

**ANNUAL REPORT
2015**



ITTEHAD CHEMICALS LIMITED



ITTEHAD CHEMICALS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2015



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Corporate Information

Board of Directors	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Ahmed Mustafa Mr. Pervaiz Ahmad Khan	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Non-Executive Director Non-Executive Director Executive Director Non-Executive Director Independent Director
Audit Committee	Mr. Ahmed Mustafa Mr. Abdul Ghafoor Khatri Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & Remuneration Committee	Mr. Abdul Ghafoor Khatri Mr. Ahmed Mustafa 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. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore Ph: 042 - 35839182, Fax: 042 - 35869037		
Bankers	Askari Bank Limited Allied Bank Limited Al-Baraka Bank (Pakistan) Limited Burj Bank Limited Dubai Islamic Bank Faysal Bank Limited Habib Metro Bank Limited KASB Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited Pak Brunei Investment Co. (Pvt.) Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited		
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 Advisors	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrāh - e - Fatima Jinnah Lahore - 54000		



ICL VISION

An "ITTEHAD" of PAKISTAN'S best TALENT & TECHNOLOGY that serves as a catalyst to deliver SUSTAINABLE CHEMICAL products to its CUSTOMERS thus optimizing returns for INVESTORS.

ICL MISSION

Key ingredients of ICL Mission are:

- ▶ Create an environment to attract and retain the best talent
- ▶ Optimize cost and securitize energy through latest technology
- ▶ Serving the Customers to their satisfaction levels
- ▶ Ensuring that we are environment friendly & Zero injury company
- ▶ CSR is our forte

ICL VALUES

▶ Integrity

Integrity is regarded as the honesty and truthfulness or accuracy of one's actions.

▶ Respect

Respect is a positive feeling of esteem or deference for a person and also specific actions and conduct representative of that esteem.

▶ Teamwork

Teamwork is work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole.

▶ Accountability

The principles of ethical accountability aim to improve both the internal standard of individual and group conduct as well as external factors, such as sustainable economic and ecologic strategies.

Notice of Annual General Meeting

NOTICE is hereby given that the 24th Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Wednesday, October 21, 2015, at 11:00 a.m. at the Registered Office at 39 - Empress Road, Lahore to transact the following business:

Ordinary Business:

1. To confirm the Minutes of Annual General Meeting held on October 31, 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.
3. To approve Final Cash Dividend of Rs. 1 per share i.e. 10% as recommended by the Board of Directors.
4. To appoint Auditors for the year 2015-16 and to fix their remuneration. M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.
5. Any other business with the permission of the Chair.

By Order of the Board

Abdul Mansoor Khan
Company Secretary

Lahore
August 28, 2015

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 09, 2015 to October 23, 2015 (both days inclusive). Transfers received in order by our Share Registrars, M/s Corplink (Pvt.) Limited, Wings Arcade, I-K Commercial, Model Town, Lahore by the close of business on October 08, 2015 will be considered in time for the purpose of payment of cash dividend to the transferees and determination of their entitlement for 30% right shares (i.e. Issuance of 30 right shares at Rs. 20 including premium of Rs. 10 per share for every 100 ordinary shares held).
- ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.
- iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number and CDC account numbers at the time of attending the Annual General Meeting for identification purpose.
- iv. In case of Corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.

- v. Members are requested to notify the change of address immediately, if any, to our Share Registrars.
- vi. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 787(I) / 2014 has facilitated the Companies to circulate Audited Financial Statements through e-mail after obtaining prior written consent of its members. The members who intend to receive the Audited Accounts through email are therefore, requested to kindly send their written consent along with e-mail addresses.
- vii. The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are (a) 12.50 % for filers of income tax returns and (b) 17.50% for non-filers of income tax returns.

To enable the Company to make tax deduction on the amount of cash dividend @ 12.50% instead of 17.50%, all Members whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 17.50% instead of 12.50%.

- viii. In pursuant to the clarification of FBR, in case of joint account each joint holder is to be treated individually as either a filler or non filler and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the members (CDC & Physical), in writing duly signed by each joint holder along with copies of CNICs as follows to the Registrar of the Company. If the response to the notification is not received within stipulated time, each joint holder shall be assumed to have equal number of shares.

Folio/CDC A/c No:		Name of Company:		
Total Shares Held	Principal Share Holder (Name & CNIC)	Shares Held	Joint Share Holder (Name & CNIC)	Shares Held

- ix. As already communicated, SECP has directed vide its S.R.O. 831(I) / 2012 that the dividend warrants should bear the CNICs of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers are, hence, mandatory for the issuance of dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to our Share Registrar.
- X. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged by SECP where shareholders can get amount of the dividend credited into their respective bank accounts electronically. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for their members. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.
- xi. The Annual Report for the Financial Year ended June 30, 2015 will be placed on Company's website www.ittehadchemicals.com in due course of time.

Directors' Report to Shareholders



The Directors of the company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2015 and Auditors' Report thereon.

PAKISTAN'S ECONOMY

Pakistan's economic indicators remained strong during the year 2014-15. The Balance of payments position has considerably improved with current account deficit well below the target; thanks to significant drop in international crude oil prices. All the macro economics indicators e.g. increase in foreign exchange reserves, narrowing of budget deficit, declined in the rate of inflation and modest rise in growth rate despite energy deficit show that Pakistan economy looks to be at the verge of takeoff. If the government takes required steps in order to manage both energy and security issues on urgent basis then the economy can significantly flourish. Going forward, the country's future growth depends on its ability to capitalize on recent stability.

INDUSTRY REVIEW

The chlor-alkali sector is power intensive accordingly, fuel expense accounted for more than 50% of its cost of sales. Pakistan has been facing acute shortage of energy for quite a number of years now. Due to lack of maintenance and inadequate investment, some of the installed sources of electricity are unable to run at full capacity, leading to drop in supply. Presently the sector is drastically impacted by energy crisis as well as increase in Gas Infrastructure Development Cess (GIDC) introduced through GIDC Act 2015.

The sector is oligopolistic; hence undue competition has also negatively influenced the Chemical industry.

FINANCIAL PERFORMANCE

The capacity utilization of the plants remained depressed during the year under review mainly on account of persistent load shedding and inconsistent availability of gas which resulted increase in fixed cost per ton. Stiff market competition and increase in energy cost squeezed the margin further. As a result, gross profit margin declined to 10% from 20% vis-à-vis corresponding year.

Company posted net sales revenue of Rupees 4,046 Million for the Financial Year under review (2014: Rupees 4,104 Million). The cost of sales stood at Rupees 3,623 Million (2014: Rupees 3,291 Million) bringing gross profit to Rupees 423 Million (2014: Rupees 813 Million). After tax credit of Rupees 158 Million availed on company's recent BMR, profit for the year is Rupees 84 Million (2014: Rupees 200 Million). Earning(s) per share is Rupees 1.69 per share (2014: Rupees 4.01 per share).

FINANCIAL HIGHLIGHTS

The comparative financial results for the year ended June 30, 2015 are hereunder:

	Financial Year ended June 30	
	2015	2014
	Rupees in "000"	
Net Sales	4,045,537	4,103,853
Gross Profit	422,938	813,027
Operating Profit	30,769	405,372
(Loss) / Profit before Tax	(73,917)	281,150
Profit after Tax	84,487	200,376
Earnings Per Share (Rupees)	1.69	4.01

PROFIT AND APPROPRIATIONS DURING THE YEAR

	Financial Year ended June 30	
	2015	2014
	Rupees in "000"	
Total comprehensive income for the year	87,587	200,376
Add: - Un-appropriated profit brought forward	1,040,602	1,016,226
Profit available for appropriation	1,128,189	1,216,602
Appropriations		
- Final cash dividend paid @ 10 % for the financial year 2013-14 (2012-2013: 10 %)	(50,000)	(36,000)
- Bonus Shares issued during the year	-	(140,000)
Profit available for appropriation	1,078,189	1,040,602

CASH DIVIDEND

The Board of Directors is pleased to propose a final cash dividend of Rs. 1 per share i.e. 10% for the financial year ended June 30, 2015. The final dividend is subject to the approval of shareholders in their meeting scheduled to be held on October 21, 2015.

BALANCING, MODERNIZATION AND REPLACEMENT (BMR)

By the grace of Almighty Allah, we are pleased to inform that the Company's state of the art power efficient Ion Exchange Membrane Plant-2 (Phase-I having capacity 25,000 M. Ton Per Annum) has commenced its commercial operations during June 2015. The inclusion of new IEM Plant in company's operations testifies to the Management's commitment to enhance the shareholders' value. Other cost efficient measures like Up-gradation of gas fired power plant also accomplished during the year.

The management of the company is persistently taking cost efficient measures. The Board of directors has initiated work on IEM Plant-2 Phase-II having capacity 25,000 M. Ton Per Annum in order to replace its old high power consuming Caustic Soda Plant. Total Project Cost of IEM Plant (Phase II) is projected Rupees 750 Million which will be financed through Equity (Right Issue) Rupees 300 Million plus Long term Debt Rupees 450 Million. The new IEM Plant-2 (Phase-II) shall further contribute towards the Company's profitability.

