HALF YEARLY REPORT
DECEMBER 31, 2018

Reaching New Heights..

ITTEHAD CHEMICALS LIMITED

ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018
(UN-AUDITED)

CONTENT

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 COMMITEE

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

CHIEF FINANCIAL OFFICER

Mr. Javed Iqbal

COMPANY SECRETARY

Mr. Abdul Mansoor Khan

REGISTERED OFFICE/HEAD OFFICE

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

PLANT

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

SHARES REGISTRAR

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

BANKERS

Banks - Conventional Side

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

Banks - Islamic Window Operations

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
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, 2018 together with Auditors' Review Report thereon.

During the period under review, caustic soda market remained healthy and the company posted net sales revenue of Rupees 3,020 Million (2017: Rupees 2,791 Million) with an increase of 8% from corresponding period of last year. The cost of sales was Rupees 2,337 Million (2017: Rupees 2,243 Million) bringing gross profit to Rupees 683 Million (2017: Rupees 547 Million). Resultantly, the gross profit margin increased to 23% as compared to 20% for the corresponding period of last year. The bottom line showed a net profit after tax of Rupees 214 Million (2017: profit Rupees 161 Million) which yielded earnings per share of Rupees 2.52 (2017: Rupees 1.90 per share restated).

During the period under review, installation of an additional Electrolyzer for Caustic Soda (Capacity 12,500 M.Tons per annum) has been successfully accomplished. The ICL Management is looking forward to complete construction and installation of machinery of LABSA / SLES Plant (capacity 24,000 M. Tons per annum) and Sulphate Removal System & Sodium Sulphate Anhydrous Plant before the end of FY 2019.

The Country's overall economy reflects a lackluster performance during the period under review. The inflationary pressures, liquidity crunch, high interest rates, upsurge in natural gas tariff and increase in the cost of imported RLNG along with devaluation of Pak rupee are some of the challenges faced by the industry in general and chemical industry in particular. Hence, there is an urgent need for prompt and effective remedial actions on the part of Government to curb macroeconomic imbalances prevailing in the economy.

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

Lahore	**Abdul Sattar Khatri**	**Muhammad Siddique Khatri**
February 21, 2019	**Chief Executive Officer**	**Chairman**

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت خوشی کے ساتھ 31 دسمبر 2018 کو اختتام پزیر ہونے والے نصف مالی سال کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے اوران پر آڈیٹر کا جائزہ رپورٹ پیش کر رہے ہیں۔

زیر غور عرصے کے دوران کاسٹک سوڈا کی مارکیٹ میں مثبت رجحان رہا جس کی وجہ سے کمپنی کی فروخت سے حاصل شدہ رقم 3,020 ملین روپے (2017: 2,791 ملین روپے) رہی جو کہ گزشتہ سال کے اسی عرصہ کے فروخت سے حاصل شدہ رقم کے مقابلے میں 8% زائد ہے۔ فروخت کی لاگت 2,337 ملین روپے (2017: 2,243 روپے ملین) رہی جس سے کمپنی کا خام منافع 683 ملین روپے (2017: 547 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال جو کہ 20% تھا بڑھ کر 23% تک ہو گیا۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 214 ملین روپے (2017: 161 ملین روپے) کا خالص منافع ظاہر کرتی ہے جس کے نتیجے میں مبلغ 2.52 روپے فی حصص (2017: 1.90 فی حصص روپے - Restated) آمدن ہوئی۔

زیر غور عرصہ کے دوران کاسٹک سوڈا (صلاحیت 12,500 میٹرک ٹن سالانہ) کیلئے ایک اضافی الیکٹرولائزر کی تنصیب کا کام کامیابی کے ساتھ مکمل ہوا۔ ICL کی انتظامیہ کی توجہ LABSA/SLES PLANT (صلاحیت 24,000 میٹرک ٹن سالانہ) اور Sulphate Removal System & Sodium Sulphate Anhydrous Plant دوران مالیاتی سال 2019 کے اختتام تک مکمل کرنے کی طرف ہے

