

1<sup>st</sup> Quarterly Report  
September 30,  
2021

Innovation - Growth - Prosperity



ITTEHAD CHEMICALS LIMITED

# ITTEHAD CHEMICALS LIMITED

## CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 1<sup>ST</sup> QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)

### Contents

2	Corporate Information
3	Directors' Report
5	Unconsolidated Condensed Interim Statement of Financial Position
6	Unconsolidated Condensed Interim Statement of Profit or Loss Account
7	Unconsolidated Condensed Interim Statement of Comprehensive Income
8	Unconsolidated Condensed Interim Cash Flow Statement
9	Unconsolidated Condensed Interim Statement of Changes in Equity
10	Notes to the Unconsolidated Condensed Interim Financial Statements
19	Consolidated Directors' Report
20	Consolidated Condensed Interim Statement of Financial Position
21	Consolidated Condensed Interim Statement of Profit or Loss Account
22	Consolidated Condensed Interim Statement of Comprehensive Income
23	Consolidated Condensed Interim Cash Flow Statement
24	Consolidated Condensed Interim Statement of Changes in Equity
25	Consolidated Notes to the Condensed Interim Financial Statements

# Corporate Information

## BOARD OF DIRECTORS

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

## AUDIT COMMITTEE

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

## HR & REMUNERATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## CHIEF FINANCIAL OFFICER

Mr. Aamir Shehzad Mughal

## 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.ittihadchemicals.com](http://www.ittihadchemicals.com), E-mail: [info@ittihadchemicals.com](mailto:info@ittihadchemicals.com)

## FACTORY/PLANT

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

## SHARES REGISTRAR

M/s. Hameed Majeed Associates (Pvt) Limited  
1<sup>st</sup> Floor, H.M. House, 7 Bank Square  
The Mall, Lahore.  
Tel: 042 - 37235081 - 82

## BANKERS

Banks - Conventional Side  
Askari Bank Limited  
Allied Bank Limited  
Faysal Bank Limited  
Habib Metro Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
JS Bank Limited  
Pak Libya Holding Co. (Pvt.) Ltd.  
Pakistan Kuwait Inv. Co. (Pvt.) Ltd.  
Pak Brunei Inv. Company Ltd.  
The Bank of Punjab  
United Bank Limited

Banks - Islamic Window Operations  
Al-Baraka Bank (Pakistan) Limited  
The Bank of Punjab (Taqla Islamic Banking)  
Dubai Islamic Bank (Pak) Limited  
Bank Alfalah Limited - Islamic-Banking

## AUDITORS

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

## LEGAL ADVISOR

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

## DIRECTORS' REPORT

The Directors take pleasure in presenting the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2021.

During the quarter under review, the Company posted net sales revenue of Rupees 3,249 Million denoting an increase of 36% over corresponding period of last year (2020: Rupees 2,395 Million). The cost of sales stood at Rupees 2,998 Million (2020: Rupees 1,841 Million) bringing gross profit to Rupees 251 Million (2020: Rupees 554 Million). The gross profit margin reduced to 8% from 23% vis-à-vis corresponding period of last year mainly due to increased energy cost during the period under review. The bottom line showed loss after tax of Rupees 9 Million (2020: Profit of Rupees 170 Million) which resulted in loss per share of Rupees 0.10 (2020: Earnings per share Rupees 2.01).

Looking forward, the planned expansion of LABSA / SLES Plant would come on stream during the ongoing Financial Year as conveyed through earlier reports. Moreover, the work on up gradation of power plant engines to increase capacity and to improve fuel efficiency is also well under way. The wholly owned subsidiary i.e. Ittehad Salt Processing (Private) Limited is in the process of acquiring Mining Lease from the concerned Government Department. The Management is optimistic about future growth and healthy returns after obtaining the Mining Lease and is consistently exploring new markets with the ultimate objective to maximize shareholders' wealth in the long run.

COVID-19 still continues to affect businesses and the society at large. The oil prices are showing a rising trend in the international market which has increased/may further increase the energy cost of the chemical industry. The future prospects of the industry will therefore depend on the energy policies of the Government which may have negative or positive effect on the production cost. The Management of your company is keenly observing the prevailing situation and would take appropriate measures to address the emerging challenges.

