412,245
Al-Baraka Bank (Pakistan) Limited	25.3	427,500	410,511
		<u>1,460,519</u>	<u>1,498,038</u>
Less: Current portion shown under current liabilities	33	53,438	84,410
		<u>1,407,081</u>	<u>1,413,628</u>

25.1 This finance has been obtained from an Islamic financial institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal instalments with the one year grace period commencing from February 2020. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year.

25.2 This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year.

25.3 This finance has been obtained under the Islamic mode of financing and secured against specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.40%. This finance is disbursed during the year in various tranches but yet not fully disbursed with a grace period of six months. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year.

	Note	2020 Rupees in thousand	2019
26 LEASE LIABILITIES			
Against right-of-use assets			
Lease liabilities	26.3	50,562	—
Less: Current portion		(10,175)	—
		<u>40,387</u>	<u>—</u>
26.1 Maturity analysis-contractual undiscounted cash flow			
Less than one year		(13,936)	—
One to five year		(45,822)	—
More than five year		—	—
Total undiscounted lease liability		<u>(59,758)</u>	<u>—</u>
26.2 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.			
26.3 The above liabilities were obligations under leases with various lessors for lease of buildings.			
27 DEFERRED LIABILITIES			
Deferred taxation	27.1	222,414	211,277
Provision for gratuity	27.3	142,380	120,312
		<u>364,794</u>	<u>331,589</u>
27.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		581,670	617,513
Deductible temporary differences			
Provision for gratuity		(38,955)	(33,316)
Provision for doubtful debts		(21,018)	(18,591)
Provision for WPPF		(786)	(7,786)
Provision for obsolete stores and spares		(2,383)	(2,168)
Lease liability		(13,833)	—
Tax credits		(282,281)	(344,375)
		<u>222,414</u>	<u>211,277</u>
27.2 The gross movement in the deferred tax liability during the year is as follow:			
Balance as at July 1,		211,277	122,134
IFRS 16 / IFRS 9 - Financial Instruments - Impact of change in accounting policy		(5,599)	(8,990)
		<u>205,678</u>	<u>113,144</u>
Charge to profit and loss account		15,032	100,150
Credit in other comprehensive income		1,704	(2,017)
		<u>222,414</u>	<u>211,277</u>

27.3 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, 2020 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.

		2020 Percentage Per annum	2019 Percentage Per annum
b) Significant actuarial assumptions			
Following are significant actuarial assumptions used in the valuation:			
Discount rate		8.5	14.25
Expected rate of increase in salary		7.50	13.25
c) Reconciliation of payable to defined benefit plan	Note	2020 Rupees in thousand	2019
Present value of obligation		142,380	120,312
Liability recognized in balance sheet		<u>142,380</u>	<u>120,312</u>
d) Movement of the liability recognized in the statement of financial position			
Opening net liability		120,312	99,674
Charge for the year		34,069	23,905
Remeasurement chargeable to other			
Comprehensive income		(6,228)	7,283
Contribution paid to outgoing employees		(5,773)	(10,550)
Closing net liability		<u>142,380</u>	<u>120,312</u>

	Note	2020	2019
		Rupees in thousand	
e) Movement in present value of defined benefit obligations			
Present value of obligation at the start of the year		120,312	99,674
Current service cost		17,336	15,173
Interest cost		16,733	8,732
Experience adjustment and actuarial loss / (gain) on obligation		—	—
Contribution paid to outgoing employees		(5,773)	(10,550)
Actuarial (gains) / losses from changes in financial assumptions		(1,521)	1,118
Experience adjustments		(4,707)	6,165
Closing present value of defined benefit obligations		142,380	120,312
f) Charge for the year			
Current service cost		17,336	15,173
Interest cost		16,733	8,732
Charge for the year		34,069	23,905
g) The expected charge in respect of defined benefit plan for the year ending June 30, 2021 will be 29.869 million.			
h) Sensitivity analysis			
The impact of 1% change in following variables on defined benefit obligation is as follows:			
		Increase in assumption	Decrease in assumption
Discount rate		129,911	156,763
Salary increase		156,919	129,553
i) Maturity profile			
Time in year			
1		6,968	7,445
2		8,350	10,409
3		11,471	8,930
4		21,615	12,878
5-11 onwards		1,057,540	2,858,276
The average duration of the defined benefit obligation is 9.4 years.			
j) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		(6,228)	7,283
Tax impact at 29% (2019: 29%) - net of export %age		1,704	2,017
		(4,524)	5,266
28 DEFERRED GRANT			
Grant		5,934	—

28.1 During the year, the Company received term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 98.495 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal Quarterly installments commencing from January 2021. Subsequent to year end, ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Company recognized the Deferred Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

	Note	2020	2019
		Rupees in thousand	
29 GIDC PAYABLE			
GIDC payable		730,621	730,621
Less: Current portion shown under current liability	30.2	304,425	730,621
		426,196	—
30 TRADE AND OTHER PAYABLES			
Trade creditors		88,539	154,604
Accrued liabilities	30.1 & 30.2	988,535	1,371,997
Advances from customers		115,929	83,407
Retention money		1,626	5,939
Income tax deducted at source		—	51
Workers' Profit Participation Fund	30.3	2,875	28,117
Workers Welfare Fund		3,983	4,299
Other liabilities		63	64
		1,201,550	1,648,478

30.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 21.648 million (2019: Rs. 6.091 million).