زیر غور عرصہ کے دوران ملک کی معیشیت کی مجموعی صورتحال سست روی کا شکار رہی۔ افراط زر، مالی بحران، سود کی بلند شرح، قدرتی گیس کی قیمتوں میں اضافہ اور RLNG کی درآمد میں اضافہ اور اسکے ساتھ روپے کی قدر میں کمی کی وجہ سے مجموعی طور پر صنعتیں اور خاص طور پر کیمیکل صنعت کو مشکلات درپیش رہیں جس کی وجہ سے حکومت کو کلیاتی معاشیات کے غیر متوازی بیلنس کو متوازن بنانے کے لئے فوری اقدامات کرنا ہوں گے۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بینکوں 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

21 فروری 2019ء
لاہور

عبدالستار کھتری
چیف ایگزیکٹو آفیسرز

محمد صدیق کھتری
چیئرمین

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, 2018 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 this 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, 2018 and December 31, 2017 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.

BDO Ebrahim & Co.
Chartered Accountants
Engagement Partner: Mohammad Imran

LAHORE
DATED: February 21, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT DECEMBER 31, 2018

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,478,822	5,452,040
Capital work in progress	8	468,609	70,129
		5,947,431	5,522,169
Intangible assets		6,445	6,445
Investment property		128,400	128,400
Long term deposits		52,340	51,104
		6,134,616	5,708,118
CURRENT ASSETS			
Stores, spares and loose tools	9	472,644	401,463
Stock in trade	10	427,870	266,083
Trade debts	11	597,246	524,262
Loans and advances	12	190,427	198,118
Trade deposits and short term prepayments		12,007	5,783
Tax refunds due from Government		482,069	408,487
Taxation - net		120,596	133,226
Cash and bank balances	13	121,870	94,072
		2,424,729	2,031,494
TOTAL ASSETS		8,559,345	7,739,612
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	14.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	14.2	847,000	770,000
Reserves			
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		1,688,856	1,636,841
Surplus on revaluation of fixed assets		972,734	972,734
		3,838,590	3,709,575
NON CURRENT LIABILITIES			
Long term financing	15	75,000	188,450
Long term diminishing musharaka	16	1,120,855	612,841
Deferred liabilities		280,905	221,808
		1,476,760	1,023,099
CURRENT LIABILITIES			
Trade and other payables	17	1,418,086	1,200,669
Unclaimed dividend		1,541	796
Mark-up accrued		91,896	48,540
Short term borrowings	18	1,377,821	1,176,496
Current portion of long term liabilities		354,651	580,437
		3,243,995	3,006,938
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		8,559,345	7,739,612

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Note	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
		---------- (Rupees in thousand) ----------			
Sales - net	20	3,019,737	2,790,531	1,715,840	1,525,054
Cost of sales	21	(2,336,735)	(2,243,225)	(1,277,454)	(1,166,483)
Gross profit		683,002	547,306	438,386	358,571
Selling and distribution expenses		(191,176)	(160,332)	(106,534)	(93,075)
General and administrative expenses		(104,657)	(83,412)	(54,908)	(42,174)
Other operating expenses	22	(28,989)	(44,781)	(23,544)	(34,264)
Other operating income		25,022	29,366	17,012	24,464
		(299,800)	(259,159)	(167,974)	(145,049)
Operating profit		383,202	288,147	270,412	213,522
Financial charges		(118,314)	(79,889)	(64,593)	(39,012)
Profit before taxation		264,888	208,258	205,819	174,510
Taxation	23	(51,173)	(47,051)	(36,001)	(36,666)
Profit after taxation		213,715	161,207	169,818	137,844
			Restated		Restated
Earnings per share - basic and diluted (Rupees)	24	2.52	1.90	2.00	1.63