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

On behalf of the Board



Lahore  
October 27, 2021

Abdul Sattar Khatri  
Chief Executive Officer



Muhammad Siddiq Khatri  
Chairman



## ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹر 30 ستمبر 2021ء کو اختتام پذیر ہونے والی پہلی سہ ماہی کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

زیر جائزہ سہ ماہی میں کمپنی کی فروخت گزشتہ سال کے اسی عرصہ کے مقابلے میں 36 فیصد اضافہ کے ساتھ 3,249 ملین روپے (2020: 2,395 ملین روپے) رہی۔ فروخت کی لاگت 2,998 ملین روپے (2020: 1,841 ملین روپے) رہی جس سے کمپنی کا خام منافع 251 ملین روپے (2020: 554 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصے کے مقابلے میں 23 فیصد سے کم ہو کر 8 فیصد ہو گیا جس کی بنیادی وجہ زیر جائزہ مدت کے دوران توانائی کی لاگت میں اضافہ ہے۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 9 ملین روپے (2020: 170 ملین روپے) کا منافع (کا نقصان ظاہر کرتی ہے جس کے نتیجے میں فی حصص 0.10 روپے (2020: فی حصص آمدنی 2.01 روپے) کا نقصان ہوا۔

آگے دیکھتے ہوئے، SLES / LABSA پلانٹ کی منصوبہ بند توسیع جاری مالی سال کے دوران کام کرنا شروع کر دے گی جیسا کہ پہلے کی رپورٹوں کے ذریعے بتایا گیا تھا۔ مزید برآں صلاحیت بڑھانے اور ایندھن کی کارکردگی کو بہتر بنانے کے لیے پاور پلانٹ انجنوں کی اپ گریڈیشن پر بھی کام جاری ہے۔ مکمل ملکیت والی ذیلی کمپنی یعنی اتحاد سولٹ پروسیسنگ (پرائیویٹ) لمیٹیڈ متعلقہ سرکاری محکمے سے مائننگ لیز حاصل کرنے کے عمل میں ہے۔ انتظامیہ کان کنی کی لیز حاصل کرنے کے بعد مستقبل کی ترقی اور بہتر منافع کے بارے میں پرامید ہے اور طویل مدت میں حصص داران کی قدر کو زیادہ سے زیادہ کرنے کے حتمی مقصد کے ساتھ مسلسل نئی منڈیوں کی تلاش کر رہی ہے۔

کوویڈ-19 اب بھی کاروباری اداروں اور بڑے پیمانے پر معاشرے کو متاثر کر رہا ہے۔ تیل کی قیمتوں میں بین الاقوامی مارکیٹ میں بڑھتا ہوا رجحان ظاہر ہو رہا ہے جس سے کیمیائی صنعت کی توانائی کی لاگت میں اضافہ ہوا اور اس میں اور زیادہ اضافہ ہو سکتا ہے۔ لہذا صنعت کے مستقبل کے امکانات کا انحصار حکومت کی توانائی پالیسیوں پر ہوگا جس کے پیداواری لاگت پر منفی یا مثبت اثرات مرتب ہو سکتے ہیں۔ آپ کی کمپنی کی انتظامیہ موجودہ صورتحال کا بغور مشاہدہ کر رہی ہے اور ابھرتے ہوئے چیلنجوں سے نمٹنے کے لیے مناسب اقدامات کرے گی۔

بورڈ اپنے تمام معزز ممبران، صارفین، بینکوں اور سرکاری محکموں کے اعتماد، مستقل حمایت اور سرپرستی کے لیے ان کا شکریہ ادا کرتے ہیں اور کمپنی کے تمام ملازمین کے تعاون، لگن اور محنت کے لیے ان کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ  
محمد صدیق کھتری  
چیئر مین

ASV  
عبدالستار کھتری  
چیف ایگزیکٹو آفیسر

127 اکتوبر 2021ء

لاہور

## Unconsolidated Condensed Interim Statement of Financial Position as at September 30, 2021

as at September 30, 2021		(Un-audited) September 30, 2021	(Audited) June 30, 2021
		(Rupees in thousand)	
ASSETS	Note		
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,615,501	5,722,682
Capital work in progress	8	860,377	417,167
		6,475,878	6,139,849
Intangible assets		6,445	6,445
Investment properties		307,500	307,500
Long term investments		100	100
Long term deposits		51,698	51,007
		6,841,621	6,504,901
CURRENT ASSETS			
Stores, spares and loose tools		437,249	442,955
Stock in trade		1,058,115	1,121,263
Trade debts		1,236,141	1,167,876
Loans and advances		123,829	341,458
Trade deposits and short term prepayments		24,701	33,878
Tax refunds due from Government		404,236	529,200
Taxation - net		201,500	66,459
Cash and bank balances		311,088	338,635
		3,796,859	4,041,724
TOTAL ASSETS		10,638,480	10,546,625
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	9.2	847,000	847,000
Share premium		330,000	330,000
Unappropriated profit		2,296,792	2,305,352
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		4,865,834	4,874,394
NON CURRENT LIABILITIES			
Long term financing	10	471,284	287,969
Long term diminishing musharaka	11	877,071	964,570
Lease liabilities		16,178	17,899
Deferred liabilities		419,395	448,301
Deferred grant		1,038	1,038
GIDC Payable		77,012	77,012
		1,861,978	1,796,789
CURRENT LIABILITIES			
Trade and other payables		2,385,900	2,139,661
Unclaimed dividend		3,495	5,303
Mark-up accrued		47,119	38,618
Short term borrowings		896,838	1,161,440
Current portion of long term liabilities		577,316	530,420
		3,910,668	3,875,442
CONTINGENCIES AND COMMITMENTS			
	12	-	-
TOTAL EQUITY AND LIABILITIES		10,638,480	10,546,625