30.2 This includes an amount of Rs. 304.425 million (2019: Rs. 730.621 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. Subsequent to the year end, based on appeal filed by the Government, the Supreme Court of Pakistan in its judgement dismissed all the petition filed against the aforesaid matter and decided in favour of Federal Government. Accordingly, as per the direction given in the said judgement, Company would be required to pay the amount of levy payable upto July 2020 in twenty four equal monthly installment commencing from August, 2020. The component of late payment surcharge is no more payable as per the aforesaid judgement.

30.3 Workers' Profit Participation Fund

Balance as at July 01,		28,117	19,815
Interest at prescribed rate		1,482	676
Less: Amount paid to fund		27,768	18,935
		1,831	1,556
Current year's allocation at 5%	39	1,044	26,561
		2,875	28,117

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

31 MARK UP ACCRUED

Secured;			
Long term financing		11,817	14,528
Long term diminishing musharaka		40,069	83,463
Short term borrowings		26,488	27,563
		78,374	125,554

32 SHORT TERM BORROWINGS

	Note	2020 Rupees in thousand	2019
Secured;			
Banking companies			
Running finances			
MCB Bank Limited	32.1	43,287	259,121
Askari Bank Limited	32.1	42,707	53,787
The Bank of Punjab	32.1	5,624	85,699
Samba Bank Limited	32.1	222,918	295,534
		314,536	694,141
Export refinance			
MCB Bank Limited	32.2	100,000	—
Term finance			
Askari Bank Limited	32.3	100,000	—
Bank Al-Falah Limited	32.3	354,039	360,378
Pak Brunei Investment Company Limited	32.3	200,000	200,000
Al-Baraka Bank (Pakistan) Limited	32.3	70,000	125,000
		724,039	685,378
		1,138,575	1,379,519

32.1 Short term running finance facilities from various banks aggregated to Rs. 1,220 million (2019: Rs.1,090 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2019: three months KIBOR plus 0.9% 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 and hypothecation charge over stores, spares and stocks of chemicals.

32.2 Export refinance facility is obtained from MCB Bank Limited aggregated to Rs. 300 million (2019: Nil) and carries mark-up at the rate SBP +1% spread per annum (Floating rate) (2019: Nil) 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 (Rs. 535 million). This loan obtained to finance raw material and to meet working capital requirement related to export business.

32.3 Term finance facilities from various banks aggregated to Rs. 700 million (2019: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.50% per annum (2019: Matching KIBOR plus 1.10 % to 1.50 % per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

32.4 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. 1025 million (2019: Rs. 550 million) are available to the Company.

33 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2020	2019
Long term financing	24	24,648	221,783
Long term diminishing musharaka	25	53,438	84,410
Liabilities against assets subject to finance lease	26	10,175	—
		88,261	306,193

34 CONTINGENCIES AND COMMITMENTS**34.1 Contingent liabilities**

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company 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 (June 30, 2019: Rs. 54.510 million).
- b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore 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 (June 30, 2019: Rs. 4.080 million).
- c) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company 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 was reduced to 2.922 million. Against this demand the company preferred an appeal before Commissioner Inland Revenue (Appeals). The CIR(A) has granted relief of Rs. 0.8 million and upheld the remaining demand. The Company has decided to contest the demand in ATIR. Further during the processing of refund of the Tax Year 2012 u/s 170 of Income Tax Ordinance 2001 out of Rs. 9.40 million the Company has been able to realize refund of Rs. 4.40 million where as refund of Rs. 4.90 has been refused. Being aggrieved by this order the Company has decided to file appeal before CIR(A). However, if the appeals are decided against the Company on both forums, it may result in tax payable of Rs. 7.022 million (June 30, 2019 : Rs. 2.122 million).
- d) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million. (June 30, 2019: Rs. 1.423 million).
- e) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (June 30, 2019: Rs. 6.242 million).

- f) Income tax Audit for TY 2014 & 2015 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The Company challenged the selection before Honourable Lahore High Court where selection was upheld. Thereafter proceedings were conducted and concluded by DCIR and order u/s 122(1) has been issued for both years. As a result of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company preferred appeal before CIR(A) in both cases wherein CIR(A) annulled the demand created by disallowance of tax credit U/S 65B of Income Tax Ordinance, 2001 and ordered reconsideration of the matter in light of certain directions. The CIR(A) has confirmed the additions having tax effect of Rs. 7.30 million. The Company has filed the appeal before ATIR against the decision of CIR(A) on the grounds of being ultra vires. The company is confident of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 7.30 million (June 30, 2019: Rs. 53.70 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. 5.00 million (June 30, 2019: Rs. 3.565 million) against these claims.
- h) Proceedings u/s 177 pertaining to CCIL were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 177 and demand amounting to Rs. 22.032 million for tax year 2013 has been created. The Company being aggrieved filed appeal before CIR (A), which is pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 22.032 million (June 30, 2019: Rs. 22.032 million).
- i) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. 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. 1.20 million (June 30, 2019: 19.724 million).
- j) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honourable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million.
- k) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2019: Nil).

