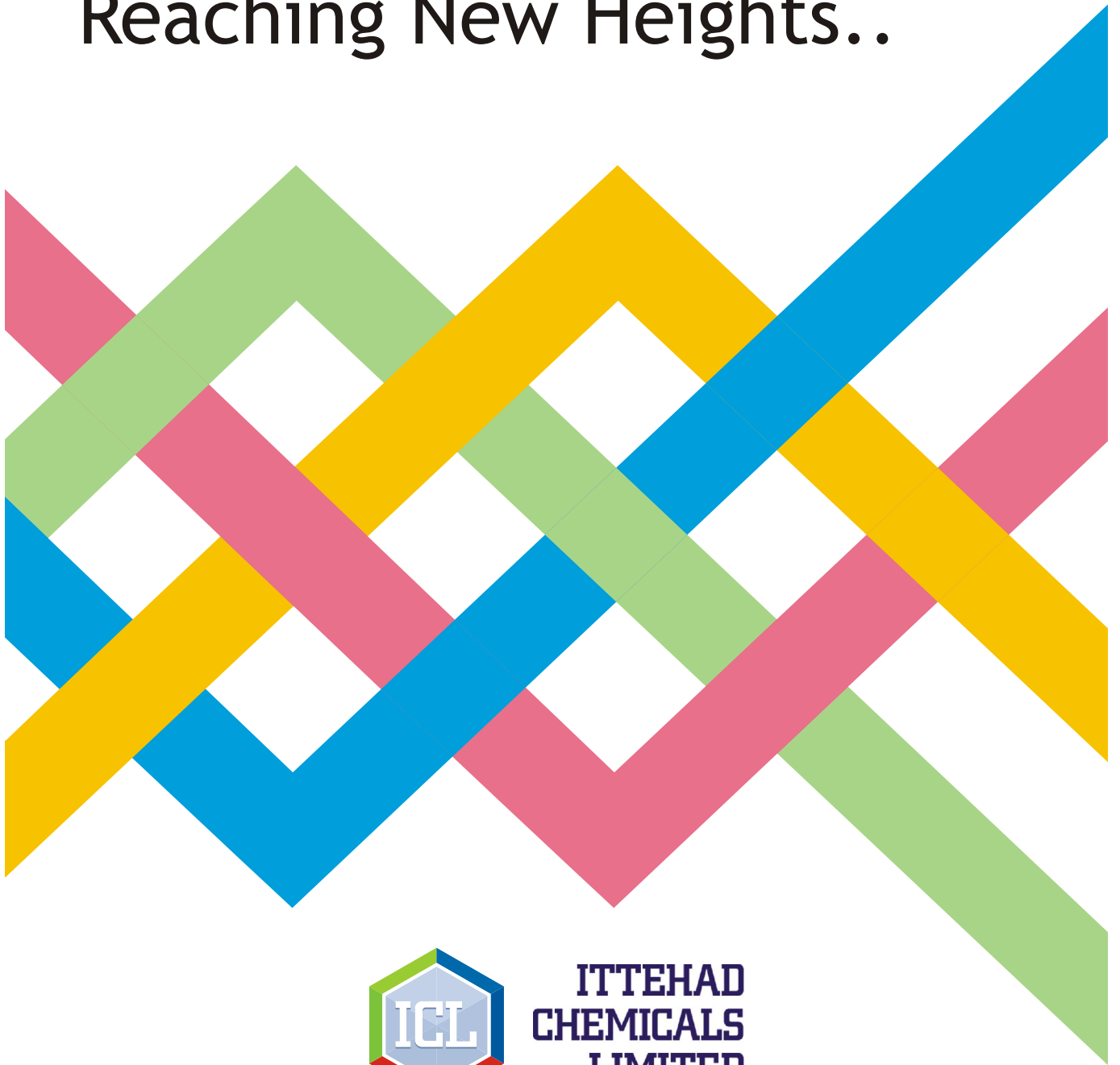


1st Quarterly Report
September 30, 2018

Reaching New Heights..