RIGHT ISSUE

The Board of Directors in their Meeting held on 28th August 2015 has decided to Issue 30% Right Shares in proportion of 30 shares for every 100 shares held on entitlement date at Rs. 20/- per share (including premium of Rupees 10/- per share). The funds so accumulated shall be utilized for setting up IEM Plant Phase II.

JCR-VIS Credit Rating

During the year, credit rating of the Company was reassessed by JCR-VIS Credit Rating Co. Ltd., and it has reaffirmed the medium to long-term entity rating of Ittehad Chemicals Limited (ICL) at 'A-' (Single A Minus) and short-term entity rating at 'A-2' (A-Two). Outlook on the assigned rating is 'Stable' as announced on December 22, 2014. These ratings depict high credit quality and a low credit risk i.e. strong position for timely payments of financial commitments.

BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

During the year, five (05) Board meetings, four (04) Audit Committee meetings and two (02) HR & Remuneration Committee Meetings were held. The attendance of Board and its Committees' members is hereunder:

Name of Director	Number of Meetings attended		
	Board of Directors	Audit Committee	HR & R Committee
Mr. Muhammad Siddique Khatri	5	N/A	N/A
Mr. Abdul Sattar Khatri	5	N/A	N/A
Mr. Abdul Ghafoor Khatri	5	4	2
Mr. Waqas Siddiq Khatri	5	N/A	2
Mr. Ahmed Mustafa	5	4	2
Ms. Farhana Abdul Sattar Khatri	5	N/A	N/A
Mr. Pervaiz Ahmad Khan	5	4	N/A

DIRECTORS' TRAINING PROGRAMS

The Directors are aware of their fiduciary responsibilities. During the year, the Board has arranged certification offered by University of Lahore (one of the SECP approved Institute for Directors' Training Program) for Mr. Pervaiz Ahmad Khan, Independent Director of the Company. He has successfully attained this certification.

CODE OF CONDUCT

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The compliance with the best practices of Code of Corporate Governance is always ensured by the Board. A statement to this effect is annexed.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the statements on Corporate and Financial Reporting Framework:

- i. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present the Company's state of affairs fairly, the results of its operations, cash flow and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. The key operating and financial data for the last six years is annexed.
- viii. Information about outstanding taxes and levies is given in Notes to the Accounts.
- ix. The value of investments of the Provident Fund based on its audited accounts as on June 30, 2015 is given in Note # 39 of the Financial Statements.

- X. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- xi. The company has complied with requirements as stipulated in Code relating to related party transactions.
- Xii. The trading (if any) made by directors, CEO, CFO, Company Secretary and their spouses and minor children in the company's share during the year and the number of shares, if any, held by them are annexed.



HEALTH, SAFETY AND ENVIRONMENT

We are committed to provide a safe and healthy work environment to our employees. The Company meets applicable laws and government regulations as well as Company's own standards. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for ISO 9001:2008 - Quality Management System and ISO 14001:2004 - Environmental Management System by Moody International Certification Limited.



CORPORATE SOCIAL RESPONSIBILITY

Our main CSR focuses are Health Care, Education and community development. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift. During the year under review, company contributed Rupees 6,772,276 to various charitable organizations.

EXTERNAL AUDITORS

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offered themselves for re-appointment for the year 2015-16. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

PATTERN OF SHAREHOLDING

The pattern of shareholding under section 236(d) and information under clause XVI(J) of the Code of Corporate Governance as on June 30, 2015 are annexed.

FUTURE OUTLOOK

Pakistan's economy is gradually moving towards sustainable growth phase. The company is also set to embark on a higher growth trajectory due to accomplishment of its various ventures. The Company's state of the art power efficient Ion Exchange Membrane Plant-2 (Phase-I having capacity 25,000 M. Ton Per Annum) has commenced its commercial operations during June 2015 and shall make its contribution towards the Company's profitability. The work on IEM Plant-2 Phase-II having capacity 25,000 M. Ton Per



Annum has been initiated. Hence, the operational indicators for the future are satisfactory. Future prospects of the industry will also depend on the Government energy policies which may assist to reduce the impact of higher production cost.

ACKNOWLEDGEMENT

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Muhammad Siddique Khatri'.

Muhammad Siddique Khatri
Chairman

Lahore
August 28, 2015

Operating and Financial Highlights

	Unit	2010	2011	2012	2013	2014	2015
PROFIT AND LOSS							
Sales	Rs. in mln	3,258	3,310	4,004	4,278	4,104	4,046
Gross Profit	Rs. in mln	706	688	802	865	813	423
Operating Profit	Rs. in mln	364	335	430	453	405	31
Profit / (loss) before tax	Rs. in mln	151	109	228	333	281	(74)
Profit after tax	Rs. in mln	157	105	160	295	200	84
EBITDA	Rs. in mln	571	532	626	637	592	225
Earning per share - Restated	Rs.	3.14	2.10	3.20	5.89	4.01	1.69

BALANCE SHEET

Operating Fixed assets (NBV)	Rs. in mln	2,471	2,499	2,515	2,496	2,485	3,756
Current Assets	Rs. in mln	1,261	1,347	1,346	1,619	1,704	1,437
Current Liabilities	Rs. in mln	1,023	1,334	1,459	1,722	1,491	2,045
Long Term Liabilities	Rs. in mln	1,163	942	646	411	909	933
Share capital	Rs. in mln	360	360	360	360	500	500
Shareholders' Equity	Rs. in mln	946	1,011	1,154	1,376	1,541	1,578

INVESTOR INFORMATION

Gross Profit Margin	%	21.67	20.79	20.03	20.23	19.81	10.45
Net Profit Margin	%	4.82	3.17	4.00	6.89	4.88	2.09
Return on Equity	%	17.55	10.73	14.78	23.29	13.74	5.42
Price Earning Ratio - Restated		10.45	14.01	7.32	7.38	8.06	27.69
Net Asset Per Share	Rs.	26.28	28.08	32.06	38.23	30.81	31.56
Long -Term Debt to Equity Ratio		1.25	1.00	0.56	0.21	0.43	0.69
Current Ratio		1.23	1.01	0.92	0.94	1.14	0.70
Quick Ratio		0.60	0.53	0.54	0.52	0.60	0.39
Interest Coverage Ratio		1.68	1.46	2.09	3.71	3.04	0.28
Debtor Turnover	No. of Times	7.50	8.39	8.50	8.09	7.85	10.21
Inventory Turnover	No. of Times	3.96	4.07	5.69	4.74	4.06	5.66
Dividend Payout	%	11.85	35.34	33.78	18.33	24.94	59.18
Bonus Shares	%	-	-	-	38.89	-	-
Dividend Per Share	Rs.	0.50	1.00	1.50	1.50	1.00	1.00

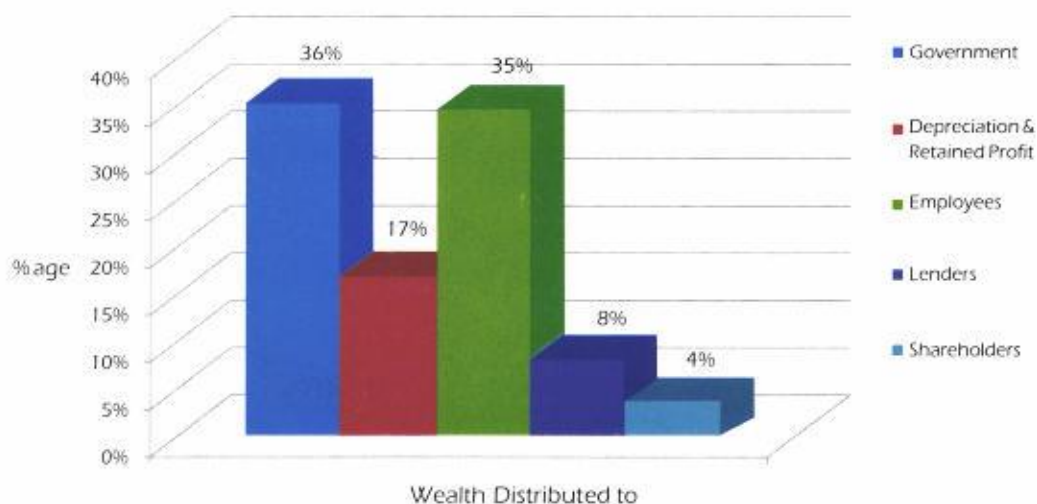
Note: Previous year figures have been rearrange and / or reclassified, wherever, necessary for the purpose of comparison.