- l) Letters of guarantee outstanding as at June 30, 2020 were Rs. 375.913 million (2019: Rs. 332.782 million).

34.2 Commitments

Commitments as on June 30, 2020 were as follows:

- a) Against letters of credit amounting to Rs. 244.684 million (2019: Rs. 259.730 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (2019: Rs. 1.639 million).

	Note	2020 Rupees in thousand	2019
35 SALES			
Sales			
Manufacturing	35.1	10,428,441	7,801,554
Trading		26	45,046
		<u>10,428,467</u>	<u>7,846,600</u>
Less: Sales tax		(1,446,450)	(1,099,001)
Commission to selling agents		(125,416)	(103,222)
		<u>(1,571,866)</u>	<u>1,202,223</u>
		<u>8,856,601</u>	<u>6,644,377</u>

35.1 This amount includes export sales amounting to Rs. 566.332 million (2019: Rs. 322.480 million).

35.2 Country wise export sales is as follows:

Afghanistan	36,529	61,641
United Arab Emirates	163,295	44,434
India	—	900
Oman	366,508	188,946
China	—	26,559
	<u>566,332</u>	<u>322,480</u>

36 COST OF SALES

Raw materials consumed			
Opening stock		287,808	69,083
Purchases		2,287,776	1,060,796
		<u>2,575,584</u>	<u>1,129,879</u>
Closing stock	14	(238,476)	(287,808)
		<u>2,337,108</u>	<u>842,071</u>
Stores, spares and consumables		179,195	220,819
Packing materials consumed		136,586	48,850
Salaries, wages and other benefits	36.1	490,533	444,968
Fuel and power		3,848,536	3,403,312
Repair and maintenance		28,944	39,452
Rent, rates and taxes		345	1,145
Insurance		15,214	13,408
Depreciation	7.6	556,719	480,721
Vehicle running expenses		13,744	12,773
Telephone, telex and postage		834	799
Printing and stationery		176	105
Provision for slow moving stores and spares	13.2	12,000	18,000
Other expenses		2,217	4,624
		<u>5,285,043</u>	<u>4,688,976</u>

	Note	2020 — Rupees in thousand —	2019
Work in process			
Opening		38,143	33,941
Closing	14	(38,912)	(38,143)
		(769)	(4,202)
Cost of goods manufactured		7,621,382	5,526,845
Cost of stores traded		51	42,060
Finished goods			
Opening		446,016	142,602
Closing	14	(392,491)	(446,016)
		53,525	(303,414)
		7,674,958	5,265,491

36.1 This amount includes Rs. 28.136 million (2019: Rs. 19.649 million) in respect of employees' retirement benefits.

37 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	37.1	31,908	32,675
Travelling and conveyance		877	2,209
Vehicle running expenses		2,241	2,223
Advertisement		4	879
Telephone, telex and postage		1,093	1,275
Marketing service charges		42,143	32,040
Freight		413,056	329,604
Rent, rates and taxes		481	3,742
Printing and stationery		377	857
Fee and subscription		337	73
Fuel and power		1,872	2,056
Repair and maintenance		2,120	1,399
Insurance		1,844	647
Depreciation	7.6	2,688	2,346
		501,041	412,025

37.1 This amount includes Rs. 2.258 million (2019: Rs. 1.659 million) in respect of employees' retirement benefits.

38 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	38.1	131,806	119,551
Traveling and conveyance		8,640	11,443
Vehicle running expenses		7,257	7,146
Telephone, telex and postage		3,166	2,410
Rent, rates and taxes		378	10,278
Printing and stationery		792	931
Fee and subscription		2,767	5,203
Legal and professional charges		10,511	7,479
Fuel and power		4,454	4,160
Provision for doubtful debts and advances		8,369	8,718
Repair and maintenance		3,278	3,015
Depreciation	7.6	13,340	8,785
Donations	38.2	10,781	7,015
Other expenses		2,767	3,170
		208,306	199,304

38.1 This amount includes Rs. 4.202 million (2019: Rs. 3.075 million) in respect of employees' retirement benefits.

38.2 Donations

The Company has paid donations to donees as mentioned below exceeding Rs. 0.500 million except Kiran Foundation due to interest in donee.

Note	2020 — Rupees in thousand —	2019
Rana Al-habib Memorial Hospital Foundation	1,200	1,200
Dastkari School KSK	1,350	1,041
Kiran Foundation	300	900
	2,850	3,141

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

Donation amounting to Rs. 0.300 million (2019: Rs. 0.900 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.

38.2.2 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.

39 OTHER OPERATING EXPENSES

Auditors' remuneration			
Audit fee		800	800
Half yearly review fee		189	189
Tax and certification charges		115	107
Out of pocket expenses		213	150
		1,317	1,246
Loss on sale of fixed assets		—	15
Loss on decommissioned fixed assets	39.1	54,318	44,794
Workers' profit participation fund	30.3	1,044	26,561
Workers welfare fund		3,983	4,299
		60,662	76,915

39.1 This represents an amount of Rs. 54.318 million (2019: 44.794) on account of scrapping of plant and machinery as no future economic benefits are expected from its use.