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

### Unconsolidated Condensed Interim Statement of Profit or Loss Account (Un-audited) for the quarter ended September 30, 2021

		Quarter ended September 30, 2021 (Rupees in thousand)	2020 (Rupees in thousand)
	Note		
Sales - net		3,249,335	2,395,013
Cost of sales	13	(2,998,206)	(1,840,670)
<b>Gross profit</b>		<b>251,129</b>	<b>554,343</b>
Selling and distribution expenses		(154,919)	(133,218)
General and administrative expenses		(53,971)	(49,273)
Other operating expenses		(325)	(32,193)
Other operating income		18,636	10,934
		(190,579)	(203,750)
<b>Operating profit</b>		<b>60,550</b>	<b>350,593</b>
Financial charges		(60,899)	(69,499)
<b>(Loss)/Profit before taxation</b>		<b>(349)</b>	<b>281,094</b>
Taxation		(8,211)	(110,634)
<b>(Loss)/Profit after taxation</b>		<b>(8,560)</b>	<b>170,460</b>
<b>(Loss)/Earnings per share - basic and diluted (Rupee)</b>	14	<b>(0.10)</b>	<b>2.01</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)  
for the quarter ended September 30, 2021**

	Quarter ended September 30, 2021	2020
	(Rupees in thousand)	
(Loss)/Profit for the period	(8,560)	170,460
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(8,560)</b>	<b>170,460</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



## Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2021

	Quarter ended September 30,	
	2021	2020
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(349)	281,094
Adjustments for items not involving movement of funds:		
Depreciation	119,321	128,085
Provision for gratuity	4,557	7,467
Loss / (Gain) on sale of fixed assets	-	8,599
Loss / (gain) on foreign exchange	(8,526)	1,066
Bad debts written off	-	1,021
Provision for obsolete stores	4,500	6,000
Financial charges	60,899	69,499
Net cash flow before working capital changes	180,402	502,831
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	1,206	(28,703)
Stock in trade	63,148	(21,420)
Trade debts	(59,739)	(92,757)
Loans and advances	217,629	(12,796)
Trade deposits and short term prepayments	9,177	(1,425)
Tax refunds due from the Government	12,963	59,933
	244,384	(97,168)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	246,238	197,704
Cash generated from operations	671,024	603,367
Income taxes paid	(64,463)	(14,342)
Gratuity paid	(251)	(3,490)
Financial charges paid	(52,398)	(100,470)
Net cash inflow from operating activities	553,912	485,065
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(9,736)	(5,725)
Additions to capital work in progress	(445,614)	(84,191)
Proceeds from sale of operating fixed assets	-	650
Long term deposits	(691)	-
Net cash (outflow) from investing activities	(456,041)	(89,266)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	254,832	98,475
Repayment of long term financing	(24,621)	-
Repayment of long term diminishing musharaka	(87,500)	-
Repayment of lease liabilities	(1,720)	(2,387)
Dividend paid	(1,806)	-
Short term borrowings	(264,603)	(430,466)
Net cash inflow / (outflow) from financing activities	(125,418)	(334,378)
Net (decrease) increase in cash and cash equivalents	(27,547)	61,421
Cash and cash equivalents at the beginning of the period	338,635	134,501
Cash and cash equivalents at the end of the period	311,088	195,922

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2021

	Share Capital	Surplus on Revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)				
Balance as at July 01, 2020	847,000	972,734	330,000	1,904,070	4,053,804
Total Comprehensive income for the period	-	-	-	170,460	170,460
Balance as at September 30, 2020	847,000	972,734	330,000	2,074,530	4,224,264
Transitions with Owners:					
Final cash dividend 2020:					
Re. 1 per share				(84,700)	(84,700)
Interim cash dividend 2021:					
Re. 2 per share	-	-	-	(169,400)	(169,400)
	-	-	-	(254,100)	(254,100)
<b>Total Comprehensive income for the period</b>					
Profit for the period	-	-	-	486,307	486,307
Remeasurement of defined benefit liability - net	-	-	-	(1,385)	(1,385)
Revaluation Surplus for the year	-	419,308	-	-	419,308
	-	419,308	-	484,922	904,230
Balance as at June 30, 2021	847,000	1,392,042	330,000	2,305,352	4,874,394
<b>Total Comprehensive income for the period</b>	-	-	-	(8,560)	(8,560)
<b>Balance as at September 30, 2021</b>	<b>847,000</b>	<b>1,392,042</b>	<b>330,000</b>	<b>2,296,792</b>	<b>4,865,834</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## **Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2021**