Statement of Value Added

	Year ended June 30,	
	2015	2014
	(Rs. in Million)	
Wealth Generated:		
Total revenue net of discount and allowances	4,728	4,796
Bought-in-material and services	3,423	3,132
	<u>1,305</u>	<u>1,664</u>
Wealth Distributed:		
To Employees		
Salaries, benefits and other costs	455	430
To Government		
Income tax, sales tax, special excise duty & WWF	466	722
To Providers of capital		
To shareholders (Dividend & Bonus Shares)	50	176
To Financial Institutes (Mark up/interest on borrowed funds)	109	133
Retained for Reinvestment and Growth		
Depreciation and retained profits	224	202
	<u>1,305</u>	<u>1,664</u>

Wealth Distribution



Statement of Compliance With the code of Corporate Governance for the year ended June 30, 2015

This statement is being presented to comply with the best practices of the Code of Corporate Governance (CCG) set out in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent	Mr. Pervaiz Ahmad Khan
Executive Directors	Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Ahmed Mustafa

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision & mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has arranged certification offered by University of Lahore (one of the approved Institute for Directors' Training Program) for Mr. Pervaiz Ahmad Khan, Independent Director of the Company. He has successfully attained this certification.
9. During the year, there was no change in the position of Chief Financial Officer (CFO) and, Company Secretary however, the Board has approved the appointment of Head of Internal Audit including his remuneration and terms and conditions of his employment.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises three (03) members, of whom one is independent and two are non-executive directors. The chairman of the committee is a Non-Executive Director.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed an HR and Remuneration Committee. It comprises three (03) members, of whom two are non-executive directors including the chairman of the committee.
17. The Board has set up an effective internal audit function. The staff is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
 21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
 22. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore
August 28, 2015



Muhammad Siddique Khatri
Chairman

Review Report to the Members on the Statements of Compliance with the code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of ITTEHAD CHEMICALS LIMITED ("the Company") for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Karachi

Dated: August 28, 2015



BDO Ebrahim & Co

Chartered Accountants

Engagement Partner: Qasim E Causer

Financial Statements

For the year ended June 30, 2015



Auditors' Report to the Members

We have audited the annexed balance sheet of ITTEHAD CHEMICALS LIMITED ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of Internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat fund established under Section 7 of that Ordinance.



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Qasim E Causer

Karachi
Dated: August 28, 2015

Balance Sheet

as at June 30, 2015

	Note	2015 Rupees in thousand	2014
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	3,756,179	2,484,852
Operating fixed assets	6	21,606	371,876
Capital work in progress			
		3,777,785	2,856,728
Intangible assets	7	12,788	16,904
Investment property	8	87,000	82,800
Long term investments	9	-	-
Long term deposits	10	36,557	40,558
		3,914,130	2,996,990
CURRENT ASSETS			
Stores, spares and loose tools	11	468,376	527,608
Stock in trade	12	171,440	283,871
Trade debts	13	461,589	609,505
Loans and advances	14	80,635	73,751
Trade deposits and short term prepayments	15	7,766	7,219
Tax refunds due from the Government	16	43,096	31,145
Taxation - net	17	84,880	26,211
Cash and bank balances	18	119,390	145,024
		1,437,172	1,704,334
TOTAL ASSETS		5,351,302	4,701,324
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	19.1	1,000,000	1,000,000
Issued, subscribed and paid up capital	19.2	500,000	500,000
Unappropriated profit		1,078,189	1,040,602
		1,578,189	1,540,602
SURPLUS ON REVALUATION OF FIXED ASSETS	20	794,848	760,819
NON CURRENT LIABILITIES			
Long term financing	21	390,278	208,361
Long term diminishing musharaka	22	360,875	365,586
Liabilities against assets subject to finance lease	23	196	-
Deferred liabilities	24	181,782	335,306
		933,131	909,253
CURRENT LIABILITIES			
Trade and other payables	25	801,591	436,909
Mark-up accrued	26	48,076	33,281
Short term borrowings	27	862,742	930,622
Current portion of long term liabilities	28	332,725	89,838
		2,045,134	1,490,650
CONTINGENCIES AND COMMITMENTS	29	-	-
TOTAL EQUITY AND LIABILITIES		5,351,302	4,701,324

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Profit and Loss Account

For the year ended June 30, 2015

		2015	2014
	Note	Rupees in thousand	
Sales	30	4,045,537	4,103,853
Cost of sales	31	(3,622,599)	(3,290,826)
Gross profit		422,938	813,027
Selling and distribution expenses	32	(245,744)	(231,679)
General and administrative expenses	33	(159,516)	(163,506)
Other operating expenses	34	(787)	(22,770)
Other income	35	13,878	10,300
		(392,169)	(407,655)
Operating profit		30,769	405,372
Financial charges	36	(108,886)	(133,222)
Fair value gain on investment property	8	4,200	9,000
(Loss) / profit before taxation		(73,917)	281,150
Taxation	37	158,404	(80,774)
Profit after taxation		84,487	200,376
Earning per share - Basic and diluted (Rupees)	40	1.69	4.01

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

The annexed notes from 1 to 49 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended June 30, 2015

	Note	2015 Rupees in thousand	2014
Profit after taxation for the year		84,487	200,376
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit liability	24.3	4,358	-
Related tax effect		(1,258)	-
		3,100	-
Total comprehensive income for the year		87,587	200,376

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Cash Flow Statement

For the year ended June 30, 2015

	Note	2015 Rupees in thousand	2014
Cash flows from operating activities			
(Loss) / profit before tax		(73,917)	281,150
Adjustments for items not involving movement of funds:			
Depreciation	5.3	190,098	181,808
Amortization of intangible assets	33	4,116	5,229
Provision for staff retirement gratuity	24.3	12,882	11,835
Gain on sale of fixed assets	35	(1,814)	(1,762)
Gain on revaluation of investment property	8	(4,200)	(9,000)
Foreign exchange (gain) / loss	34 & 35	(4,520)	1,088
Provision for doubtful debts	13	19,203	3,481
Bad debts written off	33	1,008	1,524
Financial charges	36	108,886	133,222
Net cash flow before working capital changes		251,742	608,575
Decrease / (increase) in current assets			
Stores, spares and loose tools		59,232	(81,188)
Stock in trade		112,431	(9,995)
Trade debts		132,225	(7,072)
Loans and advances		(6,884)	(22,523)
Trade deposits and short term prepayments		(547)	(112)
Other receivables		-	10,414
Tax refunds due from the Government		(9,202)	(6,375)
		287,255	(116,851)
Increase / (decrease) in current liabilities			
Trade and other payables		364,548	(400,708)
Cash generated from operations		903,545	91,016
Taxes paid		(64,628)	(92,087)
Gratuity paid		(1,613)	(3,807)
Financial charges paid		(183,348)	(132,446)
Net cash generated from / (used in) operating activities		653,956	(137,324)
Cash flows from investing activities			
Additions to operating fixed assets		(43,782)	(66,359)
Additions to capital work in progress		(946,491)	(448,159)
Proceeds from sale of operating fixed assets		4,591	2,414
Long term deposits		4,001	(1,190)
Net cash used in investing activities		(981,681)	(513,294)
Cash flows from financing activities			
Proceeds from long term financing		385,992	217,000
Repayments of long term financing		(85,028)	(89,445)
Proceeds from long term diminishing musharaka		118,986	365,586
Repayments of long term diminishing musharaka		-	(83,333)
Repayment of long term murabaha		-	(38,889)
Repayment of finance lease liabilities		(33)	-
Dividend paid		(49,946)	(36,611)
Short term borrowings		(67,880)	280,663
Net cash generated from financing activities		302,091	614,971
Net decrease in cash and cash equivalents		(25,634)	(35,647)
Cash and cash equivalents at the beginning of the year		145,024	180,671
Cash and cash equivalents at the end of the year	18	119,390	145,024

The annexed notes from 1 to 49 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended June 30, 2015

	Issued, subscribed and paid-up capital	Unappropriated profits	Total
	Rupees in thousand		
Balance as at July 01, 2013	360,000	1,016,226	1,376,226
Transaction with owners:			
Final cash dividend 2013: Re. 1 per share	-	(36,000)	(36,000)
Bonus shares issued during the year	140,000	(140,000)	-
	140,000	(176,000)	(36,000)
Total comprehensive income for the year			
Profit for the year	-	200,376	200,376
Remeasurement of defined benefit liability - net	-	-	-
	-	200,376	200,376
Balance as at June 30, 2014	500,000	1,040,602	1,540,602
Transaction with owners:			
Final cash dividend 2014: Re. 1 per share	-	(50,000)	(50,000)
Total comprehensive income for the year			
Profit for the year	-	84,487	84,487
Remeasurement of defined benefit liability - net	-	3,100	3,100
	-	87,587	87,587
Balance as at June 30, 2015	<u>500,000</u>	<u>1,078,189</u>	<u>1,578,189</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



Notes to the Financial Statements

For the year ended June 30, 2015

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 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 registered office of the Company is situated at 39, Empress Road, Lahore. The Company is engaged in the business of manufacturing and selling caustic soda and other allied chemicals.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and of the said directives have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 4.1, 4.4, 4.5, and 4.19 respectively.

The preparation of financial statements in conformity with approved financial reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 38.