40 OTHER INCOME

Income from financial assets			
Gain on foreign exchange		10,774	11,780
Income from non- financial assets			
Gain on sale of fixed assets		677	1,918
Sale of scrap		72,611	51,278
Liabilities no longer payable written back		—	358
Interest on re-financing scheme		336	—
Recovery of doubtful debts		—	55
		73,624	53,609
		84,398	65,389

	Note	2020	2019
		Rupees in thousand	
41 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		56,466	48,939
Long term diminishing musharaka		224,729	82,636
Interest on lease finance		7,792	-
Short term borrowings		178,897	114,496
Worker's profit participation fund		1,482	676
		469,366	246,747
Bank charges and commission		10,814	8,921
		480,180	255,668
42 TAXATION			
Current	42.2	1,446	-
Prior year		449	(113)
Deferred tax		15,032	100,150
		16,927	100,037

42.1 As the tax charge represent minimum (2019: alternate corporate tax) under the income Tax Ordinance, 2001, numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented.

42.2 As per provisions of Income Tax Ordinance, 2001, tax credit equal to 5% of the amount invested in the acquisition of plant and machinery for purposes of balancing, modernization and replacement (BMR) is admissible against the income tax payable subject to certain conditions. Accordingly, an amount of Rs. 90.602 million (2019: Rs. 82.871 million) has been adjusted against minimum (2019: alternative corporate tax) provision and amounting to Rs. 4.515 million (2019: Rs. 3.337 million) against final tax regime during the year.

42.3 The rate of tax has been fixed at 29% for Tax Year 2020 and onwards by taxation authorities.

42.4 Comparison of tax provision against tax assessments

Years	Note	Excess/ (Short)	Tax	
			Tax provision	assessment/ tax return
(Rupees in thousand)				
2018-19	42.5	-	-	-
2017-18	42.5	-	-	-
2016-17	42.5	-	-	-

42.5 Minimum tax/alternate corporate tax for Tax Year 2017, 2018 and 2019 of Rs. 47.191 million, Rs. 62.772 million and Rs. 21.309 was fully adjusted against the tax credits under section 65B.

43 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 27.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

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

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

d) Stores and spares

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

e) Financial instrument

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

f) Provision for doubtful receivables

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

g) Fair value measurement

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

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

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

44 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. 8.333 million (2019: Rs. 6.751 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2020, 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. 7.319 million (2019: Rs. 5.113 million) at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
2020		
Deposit in scheduled banks	7,319	100
2019		
Deposit in scheduled banks	5,113	100

45 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)	60,800	405,051
Weighted average number of ordinary shares - (in thousand)	84,700	84,700
Earnings per share - (Rupees)	0.72	4.78

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

	Liabilities		
	Financing	Equity reserves	Total
	(Rupees in thousands)		
Balance as at July 1, 2019	3,366,007	1,040	3,367,047
Borrowings from Banking Companies (short and long)	(92,468)	-	(92,468)
Repayment of financing	(309,283)	-	(309,283)
Repayment of finance lease liabilities	(5,486)	-	(5,486)
Dividend paid on ordinary shares	-	(20)	(20)
Balance as at June 30, 2020	2,958,770	1,020	2,959,790

47 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:

47.1 Transactions with related parties

Relation with the Company	Nature of transaction		
Other related party			
Chemi Multifabrics Limited	Marketing service charges	42,143	27,782
Ittehad Salt Processing (Private) Limited	Investment made	19	-
Associated company			
Ittehad Developer	Loan received	-	45,000
Ittehad Developer	Loan paid	-	(45,000)
Staff retirement fund	Contribution to staff retirement	528	478
Directors and employees	Remuneration to directors and key management personnel	83,138	85,545
Key management personnel	Loans & advances	-	487
	Payment of loans & advances	-	(8,746)

47.2 Basis of relationship with the company

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

47.3 Year end balance

Chemi Multifabrics Limited (Payable)	21,648	6,091
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47.4 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 51)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

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

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

48 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 Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

48.1 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:

	2020	2019
	Rupees in thousand	
Long term investments	19	-
Long term deposits	52,042	51,906
Trade debts - net of provision	799,171	664,516
Loans and advances - net of provision	8,039	7,945
Trade deposits	1,137	1,260
Bank balances	133,858	109,401
	<u>994,247</u>	<u>835,028</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:

	2020	2019
Export	77,530	104,705
Domestic	721,641	559,811
	<u>799,171</u>	<u>664,516</u>

Trade receivables by geographical split is as follows:

Country	Sales		Trade debts		
	LC	Others	Total	Outstanding balance	
(Rupees in thousand)					
				2020	2019
Afghanistan	-	36,529	36,529	-	-
China	-	-	-	-	-
United Arab Emirates	-	163,295	163,295	35,437	10,585
India	-	-	-	-	-
Oman	-	366,508	366,508	42,093	94,120
Total	<u>-</u>	<u>566,332</u>	<u>566,332</u>	<u>77,530</u>	<u>104,705</u>

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

	2020	2019
	Rupees in thousand	
Dealers	259,148	171,442
End-user customers	540,023	493,074
	<u>799,171</u>	<u>664,516</u>

The aging of trade receivable at the reporting date is:

	2020	2019
Not past due	562,198	443,079
Past due 1-30 days	120,320	154,305
Past due 30-150 days	116,653	67,132
Past due more than 150 days	-	-
	<u>799,171</u>	<u>664,516</u>

The company's most significant customers, are dealers from whom the receivable was Rs. 259.147 million (2019: Rs. 171.442 million) and foreign debtors amounting to Rs. 77.53 million (2019: Rs. 104.705 million) of the total carrying amount as at 30 June 2020.