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31, 2018	Half year ended December 31, 2017	Quarter ended December 31, 2018	Quarter ended December 31, 2017
	------------- (Rupees in thousand) -------------			
Profit for the period	213,715	161,207	169,818	137,844
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	213,715	161,207	169,818	137,844

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE　　DIRECTOR　　CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31, 2018	2017
	...............(Rupees in thousand)...............	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	264,888	208,258
Adjustments for items not involving movement of funds:		
Depreciation	233,271	164,963
Provision for gratuity	11,151	10,137
Loss on sale of fixed assets	293	27,516
Gain on foreign exchange	(5,543)	(1,268)
Bad debts written off	-	528
Provision for doubtful debts	5,000	5,000
Provision for obsolete stores and spares	10,000	-
Financial charges	118,314	79,889
Net cash flow before working capital changes	637,374	496,023
Decrease in current assets		
Stores and spares	(81,181)	(17,216)
Stock in trade	(161,787)	26,703
Trade debts	(72,441)	61,329
Loans and advances	7,691	12,034
Trade deposits and short term prepayments	(6,224)	4,622
Tax refunds due from the Government	14,859	5,633
Increase / (decease) in current liabilities	(299,083)	93,105
Trade and other payables	217,415	182,586
Cash generated from operations	555,706	770,714
Income taxes paid	(75,697)	(53,481)
Gratuity paid	(3,339)	(2,358)
Financial charges paid	(84,995)	(90,541)
Net cash generated from operating activities	391,675	624,334
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - net	(17,834)	(5,740)
Additions to capital work in progress	(643,702)	(810,118)
Proceeds from sale of operating fixed assets	12,747	310
Long term deposits	(1,236)	(9,656)
Net cash used in investing activities	(650,025)	(825,204)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	496,424
Repayment of long term financing	(169,307)	(169,307)
Proceeds from long term diminishing musharaka	421,747	-
Repayment of long term diminishing musharaka	(83,662)	(83,662)
Dividend paid	(83,955)	(99,604)
Short term borrowings-net	201,325	112,608
Net cash generated from financing activities	286,148	256,459
Net increase in cash and cash equivalents	27,798	55,589
Cash and cash equivalents at the beginning of the period	94,072	108,012
Cash and cash equivalents at the end of the period	121,870	163,601

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2017	770,000	794,848	330,000	1,321,454	3,216,302
Transaction with owners:					
Final cash dividend 2017: Rs. 1.3 per share	-		-	(100,100)	(100,100)
Total comprehensive income for the period	-		-	161,207	161,207
Balance as at December 31, 2017	770,000	794,848	330,000	1,382,561	3,277,409
Total comprehensive income for the period					
Profit for the period	-	-	-	254,280	254,280
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: Rs. 1.1 per share	-		-	(84,700)	(84,700)
Issue of bonus shares(10%)	77,000	-	-	(77,000)	-
Total comprehensive income for the period					
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

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District 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

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, 2018 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

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, 2018, 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, 2017.

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, 2018 except as explained in note 4.3.

4.2 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, 2018. 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 except as disclosed in note 4.3.

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, 2018.

4.4 IFRS 9 'Financial Instruments' was issued on July 24, 2017 and IFRS 15 'Revenue From Contracts with Customers was issued on May 2014'. These standards are adopted locally by the Securities and Exchange Commission of Pakistan and are effective for accounting periods beginning on or after July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Company's condensed interim financial statements.

4.4.1 IFRS 9: Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The note 29 explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018 and December 31, 2018.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. This condition relates mainly to determining the provision for doubtful debts and the risk has to be recognised from the initial recognition of the receivable. However, IFRS 9 requires to use both historical and forward-looking information in determining this provision as there is always an inherent risk that a debtor will not or not fully pay. The default rate used for calculation of 'expected credit losses' is considered to be nil after taking into consideration both historical and forward-looking information. The impact of these amended rules for measuring receivables (provision for doubtful debts) is limited and do not have any affect on Company's condensed interim financial information due to short term nature of trade receivables, which spread the risk, combined with continuation of the current (strict) assessment criteria and processes for the receivables portfolio as a whole.

