

Half Yearly Report
December 31,

○ 2019



Expanding Possibilities



ITTEHAD CHEMICALS LIMITED

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ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(UN-AUDITED)

Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Siddique Khatri	Chairman	Non-Executive Director
Mr. Abdul Sattar Khatri	Director/CEO	Executive Director
Ms. Farhana Abdul Sattar Khatri	Director	Non-Executive Director
Mr. Waqas Siddiq Khatri	Director	Executive Director
Mr. Abdullah Mustafa	Director	Non-Executive Director
Mr. Pervaiz Ahmad Khan	Director	Independent Director
Mr. Pervez Ismail	Director	Independent Director

AUDIT COMMITTEE

Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

HR & REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Shahbaz Ali

COMPANY SECRETARY

Mr. Abdul Mansoor Khan

REGISTERED OFFICE/HEAD OFFICE

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

PLANT

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

SHARES REGISTRAR

M/s. Hameed Majeed Associates (Pvt) Limited
1st Floor, H.M. House, 7 Bank Square
The Mall, Lahore.
Ph: 042 - 37235081-082

BANKERS

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

AUDITORS

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

LEGAL ADVISOR

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

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2019 together with Auditors' Review Report thereon.

During the period under review, Company maintained healthy trend of sales and posted net sales revenue of Rupees 4,246 Million (2018: Rupees 3,020 Million) with an increase of 41% from corresponding period of last year. The recent inclusion of Company's state of the art LABSA Plant in company's operations significantly contributed to the improved turnover. The cost of sales was Rupees 3,685 Million (2018: Rupees 2,347 Million) bringing gross profit to Rupees 561 Million (2018: Rupees 673 Million). Although, the gross profit margin dropped to 13% from 22% vis-à-vis corresponding period of last year on account of highest ever RLNG / LESCO Tariff Rates, higher interest cost due to increase in KIBOR and inflationary pressures; however the gross profit margin improved to 16% in 2nd quarter from 10% of 1st quarter of ongoing Financial Year due to better sale prices of the Company's products during the 2nd quarter.

The bottom line showed a net loss after tax of Rupees 32 Million (2018: profit Rupees 214 Million) which yielded loss per share of Rupees 0.37 (2018: Profit Rupees 2.52 per share). Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.

The capacity utilization of Company's state of the art LABSA Plant is steadily increasing. The Management is expecting healthier contribution from LABSA Plant in the coming times which will contribute towards bottom line.

Looking forward, despite the prevailing challenges being faced by the Corporate Sector in the country, our focus will remain on improving existing lines of business with the ultimate objective of maximizing shareholders' wealth in long run.

The Board is thankful to the valuable Members, 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



Abdul Sattar Khatri
Chief Executive Officer



Muhammad Siddique Khatri
Chairman

Lahore
February 19, 2020

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت خوشی کے ساتھ 31 دسمبر 2019ء کو اختتام پزیر ہونے والے نصف مالی سال کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے اور ان پر آڈیٹر کا جائزہ رپورٹ پیش کر رہے ہیں۔


زیر جائزہ عرصہ میں کمپنی کی فروخت کا مثبت رجحان رہا جس کی وجہ سے کمپنی کی فروخت سے حاصل شدہ رقم 4,246 ملین روپے (2018: 3,020 ملین روپے) رہی جو کہ گزشتہ سال کے اسی عرصہ کی فروخت سے حاصل شدہ رقم کے مقابلے میں %41 زائد ہے۔ کمپنی کے جدت کے حامل LABSA پلانٹ کی حالیہ شمولیت کی بناء پر کمپنی کی کاروباری سرگرمیوں میں نمایاں اضافہ ہوا۔ فروخت کی لاگت 3,685 ملین روپے (2018: 2,347 ملین روپے) رہی جس سے کمپنی کا خام منافع 561 ملین روپے (2018: 673 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں اگرچہ %22 سے کم ہو کر %13 ہوا جس کی وجہ LESCO/RLNG کی بلند ترین قیمتیں، KIBOR کا زیادہ شرح سود، افراط زر کا دباؤ ہے۔ البتہ رواں مالی سال کی دوسری سہ ماہی میں خام منافع %16 تک ہے جو کہ پہلی سہ ماہی میں %10 تھا۔ جس کی وجہ کمپنی کی مصنوعات کی دوسری سہ ماہی میں بہتر قیمتیں ہیں۔


ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 32 ملین روپے (2018: 214 ملین روپے منافع) کا خالص نقصان ظاہر کرتی ہے جس کے نتیجے میں مبلغ 0.37 روپے فی حصص (2018: 2.52 فی حصص آمدنی) نقصان ہوا۔ اسکے علاوہ جہاں ضروری تھا اعداد و شمار کو دوبارہ ترتیب دیا گیا اور دوبارہ ترمیم کی گئی جس کا اثر نظر انداز کیا جاسکتا ہے۔

کمپنی کے جدت کے حامل LABSA پلانٹ کی پیداواری صلاحیت کے استعمال میں مسلسل اضافہ ہو رہا ہے آنے والے وقت میں انتظامیہ LABSA پلانٹ سے بہتر شراکت کی توقع کر رہی ہے جس سے کمپنی مالی لحاظ سے مزید مستحکم ہوگی۔

آگے دیکھتے ہوئے ملک میں کارپوریٹ سیکٹر کو درپیش مشکلات کے باوجود ہماری تمام تر توجہ موجودہ کاروباری مقاصد میں بہتری لانے پر مرکوز ہے تاکہ حصص داران کی قدر میں وقت کے ساتھ ساتھ اضافہ ہو۔

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

منجانب بورڈ

 محمد صدیق کھتری
 چیئرمین


 عبدالستار کھتری
 چیف ایگزیکٹو آفیسر

19 فروری 2020ء

لاہور

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF ITTEHAD CHEMICALS LIMITED

Report on review of interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **ITTEHAD CHEMICALS LIMITED** (the "Company") as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended December 31, 2019 and December 31, 2018 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Mohammad Imran

LAHORE
DATED: February 19, 2020

Condensed Interim Statement of Financial Position as at December 31, 2019

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	6,062,017	6,334,613
Operating fixed assets			35,541
Capital work in progress	8	102,908	
		6,164,925	6,370,154
Intangible assets		6,445	6,445
Investment property		133,125	133,125
Long term deposits		52,028	51,906
		6,356,523	6,561,630
CURRENT ASSETS			
Stores, spares and loose tools	9	420,953	407,749
Stock in trade	10	750,452	788,704
Trade debts	11	750,168	664,516
Loans and advances	12	237,189	216,651
Trade deposits and short term prepayments		10,960	10,730
Tax refunds due from Government		564,809	526,492
Taxation - net		156,996	189,989
Cash and bank balances	13	198,701	109,892
		3,090,228	2,914,723
TOTAL ASSETS		9,446,751	9,476,353
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14	1,250,000	1,250,000
Issued, subscribed and paid up capital	14	847,000	847,000
Reserves			
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		1,807,183	1,853,951
Surplus on revaluation of fixed assets - Freehold land		972,734	972,734
		3,956,917	4,003,685
NON CURRENT LIABILITIES			
Long term financing	15	233,334	266,667
Long term diminishing musharaka	16	1,206,401	1,413,628
Lease liabilities	17	42,106	-
Deferred liabilities		324,445	331,589
		1,806,286	2,011,884
CURRENT LIABILITIES			
Trade and other payables	18	1,612,257	1,648,478
Unclaimed dividend		1,040	1,040
Mark-up accrued		87,235	125,554
Short term borrowings	19	1,501,369	1,379,519
Current portion of lease liabilities	17	6,637	-
Current portion of long term liabilities		475,010	306,193
		3,683,548	3,460,784
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		9,446,751	9,476,353

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit and Loss Account (Un-audited) for the half year ended December 31, 2019

	Note	Half year ended December 31,		Quarter ended December 31,	
		2019	2018	2019	2018
—— (Rupees in thousand) ——					
Sales - net	21	4,245,985	3,019,737	2,162,249	1,715,840
Cost of sales	22	(3,684,689)	(2,346,735)	(1,818,788)	(1,281,454)
Gross profit		561,296	673,002	343,461	434,386
Selling and distribution expenses		(274,853)	(191,176)	(136,395)	(106,534)
General and administrative expenses		(97,089)	(94,657)	(45,725)	(50,908)
Other operating expenses	23	(39,115)	(28,989)	(12,584)	(23,544)
Other operating income		48,296	25,022	20,435	17,012
		(362,761)	(289,800)	(174,269)	(163,974)
Operating profit		198,535	383,202	169,192	270,412
Financial charges		(247,002)	(118,314)	(129,503)	(64,593)
(Loss) / profit before taxation		(48,467)	264,888	39,689	205,819
Taxation	24	16,904	(51,173)	(14,575)	(36,001)
(Loss) / profit after taxation		(31,563)	213,715	25,114	169,818
(Loss) / earnings per share					
- basic and diluted (Rupees)	25	(0.37)	2.52	0.30	2.00