**ITTEHAD
CHEMICALS
LIMITED**

ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2018 (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
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AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member
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HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member
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CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal
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COMPANY SECRETARY	Mr. Abdul Mansoor Khan
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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
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PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206
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SHARES REGISTRAR	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph : 042 - 35839182, Fax : 042 - 35869037
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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
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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
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LEGAL ADVISOR	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000
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DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2018.

During the period under review, the Company posted net sales revenue of Rupees 1,304 Million denoting an increase of 3% over corresponding period of last year (2017: Rupees 1,265 Million). The cost of sales stood at Rupees 1,059 Million (2017: Rupees 1,077 Million) bringing gross profit to Rupees 245 Million (2017: Rupees 189 Million). The gross profit margin improved to 19% from 15% vis-à-vis corresponding period of last year. The bottom line showed a net profit after tax of Rupees 44 million (2017: Rupees 23 Million) which yielded earnings per share of Rupees 0.57 (2017: Rupees 0.30 per share).

The Management of your company is exploring new markets, opportunities for introducing more value added products, modernizing the existing Plants and focusing on viable alternate cost efficient energy sources. We are pleased to inform you that the civil work for erection of LABSA / SLES Plant (capacity 24,000 M. Tons per annum) and the installation of one Electrolyzer for Caustic Soda (Capacity 12,500 M. Ton per annum) has commenced and the projects are likely to be on stream as per announced schedule. The setting up of Sulphate Removal System & Sodium Sulphate Anhydrous Plant is also in pipeline. As described in earlier reports, the ever increasing energy cost remains the main challenge for the industry.

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
October 26, 2018

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1st Quarter September 30, 2018



ITTEHAD CHEMICALS LIMITED


ڈائریکٹرز رپورٹ


آپ کی کمپنی کے ڈائریکٹرز 30 ستمبر 2018 کو ختم ہونے والی پہلی سہ ماہی کے لیے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

زیر جائزہ عرصہ میں کمپنی کی فروخت سے حاصل شدہ رقم 1,304 ملین روپے ہوئی جو کہ گزشتہ سال (2017: 1,265 ملین روپے) اسی عرصہ میں فروخت سے حاصل کردہ رقم کے مقابلے میں 3% زائد ہے۔ فروخت ہونے والی اشیاء کی پیداواری لاگت 1,059 ملین روپے (2017: 1,077 ملین روپے) رہی جس سے کمپنی کا خام منافع 245 ملین (2017: 189 ملین روپے) بنتا ہے۔ جبکہ گزشتہ سال کے مقابلے میں منافع 15% کے مقابلے میں 19% تک اضافہ ہوا۔ گوشوارے کی آخری سٹریٹجی کی ادائیگی کے بعد 44 ملین روپے (2017: 23 ملین روپے) کا خالص منافع ظاہر کرتی ہے۔ جس کے نتیجے میں مبلغ 0.57 روپے (2017: 0.30) فی حصص آمدن ہوئی۔

آپ کی کمپنی کی انتظامیہ نئی مارکیٹوں کی تلاش، قدر میں اضافے والی مصنوعات اور موثر متبادل سستے توانائی وسائل کے مواقع اور موجودہ پلانٹس کو جدید بنانے میں مصروف عمل ہے۔ ہمیں یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ LABSA/SLES پلانٹ (صلاحیت 24,000 میٹرک ٹن سالانہ) اور کاسٹک سوڈا کیلئے ایک الیکٹرو لائزر (صلاحیت: 1,2500 میٹرک ٹن سالانہ) کی تنصیب کے سلسلے میں تعمیر کا آغاز ہو گیا ہے اور امید ہے کہ اعلان کردہ شیڈول کے مطابق منصوبے مکمل ہو جائیں گے۔ اس کے علاوہ سلفیٹ ریپول سسٹم اور سوڈیم سلفیٹ اینہائیڈریٹس پلانٹ کے قیام پر بھی کام جاری ہے۔ جیسا کہ گزشتہ رپورٹ میں بیان کیا گیا ہے لمحہ بہ لمحہ بڑھتی توانائی لاگت شعبے کیلئے بڑا چیلنج ہے۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بینکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لئے 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

