

**3RD QUARTERLY REPORT
MARCH 31, 2019**

Reaching New Heights..



ITTEHAD CHEMICALS LIMITED



ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2019

(UN-AUDITED)

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Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Ms. Farhana Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Director Independent Director
AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
RISK MANAGEMENT COMMITTEE	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal		
COMPANY SECRETARY	Mr. Abdul Mansoor Khan		
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: www.ittehadchemicals.com , E-mail: info@ittehadchemicals.com		
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206		
SHARES REGISTRAR	M/s. Hameed Majeed Associate (Pvt.) Ltd. 1st Floor, H.M. House, 7-Bank Square The Mall, Lahore. Ph : 042 - 37235081-82 Email : info@hmaconsultants.com		
BANKERS	<u>Banks - Conventional Side</u> Askari Bank Limited Allied Bank Limited Faysal Bank Limited Habib Metro Bank Limited 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	<u>Banks - Islamic Window Operations</u> Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited - Islamic-Banking	
AUDITORS	M/s. BDO Ebrahim & Co., Chartered Accountants, 2 nd 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 third quarter and nine months ended March 31, 2019.

The company posted net sales revenue of Rupees 4,822 Million (2018: Rupees 4,329 Million) with an increase of 11% during the nine months of ongoing financial year under review. The cost of sales was Rupees 3,757 Million (2018: Rupees 3,568 Million) bringing gross profit to Rupees 1,066 Million (2018: Rupees 761 Million). Resultantly, the gross profit margin improved to 22% as compared to 18% for the corresponding period of last year on account of better production / sales volumes and effective cost management. The bottom line reflected a net profit after tax of Rupees 316 Million (2018: profit Rupees 202 Million) which yielded earnings per share of Rupees 3.73 (2018: Rupees 2.39 per share restated).

The Company's LABSA / SLES Plant (capacity 24,000 M. Tons per annum) and Sulphate Removal System & Sodium Sulphate Anhydrous Plants are likely to commence production during the ongoing Financial Year, which would further contribute to the profitability of the company.

Pakistan's growth performance is coping with difficult times. The challenges like higher markup rate, mounting pressures on the domestic currency, balance of payment difficulties, large fiscal and current account deficits, a visible decline in foreign exchange reserves are adversely impacting the business generally.

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
April 23, 2019

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت خوشی کے ساتھ 31 مارچ 2019ء کو ختم ہونے والی تیسری سہ ماہی اور رواں مالی سال کے پہلے نو ماہ کی غیر پڑتال شدہ بین المدتی مالی گوشوارے پیش کر رہے ہیں۔

کمپنی کی رواں مالی سال کے نو ماہ کے زیر جائزہ عرصہ میں فروخت 11% اضافہ کے ساتھ 4,822 ملین روپے (2018: 4,329 ملین روپے) رہی۔ فروخت کی لاگت 3,757 ملین روپے (2018: 3,568 ملین روپے) رہی جس سے کمپنی کا خام منافع 1,066 ملین روپے (2018: 761 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے مقابلے میں بہتر پیداوار / حجم اور لاگت کی بہتر مینجمنٹ کی وجہ سے 18% سے بڑھ کر 22% تک ہو گیا۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 316 ملین روپے (2018: 202 ملین روپے) کا خالص منافع ظاہر کرتی ہے جس کے نتیجے میں مبلغ 3.73 روپے فی حصص (2018: 2.39 فی حصص روپے Restated) آمدن ہوئی۔

کمپنی کا LABSA/SLES Plant (صلاحیت 24,000 میٹرک ٹن سالانہ) اور Sulphate Removal System Sodium Sulphat Anhydrous Plant & دوران مالیاتی سال 2019 میں کام کرنا شروع کر دیں گے جس سے کمپنی کے منافع میں اضافہ ہوگا۔

پاکستان کی ترقی اور کارکردگی کو اس وقت سخت ترین حالات کا سامنا ہے مسائل جیسا کہ زیادہ سوڈی شرح، روپے کی قدر میں مسلسل کمی، ادائیگی کا عدم توازن، بڑے مالی اور کرنٹ اکاؤنٹ خسارہ، غیر ملکی زرمبادلہ کے ذخائر میں خاصی کمی اور محدود کاروباری سرگرمیاں کاروبار پر منفی اثرات مرتب کر رہے ہیں۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بنکوں اور حکومتی محکموں 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
چیئر مین