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the half year ended December 31, 2019**

	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	—— (Rupees in thousand) ——			
(Loss) / profit for the period	(31,563)	213,715	25,114	169,818
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss)/ income for the period	<u>(31,563)</u>	<u>213,715</u>	<u>25,114</u>	<u>169,818</u>

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2019

	Half Year Ended December 31,	
	2019	2018
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(48,467)	264,888
Adjustments for items not involving movement of funds:		
Depreciation	285,056	233,271
Provision for gratuity	16,975	11,151
Loss on sale of fixed assets	36,284	293
Gain on foreign exchange	(710)	(5,543)
Provision for doubtful debts	-	5,000
Long term security deposit written off	(59)	-
Provision for obsolete stores and spares	7,500	10,000
Financial charges	247,002	118,314
Net cash flow before working capital changes	543,581	637,374
(Increase)/ decrease in current assets		
Stores and spares	(20,704)	(81,181)
Stock in trade	38,252	(161,787)
Trade debts	(84,943)	(72,441)
Loans and advances	(20,538)	7,691
Trade deposits and short term prepayments	(230)	(6,224)
Tax refunds due from the Government	54,560	14,859
	(33,603)	(299,083)
Increase / (decrease) in current liabilities		
Trade and other payables	(36,219)	217,415
Cash generated from operations	473,759	555,706
Income taxes paid	(60,333)	(75,697)
Gratuity paid	(1,167)	(3,339)
Financial charges paid	(285,320)	(84,995)
Net cash generated from operating activities	126,939	391,675
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - net	(1,300)	(17,834)
Additions to capital work in progress	(85,495)	(643,702)
Proceeds from sale of operating fixed assets	1,145	12,747
Long term deposits	(63)	(1,236)
Net cash used in investing activities	(85,713)	(650,025)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(113,450)	(169,307)
Proceeds from long term diminishing musharaka	41,706	421,747
Repayment of long term diminishing musharaka	-	(83,662)
Principal paid on lease liabilities	(2,523)	-
Dividend paid	-	(83,955)
Short term borrowings-net	121,850	201,325
Net cash generated from financing activities	47,583	286,148
Net increase in cash and cash equivalents	88,809	27,798
Cash and cash equivalents at the beginning of the period	109,892	94,072
Cash and cash equivalents at the end of the period	198,701	121,870

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2019

	Share Capital	Surplus on Revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2018	770,000	972,734	330,000	1,636,841	3,709,575
Transaction with owners:					
Final cash dividend 2018: Rs. 1.1 per share	-	-	-	(84,700)	(84,700)
Issue of bonus shares (10%)	77,000	-	-	(77,000)	-
Total comprehensive income for the period ended December 31, 2018					
Profit for the period	-	-	-	213,715	213,715
Balance as at December 31, 2018	847,000	972,734	330,000	1,688,856	3,838,590
Total comprehensive income for the period ended June 30, 2019					
Profit for the period	-	-	-	191,336	191,336
IFRS - Financial Instruments - Impact of change in accounting policy	-	-	-	(20,975)	(20,975)
Remeasurement of defined benefits liability - net	-	-	-	(5,266)	(5,266)
Balance as at June 30, 2019 - as reported	847,000	972,734	330,000	1,853,951	4,003,685
IFRS-16, Leases - Impact of change in accounting policy - note 4.4	-	-	-	(15,205)	(15,205)
Balance as at July 01, 2019 - as restated	847,000	972,734	330,000	1,838,746	3,988,480
Total comprehensive income for the period ended December 31, 2019					
Loss for the period	-	-	-	(31,563)	(31,563)
Balance as at December 31, 2019	<u>847,000</u>	<u>972,734</u>	<u>330,000</u>	<u>1,807,183</u>	<u>3,956,917</u>

The annexed notes from 1 to 33 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements are unaudited but subject to the limited scope review by the auditors and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2019 which have been

prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2018.