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

On the prudence basis an amount of Rs. 8.369 (2019: 8.718 million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 72.476 (2019: Rs. 64.038) has been provided for as doubtful debts as fully explained on note 15.1.

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

Cash and bank balances

The Company held cash and cash equivalents amounting to Rs. 134.501 million. These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Company considers its cash

and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries and deposits with government entities. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

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

48.2 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)						
2020						
Financial liabilities						
Long term financing	359,228	452,648	14,199	38,754	141,476	258,219
Long term diminishing musharaka	1,460,519	1,831,837	61,810	115,248	497,862	1,156,917
Lease liabilities	50,562	59,758	13,936	-	13,936	31,886
Trade and other payables	1,078,763	1,504,957	1,504,957	-	-	-
Mark-up accrued	78,374	78,374	78,374	-	-	-
Short term borrowing	1,138,575	1,161,475	1,161,475	-	-	-
	<u>4,166,021</u>	<u>5,089,049</u>	<u>2,834,751</u>	<u>154,002</u>	<u>653,274</u>	<u>1,447,022</u>

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
(Rupees in thousand)						
2019						
Financial liabilities						
Long term financing	488,450	611,541	141,788	130,126	97,067	242,560
Long term diminishing musharaka	1,498,038	2,145,708	161,134	179,372	547,454	1,257,748
Trade and other payables	1,532,604	1,532,604	1,532,604	-	-	-
Mark-up accrued	125,554	125,554	125,554	-	-	-
Short term borrowing	1,379,519	1,428,537	1,428,537	-	-	-
	<u>5,024,165</u>	<u>5,843,944</u>	<u>3,389,617</u>	<u>309,498</u>	<u>644,521</u>	<u>1,500,308</u>

48.3 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	2020 Rupees in thousand	2019
Trade debts		77,530	104,705
Gross balance sheet exposure		77,530	104,705
Outstanding letters of credit	34.2	(244,684)	(259,730)
Net exposure		<u>(167,154)</u>	<u>(155,025)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2020	2019	2020	2019
USD to PKR	166.63	143.05	168.75	164.50

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>7,753</u>	<u>10,471</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:

	Effective rates	Carrying amount	
		2020	2019
		Rupees in thousand	
Financial liabilities			
Variable rate instruments:			
Long term loans	8.62%	359,228	488,450
Long term diminishing musharaka	14.74%	1,460,519	1,498,038
Short term borrowings	9.48%	1,138,575	1,379,519
		<u>2,958,322</u>	<u>3,366,007</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 2019.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2020		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,583)</u>	<u>29,583</u>
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial liabilities	<u>(33,660)</u>	<u>33,660</u>

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

48.4 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.

49 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

50 FINANCIAL INSTRUMENTS BY CATEGORY

2020							
Note	New carrying amount under IFRS 9			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2020							
Rupees in thousands							
Financial assets at amortised cost							
Long term investments	11	19	19	-	-	-	-
Long-term deposits	12	52,042	52,042	-	-	-	-
Trade debts - net of provisions	15	799,171	799,171	-	-	-	-
Loans and advances	16	8,039	8,039	-	-	-	-
Trade deposits	17	1,137	1,137	-	-	-	-
Cash and bank balances	20	134,501	134,501	-	-	-	-
		<u>994,909</u>	<u>994,909</u>	-	-	-	-
Financial liabilities at amortised cost							
Long term financing	24	-	359,228	-	-	-	-
Long term diminishing musharaka	25	-	1,460,519	-	-	-	-
Lease liabilities	26	-	50,562	-	-	-	-
Gratuity	27	-	142,380	-	-	-	-
GIDC payable	29	-	426,196	-	-	-	-
Trade and other payables	30	-	1,078,763	-	-	-	-
Mark-up accrued	31	-	78,374	-	-	-	-
Short-term borrowings	32	-	1,138,575	-	-	-	-
		-	<u>4,734,597</u>	<u>4,734,597</u>	-	-	-
2019							
Note	New carrying amount under IFRS 9			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2019							
Rupees in thousands							
Financial assets at amortised cost							
Long-term deposits	12	51,906	51,906	-	-	-	-
Trade debts - net of provisions	15	664,516	664,516	-	-	-	-
Loans and advances	16	7,945	7,945	-	-	-	-
Trade deposits	17	1,260	1,260	-	-	-	-
Cash and bank balances	20	109,892	109,892	-	-	-	-
		<u>835,519</u>	<u>835,519</u>	-	-	-	-
Financial liabilities at amortised cost							
Long term financing	24	-	488,450	-	-	-	-
Long term diminishing musharaka	25	-	1,498,038	-	-	-	-
Trade and other payables	30	-	1,532,604	-	-	-	-
Mark-up accrued	31	-	125,554	-	-	-	-
Short-term borrowings	32	-	1,379,519	-	-	-	-
		-	<u>5,024,165</u>	<u>5,024,165</u>	-	-	-

50.1 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.