### **1 LEGAL STATUS AND OPERATIONS**

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

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

The Company holds 100% shares of Ittehad Salt Processing (Private) Limited (subsidiary company), which is a private limited company and incorporated in Pakistan under the Companies Act, 2017 on December 3, 2019, as company limited by shares. The subsidiary company is engaged in the business of exploring, operating, and working on mines and quarries. The registered office of subsidiary company is situated at 31-A, Tech Society, Canal Bank, Lahore. The Chief Executive of subsidiary company is Ahmed Mustafa.

### **2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

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

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

### **3 BASIS OF PREPARATION**

#### **3.1 Statement of compliance**

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

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

Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2021 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2020.

### **3.2 Basis of measurement**

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

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

### **3.3 Functional and presentation currency**

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

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2021.

## 5 TAXATION

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

## 6 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2021.

	Note	(Un-audited) September 30, 2021	(Audited) June 30, 2021
		—— (Rupees in thousand) ——	
<b>7 PROPERTY PLANT &amp; EQUIPMENT</b>			
Operating Fixed Assets	7.1	5,603,028	5,709,033
Right to Use Assets	7.2	12,473	13,649
		<u>5,615,501</u>	<u>5,722,682</u>

### 7.1 Operating Fixed Assets

Opening book value (NBV)		5,709,033	5,842,860
Additions / (adjustment) at cost during the period / year	7.1.1	12,140	647,290
		<u>5,721,173</u>	<u>6,490,150</u>
Disposals at NBV during the period / year	7.1.2	-	(274,996)
Depreciation charged during the period / year		<u>(118,145)</u>	<u>(506,121)</u>
		<u>(118,145)</u>	<u>(781,117)</u>
Closing net book value (NBV)		<u>5,603,028</u>	<u>5,709,033</u>

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

Land	-	419,308
Building	-	20,796
Plant and machinery	2,405	186,049
Other equipment	-	1,169
Furniture and fixtures	675	240
Office and other equipment	802	5,262
Vehicles	8,258	14,466
	<u>12,140</u>	<u>647,290</u>



(Un-audited)  
September 30,  
2021  
—— (Rupees in thousand) ——  
(Audited)  
June 30,  
2021

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

Building	-	(2,922)
Plant and machinery	-	(270,075)
Furniture and fixtures	-	(14)
Office and other equipment	-	(80)
Vehicles	-	(1,905)
	<u>-</u>	<u>(274,996)</u>

**7.2 Right to Use Assets**

Opening book value (NBV)	13,649	29,553
Additions / (adjustment) at cost during the period / year	-	-
	<u>13,649</u>	<u>29,553</u>
Disposals at NBV during the period / year	-	(9,192)
Depreciation charged during the period / year	(1,176)	(6,712)
	<u>(1,176)</u>	<u>(15,904)</u>
Closing net book value (NBV)	<u>12,473</u>	<u>13,649</u>

**8 CAPITAL WORK IN PROGRESS**

Building	27,133	12,247
Plant and machinery	682,348	243,548
Advances	150,896	161,372
	<u>860,377</u>	<u>417,167</u>

**9 SHARE CAPITAL**

**9.1 Authorized share capital**

100,000,000 (June 30, 2021: 100,000,000) ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000 (June 30, 2021: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>

**9.2 Issued, subscribed and paid up share capital**

27,100,000 (June 30, 2021: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2021: 24,900,000) issued for consideration other than cash	249,000	249,000
32,700,000 (June 30, 2021: 32,700,000) fully paid bonus shares	327,000	327,000
	<u>847,000</u>	<u>847,000</u>

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
	— (Rupees in thousand) —	
<b>10 LONG TERM FINANCING</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	419,787	359,228
Obtained during the period / year	254,832	143,135
Repayments made during the period / year	(24,621)	(82,576)
	649,998	419,787
Current portion shown under current liabilities	(178,714)	(131,818)
	471,284	287,969
<b>11 LONG TERM DIMINISHING MUSHARAKA</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	1,351,575	1,460,519
Obtained during the period / year	-	-
Repayments made during the period / year	(87,500)	(108,944)
	1,264,075	1,351,575
Current portion shown under current liabilities	(387,004)	(387,005)
	877,071	964,570

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2021: Rs. 54.510 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 ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a

favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2021: Rs. 4.080 million).