4.4.2 IFRS 15: Revenue from Contracts with Customers

On May 28, 2014, the International Accounting Standards Board (IASB) published IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 'Revenue from Contracts with Customers' establishes a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services.

Revenue will now be recognised by a vendor when control over the goods or services is transferred to the customer. In contrast, IAS 18 Revenue based revenue recognition around an analysis of the transfer of risks and rewards. An assessment of risks and rewards now forms one of a number of criteria that are assessed in determining whether control has been transferred.

The new standard also introduces an overall disclosure objective together with significantly enhanced disclosure requirements for revenue recognition. These are accompanied by an explicit statement that immaterial information does not need to be disclosed and that the disclosure requirements should not be used as a checklist. In practice, even if the timing and profile of revenue recognition does not change, it is possible that new and/or modified processes will be needed in order to obtain the necessary information. This standard has been adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Company's financial Information.

The Company has applied the requirements of IFRS 15 relating to revenue recognition retrospectively, however, management has performed its assessment of the impact and confirmed that the application of IFRS 15 does not have any significant effect on the Company's financial statements in the period of initial application, accordingly, comparative information has not been restated.

5 TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2018, have been made using the estimated effective tax rate applicable to expected total annual earnings. The applicable income tax rate was reduced from 30% to 29% for the Tax Year 2019 on account of the changes made to the Income Tax Ordinance, 2001 through Finance Act 2018.

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, 2018.

7 OPERATING FIXED ASSETS

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		----------(Rupees in thousand)	----------
Opening net book value (NBV)		5,452,040	4,127,596
Additions (at cost) during the period / year	7.1	273,093	1,547,640
		5,725,133	5,675,236
Disposals (at NBV) during the period / year	7.2	(13,040)	(40,013)
Revaluation during the period / year		-	177,886
Adjustment against land during the period / year	7.3	-	(6,000)
Depreciation charged during the period / year		(233,271)	(355,069)
		(246,311)	(223,196)
Closing net book value (NBV)		5,478,822	5,452,040

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

Building	20,748	61,874
Plant and machinery	244,511	1,453,694
Other equipment	20	10,700
Furniture and fixtures	121	135
Office and other equipment	1,273	4,320
Vehicles	6,420	16,917
	273,093	1,547,640

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	

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

Plant and machinery (Electrolysers / DSA)	13,004	39,375
Office and other equipment	-	40
Vehicles	36	598
	13,040	40,013

7.3 Prior period figure represent reimbursement of expenses incurred by the Company to clear the title of the free hold land by the owner of the property.

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 28, 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 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.

8 CAPITAL WORK IN PROGRESS

	Note	December 31, 2018	June 30, 2018
Building	8.1.1	-	-
Plant and machinery	8.1.2	466,970	58,490
Advances	8.1.4	1,639	11,639
		468,609	70,129

8.1 Movement of carrying amount is as follows:

8.1.1 Building

Opening balance	-	1,200
Additions (at cost)	10,748	60,674
Transferred to operating fixed assets	(10,748)	(61,874)
Closing balance	-	-

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	

8.1.2 Plant and machinery

	Note	December 31, 2018	June 30, 2018
Opening balance		58,490	185,100
Additions (at cost)		652,991	1,283,302
Transferred during the period		(244,511)	(1,409,912)
Closing balance	8.1.3	466,970	58,490

8.1.3 This includes plant and machinery in transit amounting to Rs. 207.209 million (2018: Rs. 45.367 million).

8.1.4 Advances

	Note	December 31, 2018	June 30, 2018
Opening balance		11,639	51,794
Additions (at cost)		-	-
Transferred to operating fixed assets		(10,000)	(40,155)
Closing balance		1,639	11,639

8.2 Borrowing cost capitalised during the period amounted to Rs. 10.037 million (June 30, 2018: Rs. 26.004 million) at an average rate of 10.65% (2018: 7.53%) per annum.