عبدالستار کھتری
چیف ایگزیکٹو آفیسر

23 اپریل 2019ء
لاہور

Condensed Interim Balance Sheet as at March 31, 2019

	Note	(Un-audited) March 31, 2019	(Audited) June 30, 2018
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	5,450,105	5,452,040
Operating fixed assets	8	860,821	70,129
Capital work in progress		6,310,926	5,522,169
Intangible assets		6,445	6,445
Investment property		128,400	128,400
Long term deposits		51,966	51,104
		6,497,737	5,708,118
CURRENT ASSETS			
Stores and spares		486,624	401,463
Stock in trade		338,902	266,083
Trade debts		568,046	524,262
Loans and advances	9	167,834	198,118
Trade deposits and short term prepayments		7,742	5,783
Tax refunds due from Government		442,567	408,487
Taxation - net		153,963	133,226
Cash and bank balances		135,892	94,072
		2,301,570	2,031,494
		8,799,307	7,739,612
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	10.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	10.2	847,000	770,000
Share premium money		330,000	330,000
Unappropriated profit		1,790,877	1,636,841
Surplus on revaluation of fixed assets		972,734	972,734
		3,940,611	3,709,575
NON CURRENT LIABILITIES			
Long term financing	11	337,500	188,450
Long term diminishing musharaka	12	1,413,628	612,841
Deferred liabilities		339,412	221,808
		2,090,540	1,023,099
CURRENT LIABILITIES			
Trade and other payables		1,580,976	1,200,669
Unclaimed dividend		1,549	796
Mark-up accrued		68,517	48,540
Short term borrowings		760,135	1,176,496
Current portion of long term liabilities		356,979	580,437
		2,768,156	3,006,938
CONTINGENCIES AND COMMITMENTS			
	13	-	-
TOTAL EQUITY AND LIABILITIES		8,799,307	7,739,612

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Profit And Loss Account (Un-audited)
for the nine months ended March 31, 2019**

	Note	Nine months ended March 31,		Quarter ended March 31,	
		2019	2018	2019	2018
———— (Rupees in thousand) ————					
Sales - net		4,822,362	4,329,207	1,802,625	1,538,676
Cost of sales	14	(3,756,643)	(3,568,215)	(1,419,908)	(1,324,990)
Gross profit		1,065,719	760,992	382,717	213,686
Selling and distribution expenses		(289,754)	(263,543)	(98,578)	(103,211)
General and administrative expenses		(158,113)	(133,297)	(53,456)	(49,885)
Other operating expenses		(46,353)	(58,674)	(17,364)	(13,893)
Other operating income		31,460	47,518	6,438	18,152
		(462,760)	(407,996)	(162,960)	(148,837)
Operating profit / loss		602,959	352,996	219,757	64,849
Financial charges		(182,490)	(117,001)	(64,176)	(37,112)
Profit / (loss) before taxation		420,469	235,995	155,581	27,737
Taxation		(104,733)	(33,880)	(53,560)	13,171
Profit / (loss) after taxation		315,736	202,115	102,021	40,908
			Restated		Restated
Earnings per share - basic and diluted (Rupees)	15	3.73	2.39	1.20	0.48

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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3rd Quarterly Report March 31, 2019



ITTEHAD CHEMICALS LIMITED



Condensed Interim Statement of Comprehensive Income (Un-audited) for the nine months ended March 31, 2019

Note	Nine months ended March 31,		Quarter ended March 31,	
	2019	2018	2019	2018
	—— (Rupees in thousand) ——			
Profit / (loss) for the period	315,736	202,115	102,021	40,908
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>315,736</u>	<u>202,115</u>	<u>102,021</u>	<u>40,908</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Cash Flow Statement (Un-audited)
for the nine months ended March 31, 2019**

