



# ITTEHAD CHEMICALS LIMITED

## CONDENSED INTERIM FINANCIAL STATEMENTS

HALF YEARLY REPORT DECEMBER 31, 2021

(UN-AUDITED)

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## Corporate Information

<b>BOARD OF DIRECTORS</b>	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mrs. Farhana Abdul Sattar Khatri Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director
<b>AUDIT COMMITTEE</b>	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
<b>HR &amp; REMUNERATION COMMITTEE</b>	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
<b>RISK MANAGEMENT COMMITTEE</b>	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Aamir Shehzad Mughal		
<b>COMPANY SECRETARY</b>	Mr. Abdul Mansoor Khan		
<b>REGISTERED OFFICE/HEAD OFFICE</b>	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: <a href="http://www.ittehadchemicals.com">www.ittehadchemicals.com</a> , E-mail: <a href="mailto:info@ittehadchemicals.com">info@ittehadchemicals.com</a>		
<b>FACTORY/PLANT</b>	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206		
<b>SHARES REGISTRAR</b>	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		
<b>BANKERS</b>	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. Pak Brunei Inv. Company Ltd. The Bank of Punjab United Bank Limited Samba Bank Limited Soneri Bank Limited	Banks - Islamic Window Operations Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited - Islamic-Banking	
<b>AUDITORS</b>	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		
<b>LEGAL ADVISOR</b>	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000		

## DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the standalone un-audited condensed interim financial statements of the Company for the half year ended December 31, 2021 together with Auditor's Review Report thereon.

During the period under review, the Company posted net sales revenue of Rupees 6,798 Million (2020: Rupees 5,294 Million) denoting an increase of 28% from corresponding period of last year. The cost of sales was Rupees 5,969 Million (2020: Rupees 4,111 Million) bringing gross profit to Rupees 829 Million (2020: Rupees 1,182 Million). The gross profit margin reduced to 12% from 22% vis-à-vis corresponding period of last year primarily due to increased energy cost during the period under review. However, during the 2<sup>nd</sup> quarter of current Financial Year, the gross profit margin improved to 16% from 8% attained during 1<sup>st</sup> quarter of current Financial Year as a result of better demand / prices of the Company's products. The bottom line showed a net profit after tax of Rupees 183 Million (2020: Rupees 427 Million) which yielded earning per share of Rupees 1.83 (2020: Rupees 4.27 per share). During the period under review, the Company has issued Bonus shares amounting to Rupees 153 Million; hence EPS for preceding period has been restated accordingly.

On a positive note; the enhanced capacity of LABSA / SLES Plant would come on stream during the next quarter of the ongoing Financial Year. Further, the work on up gradation of power plant engines to increase capacity and to improve fuel efficiency will be completed during the coming months. As per Board's decision, the management is also in negotiations with potential seller for acquisition of land and building for future growth and expansion of the Company's facilities. The wholly owned subsidiary i.e. Ittehad Salt Processing (Pvt.) Limited is also in the process of acquiring Mining Lease from the concerned Government Department.

Presently, the oil prices are volatile in the international market which may result in further increase in energy cost of the chemical industry. Besides the resurgence of the COVID-19 pandemic owing to latest variant Omicron, the ongoing geopolitical scenario and any further upward revision in SBP policy rates could result in an adverse impact on the industry.

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

On behalf of the Board



Lahore  
February 11, 2022

Abdul Sattar Khatri  
Chief Executive Officer



Muhammad Siddique Khatri  
Chairman

## ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2021ء کو اختتام پذیر ہونے والے نصف مالی سال کے غیر مربوط غیر پڑھال شدہ بین المدتی مختصر مالی گوشواروں کو آڈیٹر کی جائزہ رپورٹ کے ساتھ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

زیر جائزہ مدت میں کمپنی کی فروخت گزشتہ سال کے اسی عرصہ کے مقابلے میں 28 فیصد اضافہ کے ساتھ 6,798 ملین روپے (2020: 5,294 ملین روپے) لگتی رہی۔ فروخت کی لاگت 5,969 ملین روپے (2020: 4,111 ملین روپے) لگتی رہی جس سے کمپنی کا خام منافع 829 ملین روپے (2020: 1,182 ملین روپے) بنا رہا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں 22 فیصد سے کم ہو کر 12 فیصد ہو گیا جس کی بنیادی وجہ زیر جائزہ مدت کے دوران توانائی کی لاگت میں اضافہ ہے۔ تاہم رواں مالی سال کی دوسری سہ ماہی کے دوران مجموعی منافع کا مارجن بہتر طلبہ قیمتوں کے نتیجے میں رواں مالی سال کی پہلی سہ ماہی کے دوران حاصل کردہ 8 فیصد سے بہتر ہو کر 16 فیصد ہو گیا۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر میں 183 ملین روپے (2020: 427 ملین روپے) کا منافع ظاہر کرتی ہے جس کے نتیجے میں فی حصص 1.83 روپے (2020: فی حصص 4.27 روپے) آمدنی ہوئی۔ زیر جائزہ مدت کے دوران کمپنی نے 153 ملین روپے کے بونس حصص جاری کئے؛ لہذا سہ ماہی مدت کے لیے فی حصص منافع کلاس کے مطابق دوبارہ بیان کیا گیا ہے۔