26 اکتوبر 2018ء

لاہور

Condensed Interim Balance Sheet as at September 30, 2018

		(Un-audited) September 30, 2018	(Audited) June 30, 2018
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	5,387,776	5,452,040
Operating fixed assets			70,129
Capital work in progress	8	209,490	70,129
		5,597,266	5,522,169
Intangible assets		6,445	6,445
Investment properties		128,400	128,400
Long term deposits		51,318	51,104
		5,783,429	5,708,118
CURRENT ASSETS			
Stores, spares and loose tools		424,828	401,463
Stock in trade		424,098	266,083
Trade debts		563,648	524,262
Loans and advances		292,167	198,118
Trade deposits and short term prepayments		9,910	5,783
Tax refunds due from Government		391,822	408,487
Taxation - net		142,850	133,226
Cash and bank balances		79,125	94,072
		2,328,448	2,031,494
		8,111,877	7,739,612
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	9.2	770,000	770,000
Share premium		330,000	330,000
Unappropriated profit		1,680,738	1,636,841
Surplus on revaluation of fixed assets		972,734	972,734
		3,753,472	3,709,575
NON CURRENT LIABILITIES			
Long term financing	10	131,725	188,450
Long term diminishing musharaka	11	800,689	612,841
Deferred liabilities		239,543	221,808
		1,171,957	1,023,099
CURRENT LIABILITIES			
Trade and other payables		1,344,632	1,200,669
Unclaimed dividend		632	796
Mark-up accrued		70,006	48,540
Short term borrowings		1,347,598	1,176,496
Current portion of long term liabilities		423,580	580,437
		3,186,448	3,006,938
CONTINGENCIES AND COMMITMENTS			
	12	-	-
TOTAL EQUITY AND LIABILITIES		8,111,877	7,739,612

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1st Quarter September 30, 2018



ITTEHAD CHEMICALS LIMITED

The annexed notes from 1 to 17 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Profit And Loss Account (Un-audited) for the quarter ended September 30, 2018

	Note	Quarter ended September 30, 2018 2017 (Rupees in thousand)	
Sales - net		1,303,897	1,265,477
Cost of sales	13	(1,059,281)	(1,076,742)
Gross profit		244,616	188,735
Selling and distribution expenses		(84,642)	(67,257)
General and administrative expenses		(49,749)	(41,238)
Other operating expenses		(5,445)	(10,517)
Other operating income		8,010	4,902
		(131,826)	(114,110)
Operating profit		112,790	74,625
Financial charges		(53,721)	(40,877)
Profit before taxation		59,069	33,748
Taxation		(15,172)	(10,385)
Profit after taxation		43,897	23,363
Earnings per share - basic and diluted (Rupee)	14	0.57	0.30

The annexed notes from 1 to 17 form an integral part of these financial statements.

06

1st Quarter September 30, 2018

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ITTEHAD CHEMICALS LIMITED


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter ended September 30, 2018**

	Quarter ended September 30, 2018	2017
	(Rupees in thousand)	
Profit for the period	43,897	23,363
Other comprehensive income	-	-
Total comprehensive income for the period	<u>43,897</u>	<u>23,363</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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1st Quarter, September 30, 2018