2.3 Functional and presentation currency

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

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

3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the following accounting standards and interpretations which became effective during the year:

	Effective date (annual periods Beginning on or after)
IFRIC 21 Levies	January 01, 2014

3.2 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014

		Effective date (annual periods Beginning On or after)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives.	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

3.3 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016

		Effective date (annual periods Beginning on or after)
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 Standards or interpretations not yet effective

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

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

	Effective date (annual periods Beginning on or after)
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRIC 21	Levies
	January 01, 2018
	January 01, 2016
	January 01, 2017
	January 01, 2014

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

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

a) Owned assets

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

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 5. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

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

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the profit and loss account.

b) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Finance costs under lease agreements are allocated to the period during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 5. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which asset is disposed off.

c) Capital work in progress

Capital work-in-progress represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work-in-progress is stated at cost.

4.2 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

4.3 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any.

4.4 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 4.22.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

4.5 Investments

Investment in associates

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

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

Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

Available for sale investments

These are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, fair value is determined considering break up value of securities.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

Changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

4.6 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company's requirements, adequate provision is made for any excess book value over estimated realisable value.

4.7 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw and packing materials	- Weighted average cost
Raw and packing materials in transit	- Invoice value plus other expenses incurred thereon
Work in process	- Cost of material as above plus proportionate production overheads
Finished goods	- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

4.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of amount to be received, less an estimate made for doubtful receivables based on review of outstanding amounts at the year end, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.9 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

4.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis.

4.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.12 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.13 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating lease / Ijarah

Operating lease / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

4.14 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

4.15 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

4.16 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

4.17 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to profit and loss account currently.

4.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.19 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in profit and loss account currently.

4.20 Staff retirement benefits

The Company operates an un-funded gratuity scheme for its permanent employees. Provision is based on actuarial valuation of the scheme carried out as at June 30, 2015 in accordance with IAS-19 "Employee Benefits" and the resulting vested portion of past service cost has been charged to income in the current year.

Actuarial gains and losses at each valuation date are charged to profit and loss account. Gratuity is payable to staff on completion of prescribed qualifying period of service under the scheme.

A recognized provident fund scheme is also in operation, which covers all permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995. The Company and the employees make equal contributions to the fund.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

4.25 Segment reporting

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

4.24 Borrowing costs

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. The prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

4.23 Related party transactions

Rental income is recognized on accrual basis.
Dividend on equity investments is recognized as income when the right to receive payment is established.
Interest income is recognized on accrual basis.
Sales are recognized on dispatch of goods to customers.

4.22 Revenue recognition

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

4.21 Compensated absences

5 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	Total	Leased Vehicle	Grand total
(Rupees in thousand)											
Net carrying value basis year ended June 30, 2015											
Opening net book value (NBV)	802,037	71,912	2,714	1,539,423	20,040	4,139	19,765	24,822	2,484,852	-	2,484,852
Additions (at cost)	49,529	100,505	-	1,289,565	9,742	127	729	13,633	1,463,830	372	1,464,202
Disposals (NBV)	-	-	-	-	-	-	-	(2,777)	(2,777)	-	(2,777)
Depreciation charge	-	(8,163)	(271)	(167,186)	(3,952)	(423)	(4,218)	(5,866)	(190,079)	(19)	(190,098)
Closing net book value	851,566	164,254	2,443	2,661,802	25,830	3,843	16,276	29,812	3,755,826	353	3,756,179
Gross carrying value basis year ended June 30, 2015											
Cost	851,566	273,273	7,273	4,550,645	90,353	8,766	51,813	62,537	5,896,226	372	5,896,598
Accumulated depreciation	(109,019)	(4,830)	(4,830)	(1,888,843)	(64,523)	(4,923)	(35,537)	(32,725)	(2,140,400)	(19)	(2,140,419)
Net book value	851,566	164,254	2,443	2,661,802	25,830	3,843	16,276	29,812	3,755,826	353	3,756,179
Net carrying value basis year ended June 30, 2014											
Opening net book value (NBV)	802,007	74,126	3,016	1,549,013	18,462	3,349	22,420	23,583	2,495,976	-	2,495,976
Additions (at cost)	30	5,451	-	150,127	4,688	1,207	2,513	7,320	171,336	-	171,336
Disposals / transfers (NBV)	-	-	-	-	-	-	-	(652)	(652)	-	(652)
Depreciation charge	-	(7,665)	(302)	(159,717)	(3,110)	(417)	(5,168)	(5,429)	(181,808)	-	(181,808)
Closing net book value	802,037	71,912	2,714	1,539,423	20,040	4,139	19,765	24,822	2,484,852	-	2,484,852
Gross carrying value basis year ended June 30, 2014											
Cost	802,037	172,768	7,273	3,261,080	80,611	8,639	51,084	55,521	4,439,013	-	4,439,013
Accumulated depreciation	-	(100,856)	(4,559)	(1,721,657)	(60,571)	(4,500)	(31,319)	(30,699)	(1,954,161)	-	(1,954,161)
Net book value	802,037	71,912	2,714	1,539,423	20,040	4,139	19,765	24,822	2,484,852	-	2,484,852
Depreciation rate % per annum	-	10	10	10	15	10	15 to 30	20	20	20	

5.1 Free hold land has been revalued by an independent valuer M/s. Unicorn International Services at June 30, 2015 on the basis of market value. Had there been no revaluation on that Date, the book value of operating fixed assets would have been lower by Rs. 794,848 million (2014: Rs. 760,819 million).

5.2 Borrowing cost capitalised during the year amounted to Nil (2014: Rs. 2,558 million) at an average rate of Nil (2014: 12.68%) per annum.

		2015	2014
	Note	Rupees in thousand	
5.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	31	183,817	175,474
Selling and distribution expenses	32	1,240	1,027
General and administrative expenses	33	5,041	5,307
		<u>190,098</u>	<u>181,808</u>

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

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousand)					
Honda Civic AYP-017	2,472	755	1,717	2,035	Negotiated	Mr. Atif-ud-Din
Motor Cycle Unique KDD-1122	35	28	7	17	Negotiated	Mr. M. Abid
Cuore AUC-160	767	467	300	715	Negotiated	Mr. Jawad
Honda Accord AQY-646	1,430	1,008	422	1,074	Negotiated	M/S Kundan Automobiles
Honda Civic LEE-07-5842	1,404	1,144	260	350	Negotiated	Mr. Sheikh Shoaib Khalid
Suzuki Alto ALE-619	509	438	71	400	Negotiated	M/S Kundan Automobiles
Total - 2015	<u>6,617</u>	<u>3,840</u>	<u>2,777</u>	<u>4,591</u>		
Total - 2014	<u>3,129</u>	<u>2,477</u>	<u>652</u>	<u>2,414</u>		

6 CAPITAL WORK IN PROGRESS

This comprises of:

Building

Plant and machinery

Note **2015** **2014**
Rupees in thousand

-	2,255
<u>21,606</u>	<u>369,621</u>
<u>21,606</u>	<u>371,876</u>

6.1 Movement of carrying amount

	Building	Plant and machinery	Total
	(Rupees in thousands)		
Year ended June 30, 2015			
Opening balance	2,255	369,621	371,876
Additions (at cost)	98,250	937,498	1,035,748
Transferred to operating fixed assets	(100,505)	(1,285,513)	(1,386,018)
Closing balance	-	21,606	21,606
Year ended June 30, 2014			
Opening balance	858	18,975	19,833
Additions (at cost)	6,848	447,614	454,462
Transferred to operating fixed assets	(5,451)	(96,968)	(102,419)
Closing balance	2,255	369,621	371,876

6.2 Borrowing cost capitalised during the year amounted to Rs. 89.257 million (2014: Rs. 6.303 million) at an average rate of 10.57% (2014: 12.68%) per annum.

7 INTANGIBLE ASSETS

Computer software and licences

Goodwill

Note **2015** **2014**
Rupees in thousand

7.1	6,343	10,459
7.2	<u>6,445</u>	<u>6,445</u>
	<u>12,788</u>	<u>16,904</u>

7.1 Computer software and licences

Net carrying value as at 1 July

Opening balance as on July 01,

Amortization charge

Net book value as at June 30,

	10,459	15,688
33	<u>(4,116)</u>	<u>(5,229)</u>
	<u>6,343</u>	<u>10,459</u>

Gross carrying value as at 30 June

Cost

Accumulated amortization

	22,542	22,542
	<u>(16,199)</u>	<u>(12,083)</u>

Net book value

	<u>6,343</u>	<u>10,459</u>
--	--------------	---------------

Amortization % per annum

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

Administrative expenses

33	<u>4,116</u>	<u>5,229</u>
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7.2 Goodwill

This represents excess of the amount paid over fair value of net assets of subsidiary company (now merged with and into the Company) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 5 % p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

2015 2014
Note Rupees in thousand

8 INVESTMENT PROPERTY

Free hold land	8.1	87,000	82,800
		<u>87,000</u>	<u>82,800</u>

8.1 The movement in this account is as follows:

Opening balance	82,800	73,800
Fair value gain on revaluation shown in "income statement"	4,200	9,000
	<u>87,000</u>	<u>82,800</u>

This comprises commercial property that is free hold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2015 as determined by approved independent valuer M/s Unicorn International Services. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

9 LONG TERM INVESTMENTS

Investment in related party - unquoted

Chemi Visco Fiber Limited

5,625,000 (2014: 5,625,000) fully paid ordinary shares

Less: Provision for diminution in value

of investment

9.1

Relevant information:

Percentage of investment in equity held 7.91%

(2014: 7.91%) (Chief Executive : Mr. Abdul Hai Khatri)

56,250	56,250
(56,250)	(56,250)
<u>-</u>	<u>-</u>

9.1 This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is significant uncertainty regarding future earnings and related cash flows. Further, the financial statements of the entity indicate that the fair value of the net assets is negative.