9 STORES, SPARES AND LOOSE TOOLS

	Note	December 31, 2018	June 30, 2018
Stores			
in hand		72,477	55,131
in transit		756	1,536
		73,233	56,667
Spares:			
in hand		377,000	358,045
in transit		30,456	8,763
		407,456	366,808
		480,689	423,475
Less: Provision for obsolete stores and spares	9.2	8,045	22,012
		472,644	401,463

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.

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	
9.2 Movement of provision for obsolete stores and spares			
Opening balance		22,012	6,012
Addition during the year		10,000	16,000
Reversal during the year		(275)	-
Written off during the year against disposal/scrap sale		(23,692)	-
		8,045	22,012

10 STOCK IN TRADE

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
Raw materials:			
in hand		81,607	55,627
in transit		11,987	13,456
Packing materials		26,229	20,457
Work in process		37,656	33,941
Finished goods	10.1	270,391	142,602
		427,870	266,083

10.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 18.700 million (2018: Rs. 22.000 million).

11 TRADE DEBTS

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
Unsecured			
Considered good - foreign		39,024	80,098
Secured		17,234	17,234
Unsecured			
Considered good		540,988	426,930
Considered doubtful		30,579	39,507
		571,567	466,437
		627,825	563,769
Less: Provision for doubtful debts	11.1	30,579	39,507
		597,246	524,262

11.1 Movement of provision for doubtful debts is as follows:

		December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
Opening balance		39,507	35,440
Adjustment on account of:			
Doubtful debts written off		(13,878)	(604)
Recovery of doubtful debts		(50)	(650)
Provision made for doubtful debts		5,000	5,321
Net adjustment		(8,928)	4,067
Closing balance		30,579	39,507

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		----------(Rupees in thousand)----------	

12 LOANS AND ADVANCES

Advances - (Unsecured - considered good)			
To employees	12.1 & 3	14,708	17,392
Advance to supplies and services (Unsecured)			
Considered good		175,395	179,752
Considered doubtful		1,374	1,374
		176,769	181,126
Against import		324	974
		191,801	199,492
Less: Provision for doubtful advances	12.4	1,374	1,374
		190,427	198,118

12.1 This includes advance to Mr. Ghulam Mustafa Khatri amounting to Rs. 2.611 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.

12.2 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).

12.3 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.

12.4 Movement of provision for doubtful debts is as follows:

Opening balance		1,374	-
Addition during the year		-	1,374
Closing balance		1,374	1,374

13 CASH AND BANK BALANCES

Cash in hand		539	480
Cheques in hand		97,327	69,757
Cash at banks			
Current accounts	13.1	24,004	23,835
		121,870	94,072

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

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	

14 SHARE CAPITAL

14.1 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
		1,250,000	1,250,000

14.2 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		327,000	250,000
		847,000	770,000

14.3 Movement of share capital is as follows:

	Note	Number of Shares	(Rupees in thousand)
Opening balance		77,000,000	770,000
Bonus shares issued during the period	14.4	7,700,000	77,000
Closing balance		84,700,000	847,000

14.4 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.

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in thousand)	
15 LONG TERM FINANCING			
Secured:			
Banking Companies	15.1	75,000	188,450
Other Financial Institutions	15.2	-	-
		75,000	188,450
15.1 From banking companies			
Balance as at July 01		415,350	642,250
Obtained during the period / year		-	-
Repayments made during the period / year		(113,450)	(226,900)
		301,900	415,350
Current portion shown under current liabilities		(226,900)	(226,900)
		75,000	188,450
15.2 Other Financial Institutions			
Balance as at July 01		98,714	210,429
Obtained during the period / year		-	-
Repayments made during the period / year		(55,857)	(111,715)
		42,857	98,714
Current portion shown under current liabilities		(42,857)	(98,714)
		-	-
16 LONG TERM DIMINISHING MUSHARAKA			
Secured			
Banking Companies			
Balance as at July 01		867,664	335,880
Obtained during the period / year			
The Bank of Punjab - TAQWA		-	675,282
The Bank of Punjab - TAQWA	16.1	371,747	23,826
Al Baraka Bank (Pakistan) Limited	16.2	50,000	-
		421,747	699,108
Repayments made during the period / year		(83,662)	(167,324)
		1,205,749	867,664
Current portion shown under current liabilities		(84,894)	(254,823)
		1,120,855	612,841