ایک مثبت نوٹ کے طور پر، SLES / LABSA پلانٹ کی پڑھوتری موجودہ مالی سال کی اگلی سہ ماہی کے دوران کام شروع کرے گی۔ مزید برآں، صلاحیت بڑھانے اور ایجنٹ کی کارکردگی کو بہتر بنانے کے لیے پاور پلانٹ انجنوں کی اپ گریڈیشن کا کام آنے والے مہینوں میں مکمل کر لیا جائے گا۔ بورڈ کے فیصلے کے مطابق، انتظامیہ مستقل میں ترقی اور کمپنی کی سہولیات کی توسیع کے لیے زمین اور عمارت کے حصول کے لیے مکمل فروخت کنندہ کے ساتھ بات چیت بھی کر رہی ہے۔ مکمل ملکیت والی ڈبلیو کمپنی یعنی اتحاد سالت پروسیسنگ (پرائیویٹ) لمیٹڈ مختلف سرکاری محکمے سے مانگ لیز حاصل کرنے کے عمل میں ہے۔

اس وقت بین الاقوامی منڈی میں تیل کی قیمتیں اتار چڑھاؤ کا شکار ہیں جس کے نتیجے میں کیمیائی صنعت کی توانائی کی لاگت میں مزید اضافہ ہو سکتا ہے۔ نئی قسم اویسکروں کی وجہ سے کوویڈ-19 وباء کے دوبارہ سر اٹھانے کے علاوہ، جاری جغرافیائی سیاسی، خطرناکے اور اسٹیٹ بینک کی پالیسی کی شرحوں میں مزید کسی بھی اضافے کے نتیجے میں صنعت پر منفی اثرات مرتب ہو سکتے ہیں۔

بورڈ اپنے تمام قابل قدر محرز اراکین، مساعفین، بینکوں اور سرکاری تنظیموں کے اعتماد، مستقل حمایت اور سرپرستی کے لیے ان کا شکر گزار ہے اور کمپنی کے تمام ملازمین کے تعاون، لگن اور محنت کے لیے ان کا شکر یہ یاد کرتے ہیں۔

منجانب بورڈ  
  
 محمد صدیق ہتھاری  
 چیئرمین

  
 عبدالستار ہتھاری  
 چیف ایگزیکٹو آفیسر

11 فروری 2022ء

لاہور

## INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF ITTEHAD CHEMICALS LIMITED

### Report on review of interim financial statements

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of ITTEHAD CHEMICALS LIMITED (the "Company") as at December 31, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

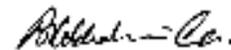
The figures for the quarters ended December 31, 2021 and December 31, 2020 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is Abdul Qadeer.