10 LONG TERM DEPOSITS

Long term deposit	36,557	40,558
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Note	2015 Rupees in thousand	2014
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11 STORES, SPARES AND LOOSE TOOLS

Stores			
in hand	11.1	143,096	156,713
in transit		2,014	-
		<u>145,110</u>	<u>156,713</u>
Spares:			
in hand	11.1	326,204	319,787
in transit		5,836	59,882
		<u>332,040</u>	<u>379,669</u>
		<u>477,150</u>	<u>536,382</u>
Less: Provision for obsolete stores and spares	11.2	8,774	8,774
		<u>468,376</u>	<u>527,608</u>

11.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.

11.2 Movement of provision for stores and spares is as follows:

Opening balance	8,774	16,674
Adjustment on account of write off during the year	-	(7,900)
	<u>8,774</u>	<u>8,774</u>

12 STOCK IN TRADE

Raw materials:			
in hand	31	59,842	51,536
in transit		<u>1,853</u>	<u>10,495</u>
		<u>61,695</u>	<u>62,031</u>
Packing materials		12,662	12,648
Work in process	31	25,666	29,490
Finished goods	12.1 & 31	<u>71,417</u>	<u>179,702</u>
		<u>171,440</u>	<u>283,871</u>

12.1 These include provision for write down of finished goods inventory to net realisable value amounting to Rs. 0.876 million (2014: Nil).

13 TRADE DEBTS

Secured			
Considered good		87,650	127,380
Unsecured			
Considered good		373,939	482,125
Considered doubtful		<u>44,323</u>	<u>26,468</u>
		<u>418,262</u>	<u>508,593</u>
		<u>505,912</u>	<u>635,973</u>
Less: Provision for doubtful debts	13.1	44,323	26,468
		<u>461,589</u>	<u>609,505</u>

2015 2014
Note Rupees in thousand

13.1 Movement of provision for doubtful debts is as follows:

Opening balance	26,468	23,357
Adjustment on account of:		
Doubtful debts written off	(715)	(200)
Recovery of doubtful debts	(633)	(170)
Provision made for doubtful debts	19,203	3,481
Net adjustment	17,855	3,111
Closing balance	44,323	26,468

14 LOANS AND ADVANCES

Advances - (considered good)		
Against purchase of land	1,639	1,639
To employees	14,761	15,123
For supplies and services	64,089	56,576
Against import	146	413
	80,635	73,751

15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits - (Considered good)	5,536	4,195
Prepayments	2,230	3,024
	7,766	7,219

16 TAX REFUNDS DUE FROM GOVERNMENT

(Considered good)		
Income tax	13,074	10,325
Sales tax	30,022	20,820
	43,096	31,145

17 TAXATION - NET

Advance income tax	85,361	114,609
Less: Provision for taxation	481	88,398
	84,880	26,211

18 CASH AND BANK BALANCES

Cash in hand	414	684
Cheques in hand	112,052	138,669
Cash at banks		
Current accounts	6,924	5,471
Saving accounts	-	200
	6,924	5,671
	119,390	145,024

18.1

18.1 The balance in saving accounts carries mark up of Nil (2014: 5% to 6% per annum).

2015 2014
Note Rupees in thousand

19 SHARE CAPITAL

19.1 Authorized share capital

2015	2014			
Number of ordinary shares of Rs. 10/- each				
75,000,000	75,000,000	Ordinary shares of Rs. 10/- each	750,000	750,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>

19.2 Issued, subscribed and paid up capital

2015	2014			
Number of ordinary shares of Rs. 10/- each				
100,000	100,000	Fully paid in cash	1,000	1,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
25,000,000	25,000,000	Fully paid bonus shares	250,000	250,000
<u>50,000,000</u>	<u>50,000,000</u>		<u>500,000</u>	<u>500,000</u>

20 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance		760,819	760,819
Revaluation surplus arising during the year	20.1	34,029	-
		<u>794,848</u>	<u>760,819</u>

20.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2015 by an independent valuer M/s. Unicorn International Services on the basis of market value.

21 LONG TERM FINANCING

Secured:

Banking Companies

The Bank of Punjab

The Bank of Punjab

Note **2015** **2014**
Rupees in thousand

21.1	-	18,750
	185,992	-
	185,992	18,750

Other Financial Institutions

Pak Kuwait Investment Company (Private) Limited

Pak Brunei Investment Company Limited

Saudi Pak Industrial & Agricultural Investment Company Limited

Pak Kuwait Investment Company (Private) Limited

Pak Libya Holding Company (Private) Limited

Pak Brunei Investment Company Limited

21.2	-	5,556
	6,250	18,750
21.3	11,111	33,333
21.4	91,000	117,000
21.5	200,000	100,000
21.6	100,000	-
	408,361	274,639

Unsecured:

Ittehad developers - related party

Others

21.7	660	660
21.7	4,150	4,150
	4,810	4,810
	599,163	298,199

Less: Current portion shown under current liabilities

28	208,885	89,838
	390,278	208,361

- 21.1** This finance is secured against first pari passu charge over fixed assets of the Company and carries mark up at six months average KIBOR plus 2% per annum to be recovered on quarterly basis. The loan was disbursed in different tranches starting from October 2014 and is repayable in sixteen quarterly equal instalments after one year grace period starting from the first drawdown.
- 21.2** This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR plus 3% per annum. This loan was disbursed in September 2010 and is repayable in eight semi annually equal instalments commencing from March 2012.
- 21.3** This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at three months average KIBOR plus 3% per annum. This loan was disbursed in December 2010 and is repayable in eighteen quarterly equal instalments commencing from September 2011.
- 21.4** This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months KIBOR plus 2.5% per annum. This loan was disbursed in October 2013 and is repayable in eighteen quarterly equal instalments commencing from January 2014 with a principal grace period of six months.

21.5 This finance is secured against first pari passu charge by way of hypothecation on all present and future moveable and immovable fixed assets (other than land & building) of the Company with 25% margin and carries mark up at six months average KIBOR plus 2.5% per annum. This loan was disbursed in March 2014 and November 2014. The loan is repayable in seven semi annual equal instalments commencing from 24th month from the date of first disbursement with a principal grace period of one and half year.

21.6 This finance is secured against hypothecation / mortgage charge over all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR plus 1.85% per annum. The loan was disbursed in January 2015 and is repayable in seven equal semiannual instalments commencing from January 2016.

21.7 These are interest free loans and repayable in a period of 2 years starting from July 2009.

22 LONG TERM DIMINISHING MUSHARAKA	Note	2015	2014
		Rupees in thousand	
Secured			
Banking Companies			
Al-Baraka Bank (Pakistan) Limited	22.1	206,282	155,630
Burj Bank Limited	22.1	278,290	209,956
		484,572	365,586
Less: Current portion shown under current liabilities	28	123,697	-
		360,875	365,586

22.1 The above finances are secured against first exclusive charge over imported Plant and Machinery and first pari passu charge over present and future fixed assets of the Company and carries mark up at six months average KIBOR plus 2.50% per annum. These finances were disbursed from June, 2014 to February, 2015 in different tranches and are repayable in eight semi annual equal instalments commencing from 18th months from the first draw down date inclusive of initial one year grace period for principal payment.

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Secured			
Balance as on July 01		-	-
Addition during the year		372	-
		372	-
Payments / adjustments during the year		(33)	-
Current portion shown under current liabilities		(143)	-
		(176)	-
		196	-

The minimum lease payments have been discounted at an implicit interest rate of 14.45% to arrive at their present value. Rentals are paid in monthly installments.