16.1 This finance has been obtained under the Islamic mode of financing and is secured against ranking charge over specific assets imported through BOP (DM assets) and ranking charge over plant and machinery of the Company and pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed in various tranches but yet not fully disbursed and are repayable in eight semi annual equal instalments with the one year grace period for principal payment.

16.2 This finances has been obtained under the Islamic mode of financing and is secured against registered 1st exclusive charge with SECP over the entire fixed and moveable assets worth 534 million of the Company's proposed Chemical plant being financed by ABPL, with 20% security margin and carries mark up at six months KIBOR plus 1.15% p.a. This finance was disbursed during the period in various tranches but yet not fully disbursed (Limit of Rs. 427.500 million).

17 TRADE AND OTHER PAYABLES

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		----------(Rupees in thousand)	----------
Trade creditors		113,999	86,741
Accrued liabilities	17.1 & 2	1,216,215	1,007,484
Advances from customers		59,363	79,964
Retention money		7,022	5,870
Income tax deducted at source		6	418
Workers' Profit Participation Fund		15,792	19,815
Workers Welfare Fund		5,626	351
Other liabilities		63	26
		1,418,086	1,200,669

17.1 These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 6.582 million (June 30, 2018: Rs. 11.190 million).

17.2 This includes an amount of Rs. 730.621 million (2018: Rs. 634.883 million) payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. The Company has filed an appeal in Honorable 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.

18 SHORT TERM BORROWINGS

	Note	December 31, 2018	June 30, 2018
Secured			
From banking companies and financial institutions			
Running finances	18.1	636,368	857,866
Term finance	18.2	696,453	318,630
		1,332,821	1,176,496
Unsecured			
Associated undertaking Ittehad Developer	18.3	45,000	-
		1,377,821	1,176,496

18.1 Short term running finance facilities from various banks aggregated to Rs. 1090 million (2018: Rs. 940 million) and carries mark-up ranging from one month KIBOR plus 0.9% to three months KIBOR plus 1.50% per annum (2018: 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.

18.2 Term finance facilities from various banks aggregated to Rs. 900 million (2018: Rs. 900 million) and carry mark-up ranging from Matching KIBOR plus 1.25% to 1.5% per annum (2017: Matching KIBOR plus 1.00 % to 1.25 % per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

18.3 This represents unsecured interest free loan from associated undertaking of the Company to meet the working capital requirements. These are payable on demand.

19 CONTINGENCIES AND COMMITMENTS

19.1 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 (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 (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 confidant 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 December 31, 2018 were Rs. 326.720 million (June 30, 2018: Rs. 280.244 million).

19.2 Commitments

Commitments as on December 31, 2018 were as follows:

a) Against letters of credit amounting to Rs. 341.466 million (June 30, 2018: Rs. 607.704 million).

b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2018: Rs. 1.838 million).