3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value, investment property at fair value and certain operating fixed assets at revalued amounts.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow statement.

3.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THERE IN

4.1 The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2019 except as explained in note 4.4 these condensed interim financial statements.

4.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2019. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial statements, except as disclosed in note 4.4. There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2019. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on this condensed interim financial statements.

4.3 Except as described below, the accounting policies applied in this condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019.

4.4 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 and is effective for accounting periods beginning on or after January 1, 2019. 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 utilized

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 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;

	July 01 2019 (Rupees) 000
Property, plant and equipment	
Right-of-use assets - Buildings	30,463
Deferred tax assets	5,599
	36,061
Lease liabilities	
Non-current	45,400
Current	5,867
Retained earnings	(15,205)
	<u>36,062</u>

5 TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2019, have been made using the estimated effective tax rate applicable to expected total annual earnings. The applicable [income tax rate is 29%](#) for the Tax Year 2020 as stipulated through Finance Act 2019.

6 ESTIMATES

The preparation of condensed interim financial statements requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2019.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
7 OPERATING FIXED ASSETS			
Fixed assets	7.1	6,034,399	6,334,613
Right of use assets	7.2	27,618	-
		<u>6,062,017</u>	<u>6,334,613</u>
7.1 Fixed assets			
Opening net book value (NBV)		6,334,613	5,452,040
Additions (at cost) during the period / year	7.1.1	19,427	1,431,359
		<u>6,354,040</u>	<u>6,883,399</u>
Disposals (at NBV) during the period / year	7.1.2	(37,429)	(56,934)
Depreciation charged during the period / year		(282,212)	(491,852)
		<u>(319,641)</u>	<u>(548,786)</u>
Closing net book value (NBV)		<u>6,034,399</u>	<u>6,334,613</u>

(Un-audited) (Audited)
December 31, June 30,
2019 2019
— (Rupees in thousand) —

7.1.1 Details of additions (at cost) during the period / year are as follows:

Freehold land	-	55,720
Building	1,878	75,673
Plant and machinery	16,034	1,264,111
Other equipment	22	14,556
Furniture and fixtures	151	661
Office and other equipment	1,342	3,989
Vehicles	-	16,649
	<u>19,427</u>	<u>1,431,359</u>

7.1.2 Details of disposals (at NBV) during the period / year are as follows:

Building on freehold land	-	8,854
Railway sidings	-	776
Plant and machinery (Electrolysers / DSA)	36,941	47,150
Office and other equipment	-	35
Vehicles	488	119
	<u>37,429</u>	<u>56,934</u>

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

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

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

7.1.6 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.

7.1.7 This includes transfers from capital work in progress amounting to Rs. 1.878 million and Rs. 16.034 million (June 30, 2019: Rs. 75.671 million and Rs. 1264.111 million) against building and plant and machinery, respectively.

7.1.8 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 includes lands which are held for establishment of head office and expansion of factory.

7.2 Right of use assets

Opening net book value (NBV)	30,462	-
Additions during the period / year at cost	-	-
Depreciation charge for the period / year	(2,844)	-
	<u>27,618</u>	<u>-</u>

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
8 CAPITAL WORK IN PROGRESS			
Building	8.1.1	35,305	15,059
Plant and machinery	8.1.2	49,969	3,193
Advances	8.1.3	17,634	17,289
		<u>102,908</u>	<u>35,541</u>

8.1 Movement of carrying amount is as follows:**8.1.1 Building**

Opening balance	15,059	-
Additions (at cost)	20,246	25,807
Transferred from plant and machinery	1,878	-
Transferred to operating fixed assets	(1,878)	(10,748)
Closing balance	<u>35,305</u>	<u>15,059</u>

8.1.2 Plant and machinery

Opening balance	3,193	58,490
Additions (at cost)	64,903	1,279,396
Transferred to building	(1,878)	-
Transferred during the period	(16,249)	(1,334,693)
Closing balance	<u>49,969</u>	<u>3,193</u>

8.1.3 Advances

Opening balance	8.3	17,289	11,639
Additions (at cost)		345	15,650
Transferred to operating fixed assets		-	(10,000)
Closing balance		<u>17,634</u>	<u>17,289</u>

8.2 Borrowing cost capitalised during the period amounted to Nil (June 30, 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 (June 30, 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 (June 30, 2019: 15.650) to Lahore Electric Supply Company Limited against grid station up gradation.