ITTEHAD CHEMICALS LIMITED


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2018

	Quarter ended September 30,	
	2018	2017
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	59,069	33,748
Adjustments for items not involving movement of funds:		
Depreciation	114,984	82,243
Provision for gratuity	5,575	5,068
Loss / (Gain) on sale of fixed assets	(725)	6,716
Gain on foreign exchange	(4,518)	(439)
Provision for bad debts	2,500	2,500
Provision for obsolete stores	6,000	-
Financial charges	53,721	40,877
Net cash flow before working capital changes	236,606	170,713
Decrease / (increase) in current assets		
Stores, spares and loose tools	(29,365)	18,793
Stock in trade	(158,016)	(90,812)
Trade debts	(37,369)	77,671
Loans and advances	(94,050)	2,695
Trade deposits and short term prepayments	(4,127)	(200)
Tax refunds due from the Government	26,305	5,633
	(296,622)	13,780
Increase / (decrease) in current liabilities		
Trade and other payables	143,963	80,427
Cash generated from operations	83,947	264,920
Income taxes paid	(19,263)	(26,634)
Gratuity paid	(3,011)	(1,514)
Financial charges paid	(34,100)	(50,106)
Net cash inflow from operating activities	27,573	186,666
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(7,660)	4,469
Additions to capital work in progress	(192,598)	(85,876)
Proceeds from sale of operating fixed assets	12,747	310
Long term deposits	(213)	(10,529)
Net cash (outflow) from investing activities	(187,724)	(91,626)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(106,082)	(106,082)
Proceeds from long term diminishing musharaka	100,348	-
Repayment of long term diminishing musharaka	(20,000)	(20,000)
Dividend Paid	(164)	-
Short term borrowings	171,102	61,855
Net cash inflow / (outflow) from financing activities	145,204	(64,227)
Net increase in cash and cash equivalents	(14,947)	30,813
Cash and cash equivalents at the beginning of the period	94,072	108,012
Cash and cash equivalents at the end of the period	79,125	138,825

The annexed notes from 1 to 17 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 quarter ended September 30, 2018

	Share Capital	Surplus on Revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2017	770,000	794,848	330,000	1,321,454	3,216,302
Total Comprehensive income for the period	-	-	-	23,363	23,363
Balance as at September 30, 2017	770,000	794,848	330,000	1,344,817	3,239,665
Transaction with owners:					
Final cash dividend 2017:					
Re. 1.3 per share	-	-	-	(100,100)	(100,100)
Total Comprehensive income for the period					
Profit for the period	-	-	-	392,124	392,124
Remeasurement of defined benefit liability - net	-	-	-	-	-
Surplus on revaluation of Fixed Assets	-	177,886	-	-	177,886
	-	177,886	-	392,124	570,010
Balance as at June 30, 2018	770,000	972,734	330,000	1,636,841	3,709,575
Total Comprehensive income for the period					
	-	-	-	43,897	43,897
Balance as at September 30, 2018	<u>770,000</u>	<u>972,734</u>	<u>330,000</u>	<u>1,680,738</u>	<u>3,753,472</u>

The annexed notes from 1 to 17 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 quarter ended September 30, 2018

1 LEGAL STATUS AND OPERATIONS

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.
Multan	Paracha Street, Manzil, B.C.G, Multan.
Faisalabad	3rd Floor, Habib Bank Building, Circular Road, Faisalabad.
Islamabad	2nd Floor, Quaid Plaza, office No.15, Markaz I-9, Islamabad.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These condensed interim financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017.

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited in accordance with the requirements of the International Financial Reporting Standards (IFRS) IAS - 34, Interim Financial Reporting. They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2018.

3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except as modified for fair value adjustment in freehold land, investment property, investments and certain staff retirement benefits at present value.

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

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

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

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 statements 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 statements for the year ended June 30, 2018.

7 OPERATING FIXED ASSETS

	Note	(Un-audited) September 30, 2018	(Audited) June 30, 2018
		(Rupees in thousand)	
Opening book value (NBV)		5,452,040	4,127,596
Additions / (adjustment) at cost during the period / year	7.1	62,743	1,719,526
		<u>5,514,783</u>	<u>5,847,122</u>
Disposals at NBV during the period / year	7.2	(12,023)	(40,013)
Depreciation charged during the period / year		(114,984)	(355,069)
		<u>(127,007)</u>	<u>(395,082)</u>
Closing net book value (NBV)		<u>5,387,776</u>	<u>5,452,040</u>

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

Land	-	171,886
Building	633	61,874
Plant and machinery	54,450	1,453,694
Other equipment	20	10,700
Furniture and fixtures	122	135
Office and other equipment	1,240	4,320
Vehicles	6,278	16,917
	<u>62,743</u>	<u>1,719,526</u>