ISLAMABAD

DATED: 11 FEB 2022

UDIN: RR202110095uROUr4B1j



BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS



## Unconsolidated Condensed Interim Statement of Financial Position (Un-audited) as at December 31, 2021

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	7	5,523,479	5,722,682
Capital work in progress	8	1,154,838	417,167
		6,678,317	6,139,849
Intangible assets		6,445	6,445
Investment property		307,500	307,500
Long term investments	9	2,500	100
Long term deposits		53,383	51,007
		7,048,145	6,504,901
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	10	789,313	442,955
Stock in trade	11	1,449,579	1,121,263
Trade debts	12	1,225,438	1,167,876
Loans and advances	13	229,559	341,458
Trade deposits and short term prepayments		23,832	33,878
Tax refunds due from Government		557,944	529,200
Taxation - net		126,834	66,459
Cash and bank balances	14	258,302	338,635
		4,660,801	4,041,724
		11,708,946	10,546,625
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	15.1	2,000,000	1,250,000
Issued, subscribed and paid up capital	15.2	1,000,000	847,000
Reserves			
Capital reserves - Share premium	15.2.3	177,000	330,000
Revenue reserves - Unappropriated profit		2,488,774	2,305,352
Surplus on revaluation of Freehold land		1,392,042	1,392,042
		5,057,816	4,874,394
<b>NON CURRENT LIABILITIES</b>			
Long term financing	16	761,025	287,969
Long term diminishing musharaka	17	771,068	964,570
Lease liabilities	18	14,399	17,899
Deferred liabilities		521,246	448,301
Deferred grant	19	33,875	1,038
GIDC payable	20	-	77,012
		2,101,613	1,796,789
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	2,262,505	2,139,661
Unclaimed dividend		1,992	5,303
Mark-up accrued		52,379	38,618
Short term borrowings	22	1,592,756	1,161,440
Current portion of lease liabilities	18	7,520	7,520
Current portion of deferred grant	19	18,002	4,077
Current portion of long term liabilities		614,363	518,823
		4,549,517	3,875,442
		-	-
		11,708,946	10,546,625
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23	-	-

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Statement of Profit or Loss Account (Un-audited) for the half year ended December 31, 2021

	Note	Half year ended December 31,		Quarter ended December 31,	
		2021	2020	2021	2020
—— (Rupees in thousand) ——					
Sales - net	24	6,797,782	5,293,899	3,548,447	2,898,886
Cost of sales	25	(5,968,670)	(4,111,477)	(2,970,464)	(2,270,807)
<b>Gross profit</b>		<b>829,112</b>	<b>1,182,422</b>	<b>577,983</b>	<b>628,079</b>
Selling and distribution expenses		(323,776)	(285,764)	(168,857)	(152,546)
General and administrative expenses		(112,195)	(98,995)	(58,224)	(49,722)
Other operating income	26	33,010	48,921	14,374	37,987
Other operating expenses	27	(23,557)	(76,162)	(23,232)	(43,969)
		(426,518)	(412,000)	(235,939)	(208,250)
<b>Operating profit</b>		<b>402,594</b>	<b>770,422</b>	<b>342,044</b>	<b>419,829</b>
Financial charges		(135,914)	(116,645)	(75,015)	(47,146)
<b>Profit before taxation</b>		<b>266,680</b>	<b>653,777</b>	<b>267,029</b>	<b>372,683</b>
Taxation	28	(83,258)	(226,351)	(75,047)	(115,717)
<b>Profit after taxation</b>		<b>183,422</b>	<b>427,426</b>	<b>191,982</b>	<b>256,966</b>
<b>Earnings per share - basic and diluted (Rupees) - Restated</b>	29	<b>1.83</b>	<b>4.27</b>	<b>1.92</b>	<b>2.57</b>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

### Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year ended December 31, 2021

Note	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	—— (Rupees in thousand) ——			
Profit for the period	183,422	427,426	191,982	256,966
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>183,422</u>	<u>427,426</u>	<u>191,982</u>	<u>256,966</u>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2021

	Quarter ended December 31,	
	2021	2020
	— (Rupees in thousand) —	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	266,680	653,777
Adjustments for items not involving movement of funds:		
Depreciation	239,289	257,623
Provision for gratuity	9,114	14,934
Gain on sale of fixed assets	(609)	20,692
Gain on foreign exchange	(11,341)	4,375
Gain on disposal of right of use assets	-	(2,822)
Gain on extinguishment of original GIDC liability	-	(25,486)
Bad debts write off	-	1,021
Government grants	(5,902)	-
Provision for obsolete stores and spares	9,000	12,000
Financial charges	135,914	113,883
Net cash flow before working capital changes	642,145	1,049,997
<b>(Increase)/ decrease in current assets</b>		
Stores and spares	(355,358)	17,132
Stock in trade	(328,316)	83,788
Trade debts	(46,221)	(127,302)
Loans and advances	111,899	(29,485)
Trade deposits and short term prepayments	8,421	(1,873)
Tax refunds due from the Government	(5,308)	59,933
	(614,883)	2,193
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	45,829	498,974
Cash generated from operations	73,091	1,551,164
Income taxes paid	(102,182)	(32,980)
Gratuity paid	(1,056)	(4,213)
Financial charges paid	(129,920)	(158,303)
Net cash (used in) / generated from operating activities	(160,067)	1,355,668
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets - net	(32,302)	(9,108)
Additions to capital work in progress	(732,390)	(201,468)
Proceeds from sale of operating fixed assets	1,215	51,394
Long term investment	(2,400)	-
Long term deposits	(751)	(89)
Net cash used in investing activities	(766,628)	(159,271)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	665,858	98,475
Repayment of long term financing	(50,499)	-
Repayment of long term diminishing musharaka	(193,503)	(1,034)
Principal paid on lease liabilities	(3,500)	(4,601)
Dividend paid	(3,310)	(82,604)
Short term borrowings-net	431,316	(622,476)
Net cash generated / (used in) from financing activities	846,362	(612,240)
Net increase in cash and cash equivalents	(80,333)	584,157
Cash and cash equivalents at the beginning of the period	338,635	134,501
Cash and cash equivalents at the end of the period	258,302	718,658