9 STORES, SPARES AND LOOSE TOOLS

Stores			
in hand		59,663	61,674
in transit		-	8,805
		<u>59,663</u>	<u>70,479</u>
Spares:			
in hand		370,622	342,844
in transit		3,775	2,256
		<u>374,397</u>	<u>345,100</u>
		<u>434,060</u>	<u>415,579</u>
Less: Provision for obsolete stores and spares	9.2	13,107	7,830
		<u>420,953</u>	<u>407,749</u>

- 9.1** 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.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
Note	(Rupees in thousand)	
9.2 Movement of provision for obsolete stores and spares		
Opening balance	7,830	22,012
Provision during the year	7,500	18,000
Reversal during the year	-	(275)
Written off during the year against disposal/scrap sale	(2,223)	(31,907)
	<u>13,107</u>	<u>7,830</u>

10 STOCK IN TRADE

Raw materials:		
in hand	159,839	260,627
in transit	131,104	27,181
Packing materials	19,973	16,737
Work in process	42,457	38,143
Finished goods	397,079	446,016
	10.1	
	<u>750,452</u>	<u>788,704</u>

- 10.1** These include provision for write down of finished goods inventory to net realisable value amounting to Nil (2019: Rs. 6.00 million).

11 TRADE DEBTS

Unsecured		
Considered good - foreign	79,558	104,705
Secured		
Considered doubtful	17,234	17,234
Less: Provision for doubtful debts	17,234	17,234
	-	-
Unsecured		
Considered good	670,610	559,811
Considered doubtful	46,873	46,873
	717,483	606,684
	797,041	711,389
Less: Provision for doubtful debts	46,873	46,873
	11.1	
	<u>750,168</u>	<u>664,516</u>

11.1 Movement of provision for doubtful debts is as follows:

Opening balance	64,107	69,472
Adjustment on account of:		
Doubtful debts written off	-	(14,028)
Recovery of doubtful debts	-	(55)
Provision made for doubtful debts	-	8,718
Net adjustment	-	(5,365)
Closing balance	<u>64,107</u>	<u>64,107</u>

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
Note	— (Rupees in thousand)	—

12 LOANS AND ADVANCES

Advances - (Unsecured - considered good)			
To employees	12.3	8,049	7,945
Advance to supplies and services (Unsecured)			
Considered good		228,095	203,599
Considered doubtful		1,374	1,374
		229,469	204,973
Against import		1,045	5,107
		238,563	218,025
Less: Provision for doubtful advances		1,374	1,374
		237,189	216,651

12.1 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.

12.2 This includes advances amounting to Rs. 178.473 million (2019: Rs. 186.252 million) provided to Sui Northern Gas Pipeline Limited and are settled as and when the gas billed to the Company. These advances do not carry any interest or mark-up.

12.3 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

13 CASH AND BANK BALANCES

Cash in hand		887	491
Cheques in hand		160,369	81,353
Cash at banks			
Current accounts	13.1	37,445	28,048
		198,701	109,892

13.1 Cash with bank in current accounts do not carry any interest or mark-up.

14 SHARE CAPITAL

14.1 Authorized share capital

100,000,000 (June 30, 2019: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000	1,000,000
25,000,000 (June 30, 2019: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		1,250,000	1,250,000

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	(Rupees in thousand)	
14.2 Issued, subscribed and paid up share capital			
27,100,000 (June 30, 2019: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2019: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
32,700,000 (June 30, 2019: 32,700,000) fully paid bonus shares of Rs. 10/- each		327,000	327,000
		847,000	847,000
15 LONG TERM FINANCING			
Secured:			
Banking Companies	15.1	-	-
Other Financial Institutions	15.2	233,334	266,667
		233,334	266,667
15.1 From banking companies			
MCB Bank Limited			
Balance as at July 01		188,450	415,350
Obtained during the period / year		-	-
Repayments made during the period / year		(113,450)	(226,900)
		75,000	188,450
Current portion shown under current liabilities		(75,000)	(188,450)
		-	-
15.2 Other Financial Institutions			
Pak Brunei Investment Company Limited			
Balance as at July 01		300,000	98,714
Obtained during the period / year		-	300,000
Repayments made during the period / year		-	(98,714)
		300,000	300,000
Current portion shown under current liabilities		(66,666)	(33,333)
		233,334	266,667
16 LONG TERM DIMINISHING MUSHARAKA			
Secured:			
Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	16.2	700,000	675,282
The Bank of Punjab - TAQWA (LABSA)	16.3	412,245	412,245
Al Baraka Bank (Pakistan) Limited	16.4	427,500	410,511
		1,539,745	1,498,038
Current portion shown under current liabilities		(333,344)	(84,410)
		1,206,401	1,413,628