	Nine months ended March 31,	
	2019	2018
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	420,469	235,995
Adjustments for items not involving movement of funds:		
Depreciation	354,906	251,609
Provision for gratuity	16,726	15,205
Loss / (Gain) on sale of fixed assets	12,260	38,506
(Gain) on foreign exchange	(6,446)	(4,027)
Provision for bad debts	7,500	7,500
Bad debts written off	-	622
Provision for obsolete stores	12,000	4,000
Financial charges	182,490	117,001
Net cash flow before working capital changes	999,905	666,411
Decrease / (increase) in current assets		
Stores and spares	(97,161)	23,906
Stock in trade	(72,819)	87,235
Trade debts	(44,840)	70,349
Loans and advances	30,284	(15,328)
Trade deposits and short term prepayments	(1,959)	4,409
Tax refunds due from the Government	54,361	(92,283)
	(132,134)	78,288
Increase / (decrease) in current liabilities		
Trade and other payables	380,305	329,714
Cash generated from operations	1,248,076	1,074,413
Income taxes paid	(109,063)	(79,981)
Gratuity paid	(3,968)	(3,617)
Financial charges paid	(192,481)	(126,766)
Net cash (used in) / generated from operating activities	942,564	864,049
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - net	(76,754)	(17,937)
Additions to capital work in progress	(1,062,488)	(1,108,202)
Proceeds from sale of operating fixed assets	13,287	985
Long term deposits	(862)	(9,496)
Net cash used in investing activities	(1,126,817)	(1,134,650)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	300,000	-
Repayment of long term financing	(268,889)	(275,390)
Proceeds from long term diminishing musharaka	798,930	571,373
Repayment of long term diminishing musharaka	(103,662)	(103,663)
Dividend paid	(83,945)	(99,961)
Short term borrowings	(416,361)	227,489
Net cash inflow from financing activities	226,073	319,848
Net increase in cash and cash equivalents	41,820	49,247
Cash and cash equivalents at the beginning of the period	94,072	108,012
Cash and cash equivalents at the end of the period	135,892	157,259

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Changes in Equity (Un-audited)
for the nine months ended March 31, 2019**

	Share capital	Surplus on revaluation of fixed assets	Share premium money	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2017	770,000	794,848	330,000	1,321,454	3,216,302
Transaction with owners:					
Final cash dividend 2017:					
Re. 1.3 per share	-	-	-	(100,100)	(100,100)
Total Comprehensive income for the period	-	-	-	202,115	202,115
Balance as at March 31, 2018	770,000	794,848	330,000	1,423,469	3,318,317
Total Comprehensive income for the period:					
Profit for the period	-	-	-	213,372	213,372
Remeasurement of defined benefit liability - net	-	-	-	-	-
Surplus on revaluation of fixed assets	-	177,886	-	-	177,886
Balance as at June 30, 2018	770,000	972,734	330,000	1,636,841	3,709,575
Transaction with owners:					
Final cash dividend 2018:					
Re. 1.1 per share	-	-	-	(84,700)	(84,700)
Issue of bonus share @ 10%	77,000	-	-	(77,000)	-
Total Comprehensive income for the period	-	-	-	315,736	315,736
Balance as at March 31, 2019	847,000	972,734	330,000	1,790,877	3,940,611

The annexed notes from 1 to 20 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 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 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.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information of the Company for the nine months period ended March 31, 2019 has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does 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, 2018 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 this condensed interim financial information has been extracted from the annual audited financial information of the Company for the year ended June 30, 2018, whereas the comparative condensed interim profit and loss accounts, 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 information for the nine months period ended March 31, 2018.

3.2 Basis of measurement

This condensed interim financial information 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.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

3.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial information for the year ended June 30, 2018.

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, 2018. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

5 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and 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 information for the year ended June 30, 2018.

		(Un-audited) March 31, 2019	(Audited) June 30, 2018
	Note	(Rupees in thousand)	
7 OPERATING FIXED ASSETS			
Opening net book value (NBV)		5,452,040	4,127,596
Additions (at cost) during the period / year	7.1	378,518	1,547,640
		<u>5,830,558</u>	<u>5,675,236</u>
Disposals (at NBV) during the period / year	7.2	(25,547)	(40,013)
Revaluation during the period		-	177,886
Adjustment against land during the period / year		-	(6,000)
Depreciation charged during the period / year		(354,906)	(355,069)
		<u>(380,453)</u>	<u>(223,196)</u>
Closing net book value (NBV)		<u>5,450,105</u>	<u>5,452,040</u>



	Note	(Un-audited) March 31, 2019	(Audited) June 30, 2018
		—— (Rupees in thousand) ——	
7.1 Details of additions (at cost) during the period / year are as follows:			
Freehold Land		55,720	-
Building		20,748	61,874
Plant and machinery		276,971	1,453,694
Other equipment		14,065	10,700
Furniture and fixtures		141	135
Office and other equipment		1,547	4,320
Vehicles - owned		9,326	16,917
		<u>378,518</u>	<u>1,547,640</u>
7.2 Details of disposals (at NBV) during the period / year are as follows:			
Building		1,761	-
Railway Siding		776	-
Plant and machinery	7.3	22,891	39,375
Office and other equipment		-	40
Vehicles		119	598
		<u>25,547</u>	<u>40,013</u>
7.3	This includes the old machinery has been retired / disposed off during the period as it has no economic use in future. This has been sold through scrap.		
7.4	Fair value measurement (revalued property, plant and equipment)		
7.4.1	Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2018 on the basis of market value.		
7.4.2	Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.		
7.5	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.		
		(Un-audited) March 31, 2018	(Audited) June 30, 2018
		—— (Rupees in thousand) ——	
8 CAPITAL WORK IN PROGRESS			
Advances		1,639	11,639
Building	8.1	-	-
Plant and machinery	8.1	859,182	58,490
		<u>860,821</u>	<u>70,129</u>