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in thousand)			
20 SALES				
Sales				
Manufacturing	3,554,990	3,247,060	2,015,632	1,765,115
Trading	9,786	43,699	7,394	24,570
	3,564,776	3,290,759	2,023,026	1,789,685
Less: Sales tax	498,144	445,748	281,134	238,474
Less: Commission to selling agents	46,895	54,480	26,052	26,157
	545,039	500,228	307,186	264,631
	3,019,737	2,790,531	1,715,840	1,525,054

20.1 This amount includes export sales amounting to Rs. 162.987 million (2017: Rs. 255.090 million).

21 COST OF SALES

Raw materials consumed	314,815	303,465	153,350	136,781
Other overheads:				
Stores, spares and consumables	105,532	127,384	55,379	48,756
Packing materials consumed	25,250	19,625	15,655	11,165
Salaries, wages and other benefits	226,319	218,912	110,049	107,333
Fuel and power	1,519,913	1,319,645	773,741	638,824
Repair and maintenance	23,136	25,804	12,262	14,034
Rent, rates and taxes	591	497	326	251
Insurance	6,729	6,034	3,377	3,020
Depreciation	227,971	160,360	115,529	80,363
Vehicle running expenses	5,998	4,884	2,960	2,518
Telephone, telex and postage	398	270	251	138
Printing and stationery	65	44	41	17
Other expenses	2,356	1,445	1,496	683
	2,144,258	1,884,904	1,091,066	907,102

	(Unaudited) Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in thousand)			
Opening work in process	33,941	28,133	34,624	29,858
Closing work in process	(37,656)	(29,490)	(37,656)	(29,490)
	(3,715)	(1,357)	(3,032)	368
Cost of goods manufactured	2,455,358	2,187,012	1,241,384	1,044,251
Cost of stores traded	9,166	19,286	7,430	8,257
Opening stock of finished goods	142,602	301,434	299,031	378,482
Closing stock of finished goods	(270,391)	(264,507)	(270,391)	(264,507)
	(127,789)	36,927	28,640	113,975
	2,336,735	2,243,225	1,277,454	1,166,483

22 OTHER OPERATING EXPENSES

	2018	2017	2018	2017
Auditors' remuneration				
Audit fee	375	375	187	187
Half yearly review fee	189	189	95	95
Tax and certification charges	107	16	107	-
Out of pocket expenses	116	38	9	-
	787	618	398	282
Loss on sale of fixed assets (22.1)	1,018	27,784	1,018	20,799
Workers' profit participation fund	14,238	11,232	11,032	9,385
Loss on foreign exchange	7,319	-	7,319	-
Workers welfare fund	5,627	5,147	3,777	3,798
	28,989	44,781	23,544	34,264

22.1 Last period figures represents loss on account of scrapping of DSA plant as no future economic benefits are expected from its use.

23 TAXATION

		2018	2017	2018	2017
Current	Note : 23.1	-	-	-	-
Prior year		(113)	(77)	(113)	(77)
Deferred		51,286	47,128	36,114	36,743
		51,173	47,051	36,001	36,666

23.1 As per provisions of Income Tax Ordinance, 2001, tax credit equal to 10% of the amount invested in the acquisition of plant and machinery for purposes of balancing, modernization and replacement (BMR) is admissible against the income tax payable subject to certain conditions. Accordingly, an amount of Rs. 83.573 million (2017: Rs. 83.948 million) has been adjusted against current and final tax during the period.

		(Unaudited)			
		Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
		(Rupees in thousand)			

24 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	2018	2017	2018	2017
Profit after taxation - (Rs. in thousand)		213,715	161,207	169,818	137,844
			Restated		Restated
Weighted average number of ordinary shares - (in thousand)		84,700	84,700	84,700	84,700
Earnings per share - basic and diluted - (Rs.)	24.1	2.52	1.90	2.00	1.63

24.1 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".

25 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:

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in thousand)			
Transaction with:				
Relationship with the Company				
Nature of transaction				
Associated company				
Chemi Multifabrics Limited				
Marketing service charges	14,487	12,903	8,206	6,910
Ittehad Developers				
Short term borrowing received	45,000	-	45,000	-
Retirement benefit plans				
Contribution to staff retirement benefit plans	238	222	117	109
Key management personnel				
Remuneration and other benefits	45,414	42,960	19,819	18,610
Loans and advances				
Obtained	487	-	-	-
Repaid	(1,487)	-	(744)	-

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

26 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, 2018 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.