(Un-audited)
December 31,
2019 (Audited)
June 30,
2019

Note — (Rupees in thousand) —

16.1 Movement of long term Diminishing Musharaka is as follows:

Banking Companies		
Balance as at July 01	1,498,038	867,664
Obtained during the period / year		
The Bank of Punjab - TAQWA (IEM -3)	24,718	-
The Bank of Punjab - TAQWA (LABSA)	-	388,419
Al Baraka Bank (Pakistan) Limited	16,989	410,511
	41,707	798,930
Repayments made during the period / year	-	(168,556)
	1,539,745	1,498,038
Current portion shown under current liabilities	(333,344)	(84,410)
	1,206,401	1,413,628

16.2 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.

16.3 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.

16.4 This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.50%. This finance is disbursed during the year in various tranches and are repayable in eight semi annual equal instalments commencing from June 2020.

17 LEASE LIABILITIES

Against right of use assets		
Lease liabilities	48,743	-
Less: Current portion	(6,637)	-
	42,106	-

17.1 Maturity analysis-contractual undiscounted cash flow:

Less than one year	14,142	-
One to five year	56,665	-
More than five year	-	-
Total undiscounted lease liability	70,807	-

17.2 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 16% per annum.

17.3 The above liabilities were obligations under leases with various lessors for lease of buildings.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
Note	— (Rupees in thousand) —	—

18 TRADE AND OTHER PAYABLES

Trade creditors		108,958	154,604
Accrued liabilities	18.1 & 2	1,404,441	1,371,997
Advances from customers		92,497	83,407
Retention money		3,142	5,939
Income tax deducted at source		-	51
Workers' profit participation fund		1,881	28,117
Workers welfare fund		1,274	4,299
Other liabilities		64	64
		<u>1,612,257</u>	<u>1,648,478</u>

18.1 These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 11.704 million (June 30, 2019: Rs. 6.091 million).

18.2 This includes an amount of Rs. 730.621 million (June 30, 2019: Rs. 730.621 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. The Company has filed an appeal in Honorable High Court of Sindh. The High Court of Sindh declared the GIDC Act 2015 as null and void through its judgement dated October 26, 2016.

Subsequently, based on appeal filed by the Government, the High Court of Sindh suspended the aforesaid judgement till the disposal of appeal. The matter is pending for hearing of appeal. However, on prudence basis, the Company has recognized a provision relating to industrial as well as captive power consumption. Adequate provision has been made in these financial statements to cover the liability.

19 SHORT TERM BORROWINGS

Secured			
From banking companies and financial institutions			
Running finances	19.1	801,369	694,141
Term finance	19.2	700,000	685,378
		<u>1,501,369</u>	<u>1,379,519</u>

19.1 Short term running finance facilities from various banks aggregated to Rs. 1090 million (2019: Rs. 1090 million) and carries mark-up ranging from one month KIBOR plus 0.9% to three months KIBOR plus 1.50% per annum (2019: three months KIBOR plus 1% to 1.5% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company and hypothecation charge over stores, spares and stocks of chemicals.

19.2 Term finance facilities from various banks aggregated to Rs. 700 million (2019: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 1.25% to 1.5% per annum (2019: matching KIBOR plus 1.25% to 1.5% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingent liabilities

a) Letters of guarantee outstanding as at December 31, 2019 were Rs. 340.946 million (June 2019: Rs. 332.782 million).

- b) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company 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).
- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The 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).
- d) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company 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)
- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), 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).
- f) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with

order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (June 30, 2019: Rs. 6.242 million).

- g) 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).
- h) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.680 million (June 30, 2019: Rs. 3.565 million) against these claims.
- i) 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).
- j) 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: Rs. 19.724 million).
- k) 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 Honorable 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. After such filing the department will determine whether the investment is eligible for tax credit of 65B (BMR). Henceforth, report will be submitted by the department in the court and thereafter the court will determine the fate of the main petition related to the rate of tax credit. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million.