	(Un-audited) September 30, 2018	(Audited) June 30, 2018
	— (Rupees in thousand) —	
7.2 Details of disposals (at NBV) during the period / year are as follows:		
Plant and machinery	(11,986)	(39,375)
Office and other equipment	-	(40)
Vehicles	(37)	(598)
	<u>(12,023)</u>	<u>(40,013)</u>
8 CAPITAL WORK IN PROGRESS		
Plant and machinery	197,851	58,490
Advances	11,639	11,639
	<u>209,490</u>	<u>70,129</u>
9 SHARE CAPITAL		
9.1 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>
9.2 Issued, subscribed and paid up share capital		
27,100,000 (June 30, 2018: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2018: 24,900,000) issued for consideration other than cash	249,000	249,000
25,000,000 (June 30, 2018: 25,000,000) fully paid bonus shares	250,000	250,000
	<u>770,000</u>	<u>770,000</u>
10 LONG TERM FINANCING		
From banking companies and financial institutions- secured Balance as at July 01	514,064	852,679
Obtained during the period / year	-	-
Repayments made during the period / year	(106,082)	(338,615)
	<u>407,982</u>	<u>514,064</u>
Current portion shown under current liabilities	(276,257)	(325,614)
	<u>131,725</u>	<u>188,450</u>

(Un-audited) September 30, 2018	(Audited) June 30, 2018
—— (Rupees in thousand) ——	

11 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	100,348	699,108
Repayments made during the period / year	(20,000)	(167,324)
	<u>948,012</u>	<u>867,664</u>
Current portion shown under current liabilities	(147,323)	(254,823)
	<u>800,689</u>	<u>612,841</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 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.



- 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.
- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), which is pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million.
- f) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million.
- g) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 4.219 million (June 30, 2018: Rs. 4.219 million) against these claims.
- h) Letters of guarantee outstanding as at September 30, 2018 were Rs. 278.747 million (June 2018: Rs. 280.244 million).

12.2 Commitments

Commitments as on September 30, 2018 were as follows:

- a) Against letters of credit amounting to Rs. 478.910 million (June 2018: Rs. 607.704 million).
- b) Against purchase of land and shops amounting to Rs. 1.838 million (June 2018: Rs. 1.838 million).

13 COST OF SALES

	(Un-audited) Quarter ended September 30, 2018 2017 — (Rupees in thousand) —	
Raw materials consumed	161,465	166,684
Other overheads		
Stores, spares and consumables	50,153	78,628
Packing materials consumed	9,595	8,460
Salaries, wages and other benefits	116,270	111,579
Fuel and power	746,172	680,821
Repair and maintenance	10,874	11,770
Rent, rates and taxes	265	246
Insurance	3,352	3,014
Depreciation	112,442	79,997
Vehicle running expenses	3,038	2,366
Telephone, telex and postage	147	132
Printing and stationery	24	27
Other expenses	860	762
	<u>1,053,192</u>	<u>977,802</u>
Opening work in process	33,941	28,133
Closing work in process	(34,624)	(29,858)
	<u>(683)</u>	<u>(1,725)</u>
Cost of goods manufactured	<u>1,213,974</u>	<u>1,142,761</u>
Cost of stores traded	1,737	11,029
Opening stock of finished goods	142,601	301,434
Closing stock of finished goods	(299,031)	(378,482)
	<u>(156,430)</u>	<u>(77,048)</u>
	<u>1,059,281</u>	<u>1,076,742</u>

14 EARNINGS PER SHARE - BASIC AND DILUTED

	(Un-audited) Quarter ended September 30, 2018 2017	
Profit after taxation - (Rupees in thousand)	<u>43,897</u>	<u>23,363</u>
Weighted average number of ordinary shares - (In thousand)	<u>77,000</u>	<u>77,000</u>
Earnings per share - basic and diluted - (Rupees)	<u>0.57</u>	<u>0.30</u>



15 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:

Relationship with the Company	Nature of transaction	(Un-audited)	
		Quarter ended September 30, 2018	2017
— (Rupees in thousand) —			
Other related party	Marketing services charges	6,281	5,993
Retirement benefit plans	Contribution to staff retirement benefit plans	121	113
Key management personnel	Remuneration and other benefits	23,135	24,350

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 26, 2018 by the Board of Directors of the Company.

17 GENERAL

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER



Ms Certification
No of Certificate 236



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