27 FINANCIAL RISK MANAGEMENT

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, 2018.

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

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

29 FINANCIAL INSTRUMENTS BY CATEGORY

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Carrying amount			New carrying amount under IFRS 9			Fair value			
			DECEMBER 31, 2018									
			Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments			Rupees in thousands									
As at December 31, 2018												
Financial assets												
Loans and receivables												
Long-term deposits	Loans and receivables	Amortised cost	52,340	-	52,340	52,340	-	52,340	-	-	-	-
Trade debts - net of provisions	Loans and receivables	Amortised cost	597,246	-	597,246	597,246	-	597,246	-	-	-	-
Loans and advances	Loans and receivables	Amortised cost	14,708	-	14,708	14,708	-	14,708	-	-	-	-
Trade deposits	Loans and receivables	Amortised cost	3,197	-	3,197	3,197	-	3,197	-	-	-	-
Cash and bank balances	Loans and receivables	Amortised cost	121,870	-	121,870	121,870	-	121,870	-	-	-	-
			789,361	-	789,361	789,361	-	789,361	-	-	-	-
Financial liabilities at amortised cost												
Long term financing	Amortised cost	Amortised cost	-	344,757	344,757	-	344,757	344,757	-	-	-	-
Long term diminishing musharaka	Amortised cost	Amortised cost	-	1,205,749	1,205,749	-	1,205,749	1,205,749	-	-	-	-
Trade and other payables	Amortised cost	Amortised cost	-	1,337,299	1,337,299	-	1,337,299	1,337,299	-	-	-	-
Mark-up accrued	Amortised cost	Amortised cost	-	91,896	91,896	-	91,896	91,896	-	-	-	-
Short-term borrowings	Amortised cost	Amortised cost	-	354,651	354,651	-	354,651	354,651	-	-	-	-
			-	3,334,352	3,334,352	-	3,334,352	3,334,352	-	-	-	-

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Carrying amount			New carrying amount under IFRS 9			Fair value			
			JUNE 30, 2018									
			Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments			Rupees in thousands									
As at June 30, 2018												
Loans and receivables												
Long-term deposits	Loans and receivables	Amortised cost	51,104	-	51,104	51,104	-	51,104	-	-	-	-
Trade debts - net of provisions	Loans and receivables	Amortised cost	524,262	-	524,262	524,262	-	524,262	-	-	-	-
Loans and advances	Loans and receivables	Amortised cost	17,392	-	17,392	17,392	-	17,392	-	-	-	-
Trade deposits	Loans and receivables	Amortised cost	2,303	-	2,303	2,303	-	2,303	-	-	-	-
Cash and bank balances	Loans and receivables	Amortised cost	84,072	-	84,072	84,072	-	84,072	-	-	-	-
			679,133	-	679,133	679,133	-	679,133	-	-	-	-
Financial liabilities at amortised cost												
Long term financing	Amortised cost	Amortised cost	-	514,864	514,864	-	514,864	514,864	-	-	-	-
Long term diminishing musharaka	Amortised cost	Amortised cost	-	867,864	867,864	-	867,864	867,864	-	-	-	-
Trade and other payables	Amortised cost	Amortised cost	-	1,100,121	1,100,121	-	1,100,121	1,100,121	-	-	-	-
Mark-up accrued	Amortised cost	Amortised cost	-	48,540	48,540	-	48,540	48,540	-	-	-	-
Short-term borrowings	Amortised cost	Amortised cost	-	1,176,496	1,176,496	-	1,176,496	1,176,496	-	-	-	-
			-	3,706,885	3,706,885	-	3,706,885	3,706,885	-	-	-	-

29.1 These financial assets classified as 'loans and receivables' have been classified as amortised cost.

29.2 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.

29.3 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.

30 CORRESPONDING FIGURES

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.

31 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on February 21, 2019 by the Board of Directors of the Company.

32 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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GROUP

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