- c) 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. 12.077 million (June 30, 2021: Rs. 12.077 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2021: 1.20 million).
- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million (2021: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2021: 25.50 million).
- g) Letters of guarantee outstanding as at September 30, 2021 were Rs. 346.704 million (June 30 2021: Rs. 347.693 million).

## 12.2 Commitments

Commitments as on September 30, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 1,604.452 million (June 30 2021: Rs. 1,711.130 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30 2021: Rs. 1.639 million).

(Un-audited)  
Quarter ended September 30,  
2021                      2020

— (Rupees in thousand) —

### 13 COST OF SALES

Raw materials consumed	1,210,396	699,763
Other overheads		
Stores, spares and consumables	75,699	45,201
Packing materials consumed	41,964	42,387
Salaries, wages and other benefits	146,820	131,896
Fuel and power	1,355,733	828,732
Repair and maintenance	9,227	7,996
Rent, rates and taxes	2,333	47
Insurance	3,361	3,648
Depreciation	115,463	123,924
Vehicle running expenses	3,902	3,254
Telephone, telex and postage	222	233
Printing and stationery	73	28
Provision for obsolete stores	4,500	6,000
Other expenses	505	307
	1,759,802	1,193,653
Opening work in process	43,626	38,912
Closing work in process	(46,469)	(40,501)
	(2,843)	(1,589)
Cost of goods manufactured	2,967,355	1,891,827
Cost of stores traded	12,350	-
Opening stock of finished goods	444,948	392,491
Closing stock of finished goods	(426,447)	(443,648)
	18,501	(51,157)
	2,998,206	1,840,670

### 14 EARNINGS PER SHARE - BASIC AND DILUTED

(Loss)/Profit after taxation - (Rupees in thousand)	(8,560)	170,460
Weighted average number of ordinary shares - (In thousand)	84,700	84,700
(Loss)/Earnings per share - basic and diluted - (Rupees)	(0.10)	2.01

(Un-audited)  
Quarter ended September 30,  
2021 2020

— (Rupees in thousand) —

## 15 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	15,932	11,630
Subsidiary Company	Loan given	780	-
Retirement benefit plans	Contribution to staff retirement benefit plans	151	120
Key management personnel	Remuneration and other benefits	24,770	19,514

**15.1** Balance of Chemi Multifabrics Limited (other related party) stands at Rs.1.032 million receivable (June 30, 2021 Rs. 8.139 million Payable).

## 16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 27, 2021 by the Board of Directors of the Company.

## 17 GENERAL

- i** Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.
- iii** **EVENT AFTER BALANCE SHEET DATE**  
The board of directors of the company in its meeting held on October 27, 2021 accord approval to issue Bonus shares in the proportion of 18.063754 shares for every 100 shares held i.e. 18.063754%. These Financial statements do not reflect this appropriation.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# **ITTEHAD CHEMICALS LIMITED**

## **CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 1<sup>ST</sup> QUARTER ENDED SEPTEMBER 30, 2021 (UN-AUDITED)**

## DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors take pleasure in presenting their report on the consolidated un-audited condensed interim financial statements of Ittehad Chemicals Limited ("The Holding Company") and its wholly owned subsidiary company "Ittehad Salt Processing (Pvt.) Limited" (the "ISPPL") for the first quarter ended September 30, 2021.

ISPPL was incorporated under the Companies Act, 2017 in Pakistan as a company limited by shares on December 3, 2019. The registered office of the Company is situated in Lahore, Punjab. The main objective of the wholly owned subsidiary is to explore opportunities available in the Rock Salt Mining subject to fulfillment of prerequisites under the applicable laws. The wholly owned subsidiary has already acquired the exploration license from Punjab Minerals and Mines Department for an area of 1,356.07 acres situated near Dhok Jabba / Lafi District Chakwal and is in the process of acquiring Mining Lease from the concerned Government Department.

The Consolidated Financial Statements showed loss per share Rs. 0.10 for the period ended September 30, 2021. Adequate internal financial controls are in place and Management ensures complete and satisfactory implementation of the same. The Management is optimistic about future growth and healthy returns after obtaining the Mining license from Punjab Minerals and Mines Department.