50.2 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.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

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

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

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

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

There were no financial instruments held by the Company which are measured at fair value as of June 30, 2020 and June 30, 2019.

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.

52 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	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in thousand) -----					
Managerial remuneration	4,320	4,440	3,447	3,567	77,368	68,546
House rent allowance	1,944	1,998	1,551	1,605	34,816	30,846
Medical expenses	216	222	172	178	3,868	3,427
Bonus (performance)	500	560	390	450	9,137	8,594
Gratuity	-	-	-	-	-	4,896
	6,980	7,220	5,560	5,800	125,189	116,309
Number of persons	1	1	1	1	50	41

52.1 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.

52.2 The amount charged in these financial statements in respect of meeting fee for non-executive directors aggregate to Rs. 1.23 million (2019: Rs. 1.20 million).

53 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2020	2019	2020	2019	
Caustic Soda Liquid	170,000	170,000	81,907	95,115	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	5,232	6,020	
LABSA / SLES	24,000	24,000	11,771	1,201	
Liquid Chlorine	13,200	13,200	6,886	8,866	
Hydrochloric Acid	200,000	200,000	182,763	200,000	
Sodium Hypochlorite	49,500	49,500	22,152	23,652	
Bleaching Earth	-	3,300	-	-	
Zinc Sulphate	600	600	7	91	
Sodium Sulphate (Anhydrous)	4000	-	814.2	-	
Sulphuric Acid	3,300	3,300	329	545	
Calcium Chloride Prills	30,000	20,000	24,283	12,974	
Humic Acid	120	120	18	16	

54 NUMBER OF EMPLOYEES

	2020	2019
Number of employees at June 30,		
Permanent		
Head office	71	62
Factory	437	474
Contractual		
Head office	3	5
Factory	138	141
Average number of employees during the year		
Permanent		
Head office	67	60
Factory	456	470
Contractual		
Head office	4	5
Factory	140	144

55 CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

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

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

Note	2020	2019
	Rupees in thousand	
The proportion of debt to equity at the year end was:		
Total Borrowings (notes 24, 25, 32 and 33)	2,968,497	3,366,007
Less: Balances with banks (note 20)	134,501	109,892
Net debt	2,833,996	3,256,115
Total equity	4,053,804	4,003,685
Total capital	6,887,800	7,259,800
Gearing ratio	0.41	0.45

56 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 during the year.

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

57.1 Change in accounting policies in respect to adoption of IFRS -16 Leases.

57.2 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.

58 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on September 18, 2020 has recommended final cash dividend for the year ended June 30, 2020 at 10% i.e. Re.1 per share (2019: Nil% i.e. Re. Nil per share). These financial statements do not reflect this appropriation.

59 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, government have introduced a host of measures on both the fiscal and

economic fronts by issuing certain circulars and notifications from time to time. The Company, however, believes that these events would not fundamentally impact the operations of the Company in ensuring periods. The management had analysed the events as these are indicative of conditions for a review of recoverable amounts of assets of the Company and consequently concluded that there is no change in recoverable amounts of Company's assets at the reporting date. However, the management and the Board of Directors of the Company continue to monitor the developing situation and impact if any will be accounted for in the financial statements for the subsequent periods.

The management of the Company is also closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders, and also implemented a number of measures to minimise the impact to the extent possible.

60 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

Description	Explanation	Note	2020	2019
			Rupees in thousand	
Loan and advance obtained	Interest bearing		1,884,558	1,983,416
Shariah bank deposit			-	-
Segment revenue (shariah compliant business)			-	-
Bank balance as at June 30,	Placed under shariah permissible		14,712	6,468
Income on bank deposit			-	-
Mark up paid on Islamic mode of Financing			330,455	104,217
Gain / (loss) or dividend income			-	-
Exchange gain			-	-

Relationship with banks having Islamic windows

Bank Name

Nature of transaction

Al- Baraka Bank (Pakistan) Limited

The Bank of Punjab
Dubai Islamic Bank (Pakistan) Limited
Bank Alfalah Limited - Islamic
Meezan Bank Limited

Long term diminishing musharaka and short term borrowings

61 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 18 September 2020 by the Board of Directors of the Company.