	Building	Plant & Machinery
	—— (Rupees in thousand) ——	
8.1 Movement of carrying amount		
Period Ended March 2018		
Opening balance July 2018	-	58,490
Additions (at cost)	10,748	1,091,708
Transferred to operating fixed assets	(10,748)	(291,016)
Closing balance	-	859,182
Year Ended June 2018		
Opening balance July 2017	1,200	185,100
Additions (at cost)	60,674	1,283,302
Transferred to operating fixed assets	(61,874)	(1,409,912)
Closing balance	-	58,490
8.2 Borrowing cost capitalised during the period amounted to Rs. 29.968 million (June 30, 2018: Rs. 26.004 million) at an average rate of 11.02% (2018: 7.53%) per annum.		

	(Un-audited)	(Audited)
	March 31,	June 30,
	2018	2018
Note	—— (Rupees in thousand) ——	
9 LOAN AND ADVANCES		
Advances - (Unsecured - considered good)		
To employees	14,176	17,392
9.1, 2 & 3		
Advance to supplies and services (Unsecured)		
Considered good	152,734	179,752
Considered doubtful	1,374	1,374
	154,108	181,126
Against import	924	974
	169,208	199,492
Less: Provision for doubtful advances	1,374	1,374
	167,834	198,118
9.1	This includes advance to Mr. Ghulam Mustafa Khatri amounting to Rs. 1.811 million (2018: Rs. 3.611 million) and Mr. Abdul Hai Khatri amounting to Rs. 4.648 million (2018: Rs. 4.648 million) being a related party of the Company. These advances are provided for general purposes in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.	
9.2	The maximum amount due from related parties at the end of any month during the year was Rs. 8.259 million (2018: Rs. 8.259).	
9.3	This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.	

	Note	(Un-audited) March 31, 2018	(Audited) June 30, 2018
(Rupees in thousand)			
10 SHARE CAPITAL			
10.1 Authorized share capital			
100,000,000 (June 30, 2018: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000	1,000,000
25,000,000 (June 30, 2018: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		<u>1,250,000</u>	<u>1,250,000</u>
10.2 Issued, subscribed and paid up share capital			
27,100,000 (June 30, 2018: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2018: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
32,700,000 (June 30, 2018: 25,000,000) fully paid bonus shares of Rs. 10/- each	10.3	327,000	250,000
		<u>847,000</u>	<u>770,000</u>
10.3	During the year the Board of Directors of the Company in their meeting held on September 25, 2018 has recommended to issue bonus shares at 10 i.e. in the proportion of 10 bonus shares for every 100 shares held for the year ended June 30, 2018 which was approved by the members.		
11 LONG TERM FINANCING			
From banking companies and financial institutions - secured			
Balance as at July 01		514,064	852,679
Obtained during the period / year		300,000	-
Repayments made during the period / year		(268,889)	(338,615)
		<u>545,175</u>	<u>514,064</u>
Current portion shown under current liabilities		(207,675)	(325,614)
		<u>337,500</u>	<u>188,450</u>
12 LONG TERM DIMINISHING MUSHARAKA			
From banking companies and financial institutions - secured			
Balance as at July 01		867,664	335,880
Obtained during the period / year		798,930	699,108
Repayments made during the period / year		(103,662)	(167,324)
		<u>1,562,932</u>	<u>867,664</u>
Current portion shown under current liabilities		(149,304)	(254,823)
		<u>1,413,628</u>	<u>612,841</u>



13 CONTINGENCIES AND COMMITMENTS

13.1 Contingent liabilities

- a) The show cause notice was served by the learned ACIR to make rectification of mistakes on adjusting the available brought forward minimum tax credit and intended to delete the available refunds amounting to Rs. 43.963 million. The Company being aggrieved filed a writ petition before the Honorable Lahore High Court, Lahore. The above petition was disposed off on July 02, 2018. The Honorable Lahore High Court after hearing the parties converted the writ petition into representation and transmitted the same along with annexures to concerned ACIR Audit 01, Zone-01, LTU Lahore so as to address, all legal and factual issues raised by the Company through a speaking order before proceeding on merits of the case. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum refund adjustment of Rs. 43.963 million.
- b) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue which is still pending adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million.
- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (2018: Rs. 4.080 million).
- d) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company has challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company has filed appeal before Appellate Tribunal Inland Revenue. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceedings the demand has been reduced to 2.922 million. The Company has preferred an appeals before Commissioner Inland Revenue (Appeals) CIR (A) against the demand. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.922 million (2018: Rs. 2.922 million).

- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A).
- 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 Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (2018: Rs. 6.242 million).
- 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 results of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company has filed appeal before CIR(A) in both case and is confident of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 53.70 million (2018: Nil).
- 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. 4.220 million (2018: Rs. 4.219 million) against these claims.
- i) Letters of guarantee outstanding as at March 31, 2019 were Rs. 344.192 million (June 30, 2018: Rs. 280.244 million).

13.2 Commitments

Commitments as on March 31, 2019 were as follows:

- a) Against letters of credit amounting to Rs. 498.080 million (June 30, 2018: Rs. 607.704 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30, 2018: Rs. 1.838 million).

	(Un-audited)			
	Nine months ended March 31, 2019	2018	2019	Quarter ended March 31, 2018
	(Rupees in thousand)			
14 COST OF SALES				
Raw materials consumed	474,096	450,251	159,281	146,786
Other overheads:				
Stores, spares and consumables	150,635	181,188	45,103	53,804
Packing materials consumed	26,409	32,475	1,159	12,850
Salaries, wages and other benefits	332,737	330,677	106,418	111,765
Fuel and power	2,336,862	2,158,682	816,949	839,037
Repair and maintenance	30,952	36,204	7,816	10,400
Rent, rates and taxes	860	748	269	251
Insurance	9,991	8,869	3,262	2,835
Depreciation	346,760	244,551	118,789	84,191
Vehicle running expenses	9,218	7,606	3,220	2,722
Telephone, telex and postage	593	389	195	119
Printing and stationery	76	68	11	24
Other expenses	3,575	2,376	1,219	931
	3,248,668	3,003,833	1,104,410	1,118,929
Opening work in process	33,941	28,133	37,656	29,490
Closing work in process	(37,692)	(31,851)	(37,692)	(31,851)
	(3,751)	(3,718)	(36)	(2,361)
Cost of goods manufactured	3,719,013	3,450,366	1,263,655	1,263,354
Cost of stores traded	19,844	24,185	10,678	4,899
Opening stock of finished goods	142,602	301,434	270,391	264,507
Closing stock of finished goods	(124,816)	(207,770)	(124,816)	(207,770)
	17,786	93,664	145,575	56,737
	3,756,643	3,568,215	1,419,908	1,324,990
15 EARNINGS PER SHARE - BASIC AND DILUTED				
Profit / (loss) after taxation - (Rs. in thousand)	315,736	202,115	102,021	40,908
Weighted average number of ordinary shares - (in thousand)	84,700	84,700	84,700	84,700
Earnings per share - basic and diluted - (Rs.)	3.73	2.39	1.20	0.48

15.1 Earnings per share for corresponding period has been restated on account of issue of bonus shares as required by International Accounting Standard 33 "Earnings per share".

16 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

		(Un-audited)			
		Nine months ended March 31,		Quarter ended March 31,	
		2019	2018	2019	2018
		(Rupees in thousand)			
Transaction with:					
Relationship with the Company	Nature of transaction				
Related party	Marketing services charges	23,502	20,498	9,015	7,595
Associated company	Loan received	45,000	-	-	-
Associated company	Loan repaid	(21,000)	-	(21,000)	-
Retirement benefit plans	Contribution to staff retirement benefit plans	357	334	119	112
Key management Personnel	Remuneration and other benefits	62,773	61,570	17,359	18,610
Key management personnel	Loan & Advances				
	Obtained	487	-	-	-
	Repaid	(2,287)	-	(800)	-
				(Un-audited) March 31, 2019	(Audited) June 30, 2018
		(Rupees in thousand)			

Period / Year end Balances:

Relationship with the Company	Nature of outstanding balances		
Other related parties	Trade and other payables	12,421	11,190



17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of March 31, 2019 and June 30, 2018.

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

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

As already conveyed, the company has embarked upon exploring various avenues in order to diversify its business. The Company's LABSA / SLES Plant (capacity 24,000 M. Tons per annum) and Sulphate Removal System & Sodium Sulphate Anhydrous Plants are likely to commence production during the ongoing Financial Year, which would further contribute to the profitability of the company.

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.

19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 23, 2019 by the Board of Directors of the Company.

20 GENERAL

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER



Ms Certification
No of Certificate 236



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