On behalf of the Board



Lahore  
October 27, 2021

Abdul Sattar Khatri  
Chief Executive Officer



Muhammad Siddiq Khatri  
Chairman

## Consolidated Condensed Interim Statement of Financial Position as at September 30, 2021

as at September 30, 2021		(Un-audited) September 30, 2021	(Audited) June 30, 2021
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,615,501	5,722,682
Capital work in progress	8	860,377	417,167
		6,475,878	6,139,849
Intangible assets		6,697	6,697
Investment properties		307,500	307,500
Long term deposits		51,698	51,007
		6,841,773	6,505,053
CURRENT ASSETS			
Stores, spares and loose tools		437,249	442,955
Stock in trade		1,058,115	1,121,263
Trade debts		1,236,141	1,167,876
Loans and advances		123,049	341,458
Trade deposits and short term prepayments		26,201	33,878
Tax refunds due from Government		404,236	529,200
Taxation - net		201,500	66,459
Cash and bank balances		311,175	338,731
		3,797,666	4,041,820
		10,639,439	10,546,873
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	9.2	847,000	847,000
Share premium		330,000	330,000
Unappropriated profit		2,296,792	2,305,352
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		4,865,834	4,874,394
NON CURRENT LIABILITIES			
Long term financing	10	471,284	287,969
Long term diminishing musharaka	11	877,071	964,570
Lease liabilities		16,178	17,899
Deferred liabilities		419,395	448,301
Deferred grant		1,038	1,038
GIDC Payable		77,012	77,012
		1,861,978	1,796,789
CURRENT LIABILITIES			
Trade and other payables		2,386,859	2,139,909
Unclaimed dividend		3,495	5,303
Mark-up accrued		47,119	38,618
Short term borrowings		896,838	1,161,440
Current portion of long term liabilities		577,316	530,420
		3,911,627	3,875,690
CONTINGENCIES AND COMMITMENTS			
	12	-	-
TOTAL EQUITY AND LIABILITIES		10,639,439	10,546,873

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**Consolidated Condensed Interim Statement of Profit or Loss Account (Un-audited)  
for the quarter ended September 30, 2021**

		Quarter ended September 30, 2021 (Rupees in thousand)	2020 (Rupees in thousand)
	Note		
Sales - net		3,249,335	2,395,013
Cost of sales	13	(2,998,206)	(1,840,670)
<b>Gross profit</b>		<b>251,129</b>	<b>554,343</b>
Selling and distribution expenses		(154,919)	(133,218)
General and administrative expenses		(53,971)	(49,273)
Other operating expenses		(325)	(32,193)
Other operating income		18,636	10,934
		(190,579)	(203,750)
<b>Operating profit</b>		<b>60,550</b>	<b>350,593</b>
Financial charges		(60,899)	(69,499)
<b>(Loss)/Profit before taxation</b>		<b>(349)</b>	<b>281,094</b>
Taxation		(8,211)	(110,634)
<b>(Loss)/Profit after taxation</b>		<b>(8,560)</b>	<b>170,460</b>
<b>(Loss)/Earnings per share - basic and diluted (Rupee)</b>	14	<b>(0.10)</b>	<b>2.01</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)  
for the quarter ended September 30, 2021**

	Quarter ended September 30,	
	2021	2020
	(Rupees in thousand)	
(Loss)/Profit for the period	(8,560)	170,460
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(8,560)</b>	<b>170,460</b>

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



## Consolidated Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2021

	Quarter ended September 30, 2021	2020
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(349)	281,094
Adjustments for items not involving movement of funds:		
Depreciation	119,321	128,085
Provision for gratuity	4,557	7,467
Loss / (Gain) on sale of fixed assets	-	8,599
Loss / (gain) on foreign exchange	(8,526)	1,066
Bad debts written off	-	1,021
Provision for obsolete stores	4,500	6,000
Financial charges	60,899	69,499
Net cash flow before working capital changes	180,402	502,831
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	1,206	(28,703)
Stock in trade	63,148	(21,420)
Trade debts	(59,739)	(92,757)
Loans and advances	218,409	(12,796)
Trade deposits and short term prepayments	7,677	(1,425)
Tax refunds due from the Government	12,963	59,933
	243,664	(97,168)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	246,949	197,704
Cash generated from operations	671,015	603,367
Income taxes paid	(64,463)	(14,342)
Gratuity paid	(251)	(3,490)
Financial charges paid	(52,398)	(100,470)
Net cash inflow from operating activities	553,903	485,065
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(9,736)	(5,725)
Additions to capital work in progress	(445,614)	(84,191)
Proceeds from sale of operating fixed assets	-	650
Long term deposits	(691)	-
Net cash (outflow) from investing activities	(456,041)	(89,266)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	254,832	98,475
Repayment of long term financing	(24,621)	-
Repayment of long term diminishing musharaka	(87,500)	-
Repayment of lease liabilities	(1,720)	(2,387)
Dividend paid	(1,806)	-
Short term borrowings	(264,603)	(430,466)
Net cash inflow / (outflow) from financing activities	(125,418)	(334,378)
Net (decrease) increase in cash and cash equivalents	(27,556)	61,421
Cash and cash equivalents at the beginning of the period	338,731	134,501
Cash and cash equivalents at the end of the period	311,175	195,922