62 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 2020

Number of Shareholders	Shareholding From	To	Total Shares Held
187	1 -	100	4,432
145	101 -	500	51,440
196	501 -	1000	137,433
458	1001 -	5000	1,050,512
110	5001 -	10000	804,978
45	10001 -	15000	544,662
29	15001 -	20000	513,160
27	20001 -	25000	602,819
16	25001 -	30000	450,022
6	30001 -	35000	194,857
2	35001 -	40000	78,691
8	40001 -	45000	343,456
8	45001 -	50000	399,000
2	50001 -	55000	107,550
3	55001 -	60000	169,408
2	60001 -	65000	123,722
2	65001 -	70000	140,000
3	70001 -	75000	221,500
2	75001 -	80000	151,758
3	80001 -	85000	249,148
3	85001 -	90000	260,014
1	90001 -	95000	93,600
2	95001 -	100000	200,000
2	100001 -	105000	201,100
1	105001 -	110000	109,000
1	115001 -	120000	117,500
2	120001 -	125000	246,726
1	125001 -	130000	129,000
1	130001 -	135000	134,577
2	140001 -	145000	284,807
2	145001 -	150000	299,032
1	155001 -	160000	160,000
1	160001 -	165000	164,000
1	170001 -	175000	173,000
1	175001 -	180000	177,921
1	180001 -	185000	183,514
1	185001 -	190000	187,500
1	190001 -	195000	190,500
1	195001 -	200000	200,000
1	200001 -	205000	202,000
2	205001 -	210000	413,461
2	215001 -	220000	436,000
1	220001 -	225000	221,716
1	235001 -	240000	240,000
1	245001 -	250000	246,331
1	250001 -	255000	253,000
1	255001 -	260000	259,000
1	265001 -	270000	270,000
1	275001 -	280000	279,500
1	310001 -	315000	313,000
1	340001 -	345000	343,882
1	350001 -	355000	352,837
1	355001 -	360000	359,779
1	375001 -	380000	377,500
1	390001 -	395000	393,550
1	415001 -	420000	415,028
1	435001 -	440000	437,798
3	495001 -	500000	1,495,728
1	505001 -	510000	507,351
1	575001 -	580000	576,428
1	585001 -	590000	588,193
1	610001 -	615000	614,073
1	615001 -	620000	618,470
1	620001 -	625000	621,487
3	680001 -	685000	2,045,103

Pattern of Shareholding as at 30 June 2020

Number of Shareholders	Shareholding From	To	Total Shares Held
2	820001 -	825000	1,643,251
1	845001 -	850000	849,866
1	870001 -	875000	874,990
1	890001 -	895000	894,528
1	945001 -	950000	948,680
1	1000001 -	1005000	1,002,326
1	1040001 -	1045000	1,041,500
1	1115001 -	1120000	1,117,180
1	1160001 -	1165000	1,162,020
1	1260001 -	1265000	1,260,837
1	1305001 -	1310000	1,305,035
1	1315001 -	1320000	1,316,107
1	1325001 -	1330000	1,327,436
1	1335001 -	1340000	1,336,000
1	1360001 -	1365000	1,364,609
1	1445001 -	1450000	1,445,433
1	1990001 -	1995000	1,992,025
1	2855001 -	2860000	2,858,173
1	3165001 -	3170000	3,166,554
1	3215001 -	3220000	3,219,726
1	4055001 -	4060000	4,055,434
1	4655001 -	4660000	4,655,110
1	5080001 -	5085000	5,084,865
1	6855001 -	6860000	6,859,587
1	11185001 -	11190000	11,187,174
1,338			84,700,000

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Pattern of Shareholding as at 30 June 2020

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	21,648,582	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.	1,445,433	1.7065%
Insurance Companies	207,000	0.2444%
Modarbas and Mutual Funds	2,780,700	3.2830%
General Public		
a. Local	47,753,229	56.3793%
b. Foreign	1,100	0.0013%
Others (to be specified)		
1- Joint Stock Companies	10,074,756	11.8946%
2- Pension Funds	723,500	0.8542%
3- Foreign Companies	7,500	0.0089%
4- Others	58,200	0.0687%
	<u>84,700,000</u>	<u>100%</u>
Share holders holding 10% or more	11,393,635	13.4518%

Pattern of Shareholding as at 30 June 2020

Additional Information

Categories of Shareholders

Sr. No.	Name	No. of Shares Held	Percentage
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Associated Companies, Undertakings and Related Parties (Name Wise Detail): - -

Directors, Chief Executive Officer, and their spouse and minor children

1	MR. MUHAMMAD SIDDIQUE KHATRI	11,393,635	13.4518
2	MR. ABDUL SATTAR KHATRI	5,084,865	6.0034
3	MR. WAQAS SIDDIQ KHATRI	621,487	0.7338
4	MRS. FARHANA ABDUL SATTAR KHATRI	948,680	1.1200
5	MR. ABDULLAH MUSTAFA	3,166,554	3.7386
6	MR. PERVAIZ AHMED KHAN	845	0.0010
7	MR. PERVEZ ISMAIL	550	0.0006
5	MRS. SABINA	431,966	0.5100

Banks, Development Financial Institutions, Non Banking Financial Institutions

1	PAK LIBYA HOLDING COMPANY (PVT.) LIMITED	1,445,433	1.7065
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Insurance Companies

1	ALFALAH INSURANCE COMPANY LIMITED	207,000	0.2444
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Modarbas and Mutual Funds

1	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	240,000	0.2834
2	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	377,500	0.4457
3	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	216,000	0.2550
4	CDC - TRUSTEE MEEZAN ISLAMIC FUND	117,500	0.1387
5	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	75,000	0.0885
6	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	75,258	0.0889
7	B.R.R. GUARDIAN MODARABA	42,100	0.0497
8	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	100,000	0.1181
9	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	50,000	0.0590
10	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	25,742	0.0304
11	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	496,000	0.5856
12	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	313,000	0.3695
13	CDC - TRUSTEE ALFALAH GHP STOCK FUND	259,000	0.3058
14	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	173,000	0.2043
15	FIRST ALNOOR MODARABA	100	0.0001
16	CDC - TRUSTEE MEEZAN BALANCED FUND	129,000	0.1523
17	CDC - TRUSTEE FAYSAL STOCK FUND	76,500	0.0903
18	CDC - TRUSTEE ALFALAH GHP VALUE FUND	15,000	0.0177