Taxes, duties, registration costs, charges, levy / penalties, if any applicable and insurance costs are to be borne by the Company.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Upto One Year	One to Five Years	Total 2015	Total 2014
	(Rupees in thousands)			
Minimum lease payments outstanding	183	214	397	-
Less: Finance charges not yet due	(40)	(18)	(58)	-
Present value of minimum lease payments	143	196	339	-
Less: Current portion shown under current liabilities	(143)	-	(143)	-
	-	196	196	-

24 DEFERRED LIABILITIES

	Note	2015 Rupees in thousand	2014
Provision for recoating of DSA anodes	24.1	-	-
Deferred taxation	24.2	131,921	292,277
Provision for gratuity	24.3	49,861	43,029
		<u>181,782</u>	<u>335,306</u>

24.1 Provision for Dimensionally Stable Anodes (DSAs)

Balance brought forward	12,476	12,476
Provision (utilized) / made for recoating	(10,446)	(10,446)
	<u>2,030</u>	<u>2,030</u>
Less: Current portion included in accrued liabilities	(2,030)	(2,030)
	<u>-</u>	<u>-</u>

24.2 Deferred taxation

Deferred tax liability comprises as follows:

Taxable temporary differences		
Tax depreciation allowances	412,647	314,474
Deductible temporary differences		
Provision for gratuity	(14,418)	(13,198)
Provision for doubtful debts	(14,183)	(8,999)
Tax losses	(123,168)	-
Tax credits	(128,957)	-
	<u>131,921</u>	<u>292,277</u>

24.3 DEFINED BENEFIT PLAN

a. General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2015 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the Actuary.

b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	9.75% per annum
Expected rate of increase in salary	8.75% per annum

2015 2014
_____ Rupees in thousand _____

c. Reconciliation of payable to defined benefit plan

Present value of obligation	49,861	43,029
Liability recognized in balance sheet	<u>49,861</u>	<u>43,029</u>

	2015	2014
	Rupees in thousand	
d. Movement of liability recognized in the balance sheet		
Present value of obligation at the start of the year	43,029	35,001
Current service cost	8,453	11,835
Interest cost	4,429	-
Benefits due but not paid	(79)	-
Experience adjustment	(4,358)	-
Contribution paid to outgoing employees	(1,613)	(3,807)
Closing net liability	<u>49,861</u>	<u>43,029</u>
e. Charge for the year		
Current service cost	8,453	11,835
Interest cost	4,429	-
Charge for the year	<u>12,882</u>	<u>11,835</u>
f.	As per actuarial estimates, the charge in respect of defined benefit plan for the year ending June 30, 2016 would be Rs. 13.803 million.	
g. Sensitivity analysis		
The impact of 1% change in following variables on defined benefit obligation is as follows:		
	Increase in assumption	Decrease in assumption
Discount rate	46,067	54,208
Salary increase	54,289	45,929
h.	The average duration of the defined benefit obligation is 12 years.	

2015 2014
Note Rupees in thousand

25 TRADE AND OTHER PAYABLES

Trade creditors		177,176	64,447
Accrued liabilities	25.1 & 25.2	576,012	300,518
Advances from customers		41,724	48,282
Retention money		5,521	1,332
Income tax deducted at source		-	499
Workers' Profit Participation Fund	25.3	866	15,402
Workers' Welfare Fund		-	6,193
Other liabilities		292	236
		<u>801,591</u>	<u>436,909</u>

25.1 These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 11.017 million (2014: Rs. 0.464 million).

25.2 This also includes an amount of Rs. 232.195 million payable in respect of Gas Infrastructure Development Cess. The Government has promulgated the Gas Infrastructure Development Cess Act, 2015 (the Act) in May 2015 for henceforth levying / collecting of GIDC and also validating GIDC payable under the Ordinance (repealed). The Company has filed writ petition against the Act and the High Court has granted stay order against collecting GIDC under the Act pending the final decision on the writ petition. As the matter relating to levy of GIDC is currently pending in the Court, the Company, as a matter of prudence and abundant caution, has recorded a provision against GIDC as liability.

25.3 Workers' profit participation fund balances comprises as follows:

Balance as at July 01,		15,402	18,405
Less: Amount paid to fund		<u>14,536</u>	<u>17,653</u>
		866	752
Current year's allocation at 5%	34	-	14,650
		<u>866</u>	<u>15,402</u>

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

26 MARK UP ACCRUED

Secured			
Long term financing		17,145	7,593
Long term diminishing musharaka		15,445	3,107
Short term borrowings		15,486	22,581
		<u>48,076</u>	<u>33,281</u>

27 SHORT TERM BORROWINGS

Secured

Banking companies

Running finances

MCB Bank Limited	27.1	20,829	78,310
Askari Bank Limited	27.1	246,428	221,547
The Bank of Punjab Limited	27.1	125,832	94,822
KASB Bank Limited	27.1	-	9,861
NIB Bank Limited	27.1	132,739	294,604
		525,828	699,144

Export refinance

KASB Bank Limited (ERF)		-	9,253
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Term finance

The Bank of Punjab Limited (FATR)	27.2	-	26,272
Faysal Bank Limited (STF)	27.2	-	40,000
Al-Baraka Bank (Pakistan) Limited (STMF)	27.2	49,296	32,453
Burj Bank Limited (STMF)	27.2	-	100,000
Dubai Islamic Bank (Pakistan) Limited	27.2	65,407	-
Bank Al-Falah Limited	27.2	158,711	-
		273,414	198,725

Unsecured - Related party

Jehlum Silk Mills	27.3	53,500	23,500
MM Textile Processing	27.3	10,000	-

		862,742	930,622
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27.1 Short term running finance facilities from various banks aggregated to Rs. 790 million (2014: Rs. 820 million) and carries mark-up ranging from three months KIBOR plus 1.25% to 1.9% per annum (2014: three months KIBOR plus 1.5% to 2.75% 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.

27.2 Term finance facilities from various banks aggregated to Rs. 675 million (2014: Rs. 265 million) and carries mark-up ranging from KIBOR plus 1.35% to 2.5% per annum (2014: KIBOR plus 2% to 2.5% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

27.3 These are interest free loans obtained from associated undertakings for working capital needs.

28 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2015 Rupees in thousand	2014
Long term financing	21	208,885	89,838
Long term diminishing musharaka	22	123,697	-
Liabilities against asset subject to finance lease	23	143	-
		<u>332,725</u>	<u>89,838</u>

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingent liabilities

- a) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2014: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department had filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) remanded the case back to the Commissioner (Appeals) Zone-1 to pass a speaking order. 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. 12.069 million.
- b) The taxation authorities have amended the deemed assessment for tax year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The 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. 18.737 million.
- c) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for tax year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company has challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against us. The Company has filed appeal before Appellate Tribunal Inland Revenue. 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. 12.570 million.
- d) 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. 3.407 million (2014: Rs. 4.219 million) against these claims.
- e) Letters of guarantee outstanding as at June 30, 2015 were Rs. 226.613 million (2014: Rs. 213.007 million).

29.2 Commitments

Commitments as on June 30, 2015 were as follows:

- Against letters of credit amounting to Rs. 139.733 million (2014: Rs. 133.680 million).
- Against purchase of land amounting to Rs. 1.838 million (2014: Rs. 1.838 million).
- The Company had entered into Ijarah arrangement with Burj Bank Limited and United Bank Limited - Ameen for Plant and Machinery. Commitment of Ijarah rentals under these agreements are as follows:

	Note	2015 Rupees in thousand	2014
Not later than one year		14,528	34,901
Later than one year and not later than five year		-	14,528
		<u>14,528</u>	<u>49,429</u>

30 SALES

Sales			
Manufacturing	30.1	4,674,917	4,736,749
Trading		39,119	48,715
		<u>4,714,036</u>	<u>4,785,464</u>
Less: Sales tax		624,608	635,029
Commission to selling agents		43,891	46,582
		<u>668,499</u>	<u>681,611</u>
		<u>4,045,537</u>	<u>4,103,853</u>

- 30.1** This amount includes export sales amounting to Rs. 424.152 million (2014: Rs. 401.735 million).



31 COST OF SALES

	Note	2015 Rupees in thousand	2014
Raw materials consumed			
Opening stock		51,536	65,656
Purchases		391,393	343,086
		<u>442,929</u>	<u>408,742</u>
Closing stock	12	(59,842)	(51,536)
		<u>383,087</u>	<u>357,206</u>
Stores, spares and consumables		230,190	353,026
Packing materials consumed		34,544	39,880
Salaries, wages and other benefits	31.1	343,978	320,252
Fuel and power		2,207,689	1,922,043
Repair and maintenance		31,278	32,668
Rent, rates and taxes	31.2	35,649	46,469
Insurance		12,681	11,397
Depreciation	5.3	183,817	175,474
Vehicle running expenses		17,815	20,911
Telephone, telex and postage		803	741
Printing and stationery		158	222
Other expenses		1,876	2,353
		<u>3,100,478</u>	<u>2,925,436</u>
Work in process			
Opening		29,490	25,250
Closing	12	(25,666)	(29,490)
		<u>3,824</u>	<u>(4,240)</u>
Cost of goods manufactured		<u>3,487,389</u>	<u>3,278,402</u>
Cost of stores traded		26,925	35,928
Finished goods			
Opening		179,702	156,198
Closing	12	(71,417)	(179,702)
		<u>108,285</u>	<u>(23,504)</u>
		<u>3,622,599</u>	<u>3,290,826</u>

31.1 This amount includes Rs. 10.046 million (2014: Rs. 12.642 million) in respect of employees' retirement benefits.

31.2 This amount includes Rs. 34.900 million (2014: Rs. 45.909 million) in respect of operating lease rentals.

	Note	2015 Rupees in thousand	2014
32 SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	32.1	27,803	26,347
Travelling and conveyance		871	1,858
Vehicle running expenses		1,939	1,290
Advertisement		878	1,070
Telephone, telex and postage		1,071	1,139
Marketing service charges		18,162	29,664
Freight		186,717	161,436
Rent, rates and taxes		2,747	2,445
Printing and stationery		290	290
Fee and subscription		762	661
Fuel and power		2,192	2,726
Repair and maintenance		448	1,257
Insurance		624	469
Depreciation	5.3	1,240	1,027
		<u>245,744</u>	<u>231,679</u>

32.1 This amount includes Rs. 0.906 million (2014: Rs. 0.832 million) in respect of employees' retirement benefits.

33 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	33.1	83,605	83,428
Traveling and conveyance		10,729	13,895
Vehicle running expenses		5,725	5,442
Telephone, telex and postage		1,817	1,659
Rent, rates and taxes		6,037	5,365
Printing and stationery		652	1,008
Fee and subscription		2,499	3,311
Legal and professional charges		3,457	9,826
Fuel and power		3,755	4,124
Provision for doubtful debts		19,203	3,481
Repair and maintenance		3,093	9,520
Depreciation	5.3	5,041	5,307
Amortization of intangible assets	7	4,116	5,229
Bad debts written off		1,008	1,524
Donations	33.2	6,772	8,242
Other expenses		2,007	2,145
		<u>159,516</u>	<u>163,506</u>

33.1 This amount includes Rs. 2.751 million (2014: Rs. 2.528 million) in respect of employees' retirement benefits.

33.2 Donations

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

Donation amounting to Rs. 1.800 million (2014: Rs. 1.775 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Company is the patron of the school.