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2021

	Share Capital	Directors' Loan	Surplus on Revaluation of fixed assets	Share premium	Unappropriated profit	Total
	(Rupees in thousand)					
Balance as at July 01, 2020	847,000	-	972,734	330,000	1,904,070	4,053,804
Total Comprehensive income for the period	-	-	-	-	170,460	170,460
Balance as at September 30, 2020	847,000	-	972,734	330,000	2,074,530	4,224,264
Transitions with Owners:						
Final cash dividend 2020:						
Re. 1 per share	-	-	-	-	(84,700)	(84,700)
Interim cash dividend 2021:						
Re. 2 per share	-	-	-	-	(169,400)	(169,400)
	-	-	-	-	(254,100)	(254,100)
Total Comprehensive income for the period	-	-	-	-	486,307	486,307
Profit for the period	-	-	-	-	486,307	486,307
Remeasurement of defined benefit liability - net	-	-	-	-	(1,385)	(1,385)
Revaluation Surplus for the year	-	-	419,308	-	-	419,308
	-	-	419,308	-	484,922	904,230
Directors' Loan	-	219	-	-	-	219
Balance as at June 30, 2021	847,000	219	1,392,042	330,000	2,305,352	4,874,613
Reclassification / repayment of directors' Loan	-	(219)	-	-	-	(219)
Total Comprehensive income for the period	-	-	-	-	(8,560)	(8,560)
Balance as at September 30, 2021	847,000	-	1,392,042	330,000	2,296,792	4,865,834

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2021

### 1 LEGAL STATUS AND OPERATIONS

The group comprises of Ittehad Chemicals Limited (Parent/holding Company) (ICL) and Ittehad Salt Processing (Private) Limited (Subsidiary Company) (ISPL). The Parent Company and the subsidiary company are collectively referred to as "the Group".

#### 1.1 STATUS OF PARENT COMPANY

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

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

#### 1.2 STATUS OF SUBSIDIARY COMPANY

Ittehad Salt Processing (Private) Limited, is a (private) Limited Company (100% wholly owned) incorporated in Pakistan under the Companies Act, 2017 on December 3, 2019, as company limited by shares. The Company is engaged in the business of exploring, operating, and working on mines and quarries.

### 2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

- 2.2 The registered office of the Company is situated at 31-A, Tech Society, Canal Bank, Lahore.

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

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

Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These consolidated condensed interim financial statements are unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

These consolidated condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2021 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these consolidated condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2020.

### **3.2 Basis of measurement**

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

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

### **3.3 Functional and presentation currency**

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

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these consolidated condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2021.

## 5 TAXATION

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

## 6 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2021.

		(Un-audited) September 30, 2021	(Audited) June 30, 2021
Note		(Rupees in thousand)	

## 7 PROPERTY PLANT & EQUIPMENT

Operating Fixed Assets	7.1	5,603,028	5,709,033
Right to Use Assets	7.2	12,473	13,649
		<u>5,615,501</u>	<u>5,722,682</u>

### 7.1 Operating Fixed Assets

Opening book value (NBV)		5,709,033	5,842,860
Additions / (adjustment) at cost during the period / year	7.1.1	12,140	647,290
		<u>5,721,173</u>	<u>6,490,150</u>
Disposals at NBV during the period / year	7.1.2	-	(274,996)
Depreciation charged during the period / year		<u>(118,145)</u>	<u>(506,121)</u>
		<u>(118,145)</u>	<u>(781,117)</u>
Closing net book value (NBV)		<u>5,603,028</u>	<u>5,709,033</u>

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

Land	-	419,308
Building	-	20,796
Plant and machinery	2,405	186,049
Other equipment	-	1,169
Furniture and fixtures	675	240
Office and other equipment	802	5,262
Vehicles	8,258	14,466
	<u>12,140</u>	<u>647,290</u>



(Un-audited)  
September 30,  
2021  
—— (Rupees in thousand) ——

(Audited)  
June 30,  
2021

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

Building	-	(2,922)
Plant and machinery	-	(270,075)
Furniture and fixtures	-	(14)
Office and other equipment	-	(80)
Vehicles	-	(1,905)
	<u>-</u>	<u>(274,996)</u>

**7.2 Right to Use Assets**

Opening book value (NBV)	13,649	29,553
Additions / (adjustment) at cost during the period / year	-	-
	<u>13,649</u>	<u>29,553</u>
Disposals at NBV during the period / year	-	(9,192)
Depreciation charged during the period / year	(1,176)	(6,712)
	<u>(1,176)</u>	<u>(15,904)</u>
Closing net book value (NBV)	<u>12,473</u>	<u>13,649</u>

**8 CAPITAL WORK IN PROGRESS**

Building	27,133	12,247
Plant and machinery	682,348	243,548
Advances	150,896	161,372
	<u>860,377</u>	<u>417,167</u>