Pattern of Shareholding

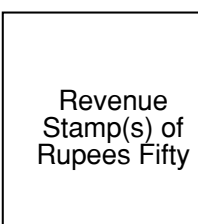
as at 30 June 2020

Sr. No.	Name	No. of Shares Held	Percentage
Joint Stock Companies			
1	BULK MANAGEMENT PAKISTAN (PVT.) LTD.	30,000	0.0354
2	SITARA CHEMICAL INDUSTRIES LTD.	84,698	0.1000
3	MARINE SERVICES (PVT.) LIMITED	16,500	0.0195
4	NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LTD.	26,138	0.0309
5	NH SECURITIES (PVT) LIMITED.	3,386	0.0040
6	M/S. JHELUM SILK MILLS (PVT)	4,055,434	4.7880
7	M/S. CHEMITEX INDUSTRIES LTD.	4,655,110	5.4960
8	AKSEER VENTURES (PVT.) LIMITED	50,000	0.0590
9	DJM SECURITIES LIMITED	25,000	0.0295
10	MULTILINE SECURITIES (PVT) LIMITED	5,500	0.0065
11	NETWORTH SECURITIES LIMITED	9,879	0.0117
12	AZEE SECURITIES (PRIVATE) LIMITED	110	0.0001
13	MAPLE LEAF CAPITAL LIMITED	1	0.0000
14	MULTILINE SECURITIES (PVT) LIMITED - MF	15,000	0.0177
15	MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LTD.	50,000	0.0590
16	Y.H. SECURITIES (PVT.) LTD.	1,041,500	1.2296
17	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	1,500	0.0018
18	MRA SECURITIES LIMITED - MF	5,000	0.0059
Pension Funds			
1	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	500	0.0006
2	CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	190,500	0.2249
3	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	253,000	0.2987
4	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	279,500	0.3300
Foreign Companies			
1	MIDDLE EAST NORTH AFRICA FINANCIAL INVESTMENTS W.L.L.	7,500	0.0089
Others			
1	FABTEX CORPORATION	30,000	0.0354
2	ISPI CORPORATION (PRIVATE) LIMITED	5,000	0.0059
3	HONDA SOUTH (PRIVATE) LIMITED	20,500	0.0242
4	TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPLOYEES P. FUND	2,200	0.0026
5	TRUSTEE PAKISTAN PETROLEUM JUNIOR PROVIDENT FUND	500	0.0006
Grand Total:		84,700,000	100.0000

Proxy Form

I/We _____ of _____ being member of **ITEHAD 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 **ITEHAD CHEMICALS LIMITED** vide Registered Folio / CDC Participant I.D. No. _____ as my proxy to vote for me and on my behalf at the 29th Annual General Meeting of the Company to be held on Monday, October 26, 2020 at 11.00 a.m. at the registered office and any adjournment thereof.

Signed this _____ day of _____ 2020.



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.

پراکسی فارم

AFFIX
CORRECT
POSTAGE

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

میں / ہم بحیثیت ممبر اتحاد کیمیکلز
لمیٹڈ اور حال عمومی حصص برطبق رجسٹرڈ فولیو / سی ڈی سی پارٹیسپینٹ شناختی نمبر اور سی ڈی سی اکاؤنٹ
نمبر بذریعہ تحریر یا بذریعہ محترم / محترمہ کو یا ان کی غیر
حاضری کی صورت میں محترم / محترمہ کو جو بحوالہ رجسٹرڈ فولیو / سی ڈی سی پارٹیسپینٹ
شناختی نمبر اتحاد کیمیکلز لمیٹڈ کے / کی ممبر بھی ہیں، اپنا پراکسی مقرر
کرتا / کرتی / کرتے ہیں تاکہ وہ میرے / ہمارے لئے اور میری / ہماری طرف سے کمپنی کے 29 ویں سالانہ اجلاس عام میں ووٹ ڈال
سکیں جو 26 اکتوبر 2020ء بروز پیر کو صبح 11:00 بجے رجسٹرڈ آفس میں یا اس کے کسی بھی التوا کی صورت میں منعقد ہوگا۔

پچاس روپے کے رسیدی ٹکٹس	تاریخ دستخط:
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دستخط

(جو کمپنی کے پاس رجسٹرڈ ہیں)

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

نوٹ:

- ☆ یہ پراکسی فارم، باقاعدہ پر شدہ اور دستخط شدہ حالت میں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً پہنچانا 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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Registered / Head Office:

39-Empress Road, Lahore-Pakistan.

Tel: +92 42 3630 6586-88

Fax: +92 42 3636 5697



Ms Certification
No of Certificate 236



ITTEHAD
GROUP

www.ittehadchemicals.com

Registered Office/Head Office:

39-Empress Road, Lahore, Pakistan.

Tel: +92 42 36306586 - 88, Fax: +92 42 36365697

Factory:

G.T. Road, Kala Shah Kaku,

District Sheikhpura, Pakistan.

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