33.2.2 Donations other than mentioned above were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

	Note	2015 Rupees in thousand	2014 Rupees in thousand
34 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		600	600
Half yearly review fee		175	175
Tax and certification charges		-	50
Out of pocket expenses		12	14
		787	839
Workers' profit participation fund	25.3	-	14,650
Workers' welfare fund		-	6,193
Loss on foreign exchange		-	1,088
		787	22,770
35 OTHER INCOME			
Income from financial assets			
Return on saving accounts		4	53
Gain on foreign exchange		4,520	-
		4,524	53
Income from non-financial assets			
Gain on sale of fixed assets		1,814	1,762
Sale of scrap		6,994	7,807
Recovery of doubtful debts		546	678
		9,354	10,247
		13,878	10,300
36 FINANCIAL CHARGES			
Mark-up/interest on:			
Long term financing		20,579	22,889
Long term diminishing musharaka		-	1,389
Long term murabaha		-	648
Interest on lease finance		13	-
Short term borrowings		79,866	97,176
		100,458	122,102
Bank charges and commission		8,428	11,120
		108,886	133,222

37 TAXATION

	2015	2014
Note	Rupees in thousand	
Current	4,638	91,929
Prior year	(1,428)	(10,517)
Deferred tax income due to reversal of temporary differences	(153,018)	(638)
Deferred tax income resulting from reduction in tax rate	(8,596)	-
	<u>(158,404)</u>	<u>80,774</u>

37.1 Relationship between tax expense and accounting profit:

(Loss) / profit before taxation	<u>(73,916)</u>	<u>281,150</u>
Tax at the applicable rate of 33% (2014: 34%)	-	95,591
Tax effect of inadmissible expenses / losses	-	72,045
Tax effect of admissible expenses	-	(59,585)
Income taxed at different rates	4,638	1,243
Prior year adjustment	(1,428)	(10,517)
Tax effect of losses and other allowances	-	(17,365)
Effect of temporary differences	(153,018)	(638)
Effect of reduction in tax rate	(8,596)	-
	<u>(158,404)</u>	<u>80,774</u>

37.2 In view of tax loss for the year, provision for current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

37.3 The rate of tax has been changed by taxation authorities from 34% to 33% for the Tax Year 2015 and 32% for Tax Year 2016.

38 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 4. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

Income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 4.9 to these financial statements.

Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 24.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 20 to these financial statements, the Company has revalued its free hold land as on June 30, 2015.

39 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995, under the title of "Ittehad Chemicals Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end was Rs. 5.068 million (2014: Rs. 4.050 million).

The cost / fair value of the investments was Rs. 3.995 million at that date. The category wise break up of investment as per section 277 of the Companies Ordinance, 1984 is given below:

	Rupees in thousand	Percentage
Deposit in Scheduled banks	1,947	49
Investment in PIB	2,048	51
	<u>3,995</u>	<u>100</u>

40 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2015	2014
	Rupees in thousand	
Profit after taxation - (Rupees in thousand)	84,487	200,376
Weighted average number of ordinary shares - (in thousand)	50,000	50,000
Earnings per share - (Rupees)	1.69	4.01

41 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

		2015	2014
		Rupees in thousand	
Transactions with related parties			
Relation with the Company	Nature of transaction		
Other related party	Marketing service charges	18,162	29,664
Other related party	Loan received	50,000	50,000
Staff retirement fund	Contribution to staff retirement	340	296
Directors and employees	Remuneration to directors and key management personnel	79,744	78,005
Key management personnel	Sale of vehicle	-	1,603

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

42 FINANCIAL INSTRUMENTS

Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

42.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2015	2014
	Rupees in thousand	
Long term deposits	36,557	40,558
Trade debts - net of provision	461,589	609,505
Loans and advances - net of provision	14,761	15,123
Trade deposits	5,536	4,195
Bank balances	118,976	144,340

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2015	2014
	Rupees in thousand	
Export	92,764	132,495
Domestic	368,825	477,010
	<u>461,589</u>	<u>609,505</u>

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

Dealers	133,855	171,486
End-user customers	327,734	438,019
	<u>461,589</u>	<u>609,505</u>

The aging of trade receivable at the reporting date is:

Not past due	242,713	297,870
Past due 1-30 days	90,121	128,492
Past due 30-150 days	71,314	96,351
Past due more than 150 days	57,441	86,792
	<u>461,589</u>	<u>609,505</u>

The Company's most significant customers, are dealers from whom the receivable was Rs. 133.855 million (2014: Rs. 171.486 million) and foreign debtors amounting to Rs. 92.764 million (2014: Rs. 132.495 million) of the total carrying amount as at June 30, 2015.

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

On the prudence basis an amount of Rs. 19.203 million (2014: Rs. 3.481 million) has been charged, as provision for doubtful debts, to profit and loss account.

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

	Rating Agency	Ratings	
		Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A-1+	AA
Bank Al-falah Limited	PACRA	A1+	AA
Burj Bank Limited	JCR-VIS	A	A-
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA-
United Bank Limited	JCR-VIS	A-1+	AA+

42.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
(Rupees in thousand)						
2015						
Financial liabilities						
Long term financing	599,163	756,468	62,887	115,320	206,210	372,051
Long term diminishing musharaka	484,572	630,325	95,142	91,139	170,274	273,770
Liabilities against assets subject to finance lease	339	397	92	92	213	-
Trade and other payables	759,001	759,001	759,001	-	-	-
Mark-up accrued	48,076	48,076	48,076	-	-	-
Short term borrowing	862,742	876,609	876,609	-	-	-
	<u>2,753,893</u>	<u>3,070,876</u>	<u>1,841,807</u>	<u>206,551</u>	<u>376,697</u>	<u>645,821</u>
2014						
Financial liabilities						
Long term financing	298,199	384,283	70,727	51,202	81,971	180,383
Long term diminishing musharaka	365,586	516,006	23,141	23,141	134,787	334,937
Trade and other payables	366,533	366,533	366,533	-	-	-
Mark-up accrued	33,281	33,281	33,281	-	-	-
Short term borrowing	930,622	957,701	957,701	-	-	-
	<u>1,994,221</u>	<u>2,257,804</u>	<u>1,451,383</u>	<u>74,343</u>	<u>216,758</u>	<u>515,320</u>

42.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

42.4 Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

	2015	2014
	Rupees in thousand	
Trade debts	92,764	132,495
Gross balance sheet exposure	92,764	132,495
Outstanding letters of credit	(139,733)	(133,680)
Net exposure	(46,969)	(1,185)

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2015	2014	2015	2014
USD to PKR	100.23	98.78	101.70	98.75

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

Effect on profit or loss

Loss	(9,276)	(13,250)
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The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

42.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2015	2014
	Carrying amount	
	Rupees in thousand	
Financial liabilities		
Variable rate instruments:		
Long term loans	594,353	293,389
Long term diminishing musharaka	484,572	365,586
Liabilities against assets subject to finance lease	339	-
Short term borrowings	799,242	907,122
	<u>1,878,506</u>	<u>1,566,097</u>

Effective interest rates are mentioned in the respective notes to the financial statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit and loss	
	100 bp Increase	100 bp decrease
As at June 30, 2015		
Cash flow sensitivity - Variable rate financial liabilities	<u>(18,785)</u>	<u>18,785</u>
As at June 30, 2014		
Cash flow sensitivity - Variable rate financial liabilities	<u>(15,661)</u>	<u>15,661</u>

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

42.6 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities 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.