**9 SHARE CAPITAL**

**9.1 Authorized share capital**

100,000,000 (June 30, 2021: 100,000,000) ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000 (June 30, 2021: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>

**9.2 Issued, subscribed and paid up share capital**

27,100,000 (June 30, 2021: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2021: 24,900,000) issued for consideration other than cash	249,000	249,000
32,700,000 (June 30, 2021: 32,700,000) fully paid bonus shares	327,000	327,000
	<u>847,000</u>	<u>847,000</u>

	(Un-audited) September 30, 2021	(Audited) June 30, 2021
	— (Rupees in thousand) —	
<b>10 LONG TERM FINANCING</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	419,787	359,228
Obtained during the period / year	254,832	143,135
Repayments made during the period / year	(24,621)	(82,576)
	649,998	419,787
Current portion shown under current liabilities	(178,714)	(131,818)
	471,284	287,969
<b>11 LONG TERM DIMINISHING MUSHARAKA</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	1,351,575	1,460,519
Obtained during the period / year	-	-
Repayments made during the period / year	(87,500)	(108,944)
	1,264,075	1,351,575
Current portion shown under current liabilities	(387,004)	(387,005)
	877,071	964,570

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2021: Rs. 54.510 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 ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a

favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2021: Rs. 4.080 million).

- c) 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. 12.077 million (June 30, 2021: Rs. 12.077 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2021: 1.20 million).
- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million (2021: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2021: 25.50 million).
- g) Letters of guarantee outstanding as at September 30, 2021 were Rs. 346.704 million (June 30 2021: Rs. 347.693 million).

## 12.2 Commitments

Commitments as on September 30, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 1,604.452 million (June 30 2021: Rs. 1,711.130 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30 2021: Rs. 1.639 million).

(Un-audited)  
Quarter ended September 30,  
2021 2020

— (Rupees in thousand) —

### 13 COST OF SALES

Raw materials consumed	1,210,396	699,763
Other overheads		
Stores, spares and consumables	75,699	45,201
Packing materials consumed	41,964	42,387
Salaries, wages and other benefits	146,820	131,896
Fuel and power	1,355,733	828,732
Repair and maintenance	9,227	7,996
Rent, rates and taxes	2,333	47
Insurance	3,361	3,648
Depreciation	115,463	123,924
Vehicle running expenses	3,902	3,254
Telephone, telex and postage	222	233
Printing and stationery	73	28
Provision for obsolete stores	4,500	6,000
Other expenses	505	307
	1,759,802	1,193,653
Opening work in process	43,626	38,912
Closing work in process	(46,469)	(40,501)
	(2,843)	(1,589)
Cost of goods manufactured	2,967,355	1,891,827
Cost of stores traded	12,350	-
Opening stock of finished goods	444,948	392,491
Closing stock of finished goods	(426,447)	(443,648)
	18,501	(51,157)
	2,998,206	1,840,670

### 14 EARNINGS PER SHARE - BASIC AND DILUTED

(Loss)/Profit after taxation - (Rupees in thousand)	(8,560)	170,460
Weighted average number of ordinary shares - (In thousand)	84,700	84,700
(Loss)/Earnings per share - basic and diluted - (Rupees)	(0.10)	2.01

(Un-audited)  
Quarter ended September 30,  
2021                      2020  
— (Rupees in thousand) —

## 15 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	15,932	11,630
Retirement benefit plans	Contribution to staff retirement benefit plans	151	120
Key management personnel	Remuneration and other benefits	24,770	19,514

**15.1** Balance of Chemi Multifabrics Limited (other related party) stands at Rs.1.032 million receivable (June 30, 2021 Rs. 8.139 million Payable).

## 16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 27, 2021 by the Board of Directors of the Company.

## 17 GENERAL

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.
- iii The parent company has acquired subsidiary on May 26, 2021, The comparative balance sheet presented in these consolidated condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2021, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements of parent company for the period ended September 30, 2020. , therefore, it may not be comparable.
- iv **EVENT AFTER BALANCE SHEET DATE**  
The board of directors of the company in its meeting held on October 27, 2021 accord approval to issue Bonus shares in the proportion of 18.063754 shares for every 100 shares held i.e. 18.063754%. These Financial statements do not reflect this appropriation.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



Ms Certification  
No of Certificate 236



ITTEHAD  
GROUP

Registered Office/Head Office:  
39-Empress Road, Lahore-Pakistan.  
Tel: +92 42 3630 6586-88, Fax: +92 42 3636 5697

Factory:  
G.T. Road, Kala Shah Kaku,  
District Sheikhpura, Pakistan.  
Tel: +92 42 3795 0222-25, Fax: +92 42 3795 0206