20.2 Commitments

Commitments as on December 31, 2019 were as follows:

- a) Against letters of credit amounting to Rs. 340.734 million (June 30, 2019: Rs. 259.730 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30, 2019: Rs. 1.639 million).

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2019	2018	2019	2018
(Rupees in thousand)			

21 SALES

Sales				
Manufacturing (Note: 21.1)	4,994,954	3,554,990	2,545,979	2,015,632
Trading	19	9,786	-	7,394
	<u>4,994,973</u>	<u>3,564,776</u>	<u>2,545,979</u>	<u>2,023,026</u>
Less: Sales tax	684,965	498,144	349,767	281,134
Less: Commission to selling agents	64,023	46,895	33,963	26,052
	<u>748,988</u>	<u>545,039</u>	<u>383,730</u>	<u>307,186</u>
	<u>4,245,985</u>	<u>3,019,737</u>	<u>2,162,249</u>	<u>1,715,840</u>

21.1 This amount includes export sales amounting to Rs. 344.716 million (2018: Rs. 162.987 million).

22 COST OF SALES

Raw materials consumed	881,819	314,815	469,879	153,350
Other overheads:				
Stores, spares and consumables	92,151	105,532	42,253	55,379
Packing materials consumed	60,757	25,250	31,526	15,655
Salaries, wages and other benefits	252,785	226,319	120,887	110,049
Fuel and power	2,032,442	1,519,913	975,065	773,741
Repair and maintenance	17,815	23,136	8,636	12,262
Rent, rates and taxes	736	591	446	326
Insurance	7,630	6,729	3,906	3,377
Depreciation	277,056	227,971	138,446	115,529
Vehicle running expenses	7,491	5,998	3,621	2,960
Telephone, telex and postage	460	398	230	251
Printing and stationery	65	65	41	41
Provision for slow moving stores and spares	7,500	10,000	1,500	4,000
Other expenses	1,331	2,356	429	1,496
	<u>2,758,219</u>	<u>2,154,258</u>	<u>1,326,986</u>	<u>1,095,066</u>

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	(Rupees in thousand)			
Opening work in process	38,143	33,941	43,313	34,624
Closing work in process	(42,457)	(37,656)	(42,457)	(37,656)
	(4,314)	(3,715)	856	(3,032)
Cost of goods manufactured	3,635,724	2,465,358	1,797,721	1,245,384
Cost of stores traded	28	9,166	-	7,430
Opening stock of finished goods	446,016	142,602	418,146	299,031
Closing stock of finished goods	(397,079)	(270,391)	(397,079)	(270,391)
	48,937	(127,789)	21,067	28,640
	<u>3,684,689</u>	<u>2,346,735</u>	<u>1,818,788</u>	<u>1,281,454</u>
23 OTHER OPERATING EXPENSES				
Auditors' remuneration				
Audit fee	400	375	200	187
Half yearly review fee	250	189	155	95
Tax and certification charges	115	107	115	107
Out of pocket expenses	134	116	134	9
	899	787	604	398
Loss on sale of fixed assets (23.1)	36,941	1,018	10,707	1,018
Workers' profit participation fund	-	14,238	-	11,032
Loss on foreign exchange	-	7,319	-	7,319
Workers welfare fund	1,275	5,627	1,273	3,777
	<u>39,115</u>	<u>28,989</u>	<u>12,584</u>	<u>23,544</u>

23.1 This figures represents loss on account of scrapping of Electrolizer and Dual boiler as no future economic benefits are expected from its use.

24 TAXATION

Current	Note : 24.1	-	-	-	-
Prior year		449	(113)	-	(113)
Deferred		(17,353)	51,286	14,575	36,114
		<u>(16,904)</u>	<u>51,173</u>	<u>14,575</u>	<u>36,001</u>

24.1 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 upto tax year 2019. Accordingly, an amount of Rs. 63.806 million (2018: Rs. 83.573 million) has been adjusted against current (turnover tax) and final tax during the period.