2015 2014
Note Rupees in thousand

42.7 Financial instruments by category

Financial assets

Loans and receivables at cost or amortised cost

Long-term deposits	36,557	40,558
Trade debts	461,589	609,505
Loans and advances	14,761	15,123
Trade deposits	5,536	4,195
Cash and bank balances	119,390	145,024
	<u>637,833</u>	<u>814,405</u>

Financial liabilities

Financial liabilities at amortised cost

Long term financing	599,163	298,199
Long term diminishing musharaka	484,572	365,586
Liabilities against assets subject to finance lease	339	-
Trade and other payables	759,001	366,533
Mark-up accrued	48,076	33,281
Short-term borrowings	862,742	930,622
	<u>2,753,893</u>	<u>1,994,221</u>

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)					
Managerial remuneration	4,500	3,121	3,600	4,659	71,999	66,951
House rent allowance	1,800	1,270	1,440	1,849	29,037	30,128
Medical expenses	200	141	160	205	3,226	3,347
	<u>6,500</u>	<u>4,532</u>	<u>5,200</u>	<u>6,713</u>	<u>104,262</u>	<u>100,426</u>
Number of persons	1	1	1	2	59	56

- 43.1** The Company also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobile phones in accordance with their terms of employment.

44 CAPACITY AND PRODUCTION

	Installed capacity Tonnes		Actual production Tonnes		Reason for shortfall
	2015	2014	2015	2014	
Caustic soda liquid	150,550	125,550	57,268	59,673	Cautious production strategy based on actual demands.
Caustic soda flakes	10,000	10,000	1,810	4,367	
Liquid Chlorine	13,200	13,200	7,915	7,997	
Hydrochloric acid	150,000	150,000	113,165	123,328	
Sodium hypochlorite	49,500	49,500	19,180	19,490	
Bleaching earth	3,300	3,300	-	107	
Zinc sulphate	600	600	79	57	
Chlorinated paraffin wax	3,000	3,000	-	-	
Silphuric acid	3,300	3,300	803	290	
Calcium Chloride Prills	20,000	20,000	13,574	14,046	
Humic Acid	120	120	14	62	

45 NUMBER OF EMPLOYEES

	2015	2014
Number of employees at June 30,		
Permanent	458	469
Contractual	201	213
Average number of employees during the year		
Permanent	464	440
Contractual	207	255

46 CAPITAL RISK MANAGEMENT

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

47 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on August 28, 2015 has recommended final cash dividend for the year ended June 30, 2015 at 10% i.e. Re. 1 per share (2014: 10% i.e. Re. 1 per share) and decided to offer 15 million (15,000,000) ordinary Right shares at Rs. 20 (including premium of Rs. 10/- per share) to existing shareholders i.e. in proportion of 30 Right shares for every 100 ordinary shares held.

48 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on August 28, 2015 by the Board of Directors of the Company.

49 GENERAL

- 49.1 Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- 49.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.


CHIEF EXECUTIVE


DIRECTOR

Pattern of Shareholding

as at June 30, 2015

No. of Shareholders	Shareholdings	Total Shares held
	From To	
99	1 100	1,639
99	101 500	43,591
96	501 1,000	91,678
155	1,001 5,000	431,709
47	5,001 10,000	381,218
22	10,001 15,000	302,977
8	15,001 20,000	140,874
11	20,001 25,000	264,388
8	25,001 30,000	223,551
4	30,001 35,000	136,000
1	35,001 40,000	35,551
3	40,001 45,000	134,666
5	45,001 50,000	246,000
2	50,001 55,000	102,335
2	55,001 60,000	115,500
1	60,001 65,000	65,000
1	65,001 70,000	68,750
1	75,001 80,000	79,444
1	85,001 90,000	87,977
2	90,001 95,000	185,500
7	95,001 100,000	700,000
1	100,001 105,000	104,500
1	105,001 110,000	108,333
1	130,001 135,000	131,500
1	160,001 165,000	163,000
1	165,001 170,000	168,500
4	195,001 200,000	797,000
1	200,001 205,000	203,000
1	225,001 230,000	229,898
1	240,001 245,000	245,000
1	245,001 250,000	250,000
1	265,001 270,000	269,500
1	275,001 280,000	276,333
1	290,001 295,000	295,000
1	295,001 300,000	299,500
2	340,001 345,000	685,276
3	345,001 350,000	1,045,655
2	355,001 360,000	717,000
1	360,001 365,000	362,500
2	385,001 390,000	777,826
1	390,001 395,000	394,000
1	395,001 400,000	399,611
1	410,001 415,000	410,206
1	480,001 485,000	484,493
1	485,001 490,000	485,551
1	490,001 495,000	494,000
1	520,001 525,000	521,320
1	540,001 545,000	542,888
1	545,001 550,000	548,555
1	550,001 555,000	552,333
1	580,001 585,000	584,000
1	635,001 640,000	640,000
1	670,001 675,000	671,777
1	715,001 720,000	716,666
1	730,001 735,000	730,111
1	770,001 775,000	770,388
1	780,001 785,000	783,611
1	805,001 810,000	805,555
1	1,175,001 1,180,000	1,175,930
1	1,400,001 1,405,000	1,402,777
1	1,865,001 1,870,000	1,869,277
1	1,900,001 1,905,000	1,900,666
1	2,390,001 2,395,000	2,394,000
1	2,745,001 2,750,000	2,748,000
1	2,990,001 2,995,000	2,994,000
1	3,355,001 3,360,000	3,359,272
1	4,045,001 4,050,000	4,049,344
1	6,600,001 6,605,000	6,604,000
		50,000,000

Pattern of Shareholding

as at June 30, 2015

Categories of Shareholders	Number of Shareholder	Number of Shares held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	9	13,785,498	27.5710%
Associated Companies, undertakings and related parties,	-	0	0.0000%
NIT and ICP	-	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	-	0	0.0000%
Insurance Companies	-	0	0.0000%
Modarabas and Mutual Funds	4	1,135,500	2.2710%
General Public			
a. Local	601	29,344,238	58.6885%
B. Foreign		0	0.0000%
Others (to be specified)			
1- Joint Stock Companies	9	5,331,764	10.6635%
2- Pension Funds	4	336,000	0.6720%
3- Others	3	67,000	0.1340%
	630	50,000,000	100.0000%
Share holders holding 10% or more	1	6,704,000	13.4080%

Pattern of Shareholding

as at June 30, 2015

Additional Information

Categories of shareholders required under Code of Corporate Governance (CCG)

Shareholders' Categories	Number of Shares held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):	-	-
Mutual Funds (Name Wise Detail)	-	-
1 CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND (CDC)	250,000	0.5000%
2 CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND (CDC)	357,500	0.7150%
3 CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC)	359,500	0.7190%
4 CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND (CDC)	168,500	0.3370%
Directors and their Spouse and Minor Children (Name Wise Detail):		
1 MR. ABDUL GHAFOR	640,000	1.2800%
2 MR. ABDUL SATTAR KHATRI	2,994,000	5.9880%
3 MR. WAQAS SIDDIQ KHATRI	344,999	0.6900%
4 MRS. FARHANA ABDUL SATTAR KHATRI	552,333	1.1047%
5 MR. MUHAMMAD SIDDIQ	6,704,000	13.4080%
6 MR. AHMED MUSTAFA	1,900,666	3.8013%
7 MR. PERVAIZ AHMAD KHAN	500	0.0010%
8 MRS. SABINA W/O MUHAMMAD SIDDIQ	255,000	0.5100%
9 MRS. FAREEDA W/O ABDUL GHAFOR	394,000	0.7880%
Executives:	44,666	13.4973%
Public Sector Companies & Corporations:	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	336,000	0.6720%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
1 MR. MUHAMMAD SIDDIQ	6,704,000	13.4080%
2 MR. SHAHZAD YOUSUF KHARTI	4,074,895	8.1498%
3 MR. ABDUL SATTAR KHATRI	2,994,000	5.9880%
4 CHEMITEX INDUSTRIES LTD.	2,748,000	5.4960%
5 ABDUL AZIZ KHATRI	2,667,998	5.3360%
6 MR. YOUSUF KHATRI	3,708,983	7.4180%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	NAME	Shares Gifted	
		From	To
1	MR. WAQAS SIDDIQ KHATRI	-	283,888
2	MR. MUHAMMAD SIDDIQ	38,888	-
3	MRS. SABINA W/O MUHAMMAD SIDDIQ	245,000	-



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Form of Proxy

I/We _____ of _____ being a member of ITTEHAD CHEMICALS LIMITED and holder of _____ Ordinary Shares as per Register Folio / CDC Participant I.D. No. & CDC Account No. _____ hereby appoint Mr./Mrs./Miss. _____ of _____ or failing him / her Mr./Mrs./Miss. _____ of _____ who is also a member of the ITTEHAD CHEMICALS LIMITED vide Registered Folio / CDC Participant I.D. No. & CDC Account No. _____ as my proxy to vote for me and on my behalf at the 24th Annual General Meeting of the Company to be held on Wednesday, October 21, 2015 at 11.00 a.m. At the Registered Office and at any adjournment thereof.

Signature this _____ day of _____.

WITNESSES:

1. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport # _____

2. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport # _____

Revenue
stamp(s) of
Rupees five

Signature
(As registered with the company)

Note: This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.

No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.



ITTEHAD
GROUP

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