25 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

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

Note	(Unaudited)			
	2019	2018	2019	2018
	(Rupees in thousand)			
(Loss) / profit after taxation - (Rs. in thousand)	(31,563)	213,715	25,114	169,818
Weighted average number of ordinary shares - (in thousand)	84,700	84,700	84,700	84,700
(Loss) / earnings per share - basic and diluted - (Rs.) 25.1	(0.37)	2.52	0.30	2.00

25.1 There is no dilutive effect on the basic earning per share of the Company.

26 TRANSACTIONS WITH RELATED PARTIES

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:

**Transaction with:
Relationship with the Company
Basis of relation
Nature of transaction**

Related party Chemi Multifabrics Limited Common management				
Marketing service charges	19,876	14,487	10,156	8,206
Associated Entity Ittehad developers				
Short term borrowing received	-	45,000	-	45,000
Retirement benefit plans Contribution to staff retirement benefit plans	266	238	132	117
Key management personnel Remuneration and other benefits	38,490	45,414	19,625	19,819
Loans and advances				
Obtained	-	487	-	-
Repaid	-	(1,487)	-	(744)

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

27 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 December 31, 2019 and June 30, 2019.

28 FINANCIAL INSTRUMENTS BY CATEGORY

Classification under IFRS 9	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at December 31, 2019							
Financial assets at amortised cost							
Long-term deposits	Amortised cost	52,028	-	52,028	-	-	-
Trade debts - net of provisions	Amortised cost	750,168	-	750,168	-	-	-
Loans and advances	Amortised cost	8,049	-	8,049	-	-	-
Trade deposits	Amortised cost	10,960	-	10,960	-	-	-
Cash and bank balances	Amortised cost	198,701	-	198,701	-	-	-
		1,019,906	-	1,019,906	-	-	-
Financial liabilities at amortised cost							
Long term financing	Amortised cost	-	375,000	375,000	-	-	-
Long term diminishing musharaka	Amortised cost	-	1,539,745	1,539,745	-	-	-
Lease liabilities	Amortised cost	-	42,106	42,106	-	-	-
Trade and other payables	Amortised cost	-	1,516,605	1,516,605	-	-	-
Mark-up accrued	Amortised cost	-	87,235	87,235	-	-	-
Short-term borrowings	Amortised cost	-	1,501,369	1,501,369	-	-	-
		-	5,062,060	5,062,060	-	-	-

Classification under IFRS 9	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2019							
Financial assets at amortised cost							
Long-term deposits	Amortised cost	51,906	-	51,906	-	-	-
Trade debts - net of provisions	Amortised cost	664,516	-	664,516	-	-	-
Loans and advances	Amortised cost	7,945	-	7,945	-	-	-
Trade deposits	Amortised cost	1,260	-	1,260	-	-	-
Cash and bank balances	Amortised cost	109,892	-	109,892	-	-	-
		835,519	-	835,519	-	-	-
Financial liabilities at amortised cost							
Long term financing	Amortised cost	-	488,450	488,450	-	-	-
Long term diminishing musharaka	Amortised cost	-	1,498,038	1,498,038	-	-	-
Trade and other payables	Amortised cost	-	1,532,604	1,532,604	-	-	-
Mark-up accrued	Amortised cost	-	125,554	125,554	-	-	-
Short-term borrowings	Amortised cost	-	1,379,519	1,379,519	-	-	-
		-	5,024,165	5,024,165	-	-	-

28.1 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.

28.2 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.

28.3 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 period.

29 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no significant changes in the risk management policies since the year end.

The condensed interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2019.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2019.

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

The Company has adopted the IFRS-16, Leases during the period and relevant amount has been disclosed in the relevant note to these condensed interim financial statements.

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

31 CORRESPONDING FIGURES

31.1 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period except provision for slow moving stores and spares amounting to Rs. 10.00 million for the half year ended December 31, 2018 and Rs. 4.00 million for the quarter ended December 31, 2018 have been reclassified from general and administrative expenses to cost of sales to remain consistent with annual audit accounts for the year ended June 30, 2019.

31.2 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2019 and the corresponding figures in the condensed interim statement of profit or loss and the condensed interim comprehensive income, condensed interim statement of

cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Company for the half year ended December 31, 2018.

32 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on February 19, 2020 by the Board of Directors of the Company.

33 GENERAL

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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Ms Certification
No of Certificate 236



ITTEHAD
GROUP

www.ittehadchemicals.com

Registered Office/Head Office:

39-Empress Road, Lahore-Pakistan.

Tel: +92 42 3630 6586-88, Fax: +92 42 3636 5697

Factory:

G. T. Road, Kala Shah Kaku,

District Sheikhpura, Pakistan.

Tel: +92 42 3795 0222-25, Fax: +92 42 3795 0206