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2021

	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves		Total
			Capital	Revenue	
			Share premium	Unappropriated profit	
----- (Rupees in thousand) -----					
<b>Balance as at July 01, 2020</b>	847,000	972,734	330,000	1,904,070	4,053,804
<b>Transaction with owners:</b>					
Final cash dividend 2020: Rs. 1 Per share	-	-	-	(84,700)	(84,700)
<b>Total comprehensive income for the period ended December 31, 2020</b>					
Profit for the period	-	-	-	427,426	427,426
<b>Balance as at December 31, 2020</b>	847,000	972,734	330,000	2,246,796	4,396,530
<b>Transaction with owners:</b>					
Interim Final cash dividend on ordinary shares: @ Rs. 2 Per share	-	-	-	(169,400)	(169,400)
<b>Total comprehensive income for the period ended June 30, 2021</b>					
Profit for the period	-	-	-	229,341	229,341
Remeasurement of defined benefits liability - net	-	-	-	(1,385)	(1,385)
Revaluation surplus during the period	-	419,308	-	-	419,308
	-	419,308	-	227,956	647,264
<b>Balance as at June 30, 2021</b>	847,000	1,392,042	330,000	2,305,352	4,874,394
<b>Transaction with owners:</b>					
Interim issuance of bonus shares @ 18.06 %	153,000	-	(153,000)	-	-
<b>Total comprehensive income for the period ended December 31, 2021</b>					
Profit for the period	-	-	-	183,422	183,422
<b>Balance as at December 31, 2021</b>	<u>1,000,000</u>	<u>1,392,042</u>	<u>177,000</u>	<u>2,488,774</u>	<u>5,057,816</u>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2021

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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 03, 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 Sheikhpura and regional offices are located as follows:

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

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

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

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

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

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

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

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 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 half year ended December 31, 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 AND CHANGES THERE IN**

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

### **4.2 Initial application of standards, amendments or an interpretation to existing standards.**

The following amendments to existing standards have been published that are applicable to the Company's financial statements.

#### **4.2.1 Standards, amendments and interpretations to accounting standards that are effective in the current period.**

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

#### **4.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

#### **4.3 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. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

### **5 TAXATION**

The provisions for taxation for the half year and quarter ended December 31, 2021, have been made using the estimated effective tax rate applicable to expected total annual earnings. The applicable income tax rate for the Tax Year 2022 is 29%. Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

### **6 ESTIMATES**

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

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>7 OPERATING FIXED ASSETS</b>			
Fixed assets	7.1	5,512,181	5,709,033
Right of use assets	7.2	11,298	13,649
		<u>5,523,479</u>	<u>5,722,682</u>

### 7.1 Fixed assets

Opening net book value (NBV)		5,709,033	5,842,860
Additions (at cost) during the period / year	7.1.1	40,692	647,290
		5,749,725	6,490,150
Disposals (at NBV) during the period / year	7.1.2	(606)	(274,996)
Depreciation charged during the period / year		(236,938)	(506,121)
		(237,544)	(781,117)
Closing net book value (NBV)		<u>5,512,181</u>	<u>5,709,033</u>

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

Free Hold Land	-	419,308
Building	-	20,796
Plant and machinery	8,900	186,049
Other equipment	3,295	1,169
Furniture and fixtures	858	240
Office and other equipment	1,970	5,262
Vehicles	25,669	14,466
	<u>40,692</u>	<u>647,290</u>

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

Building on freehold land	-	2,922
Plant and machinery (Electrolysers / DSA)	-	270,075
Furniture and fixture	-	14
Office and other equipment	-	80
Vehicles	606	1,905
	<u>606</u>	<u>274,996</u>

#### 7.1.3 Fair value measurement (revalued property, plant and equipment)

**7.1.4** Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value.

**7.1.5** Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

#### 7.1.6 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per Kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

**7.1.7** This includes transfers from capital work in progress amounting to Nil and Rs. 8.90 million (June 30, 2021: Rs. 20.797 million and Rs. 184.878 million) against building and plant and machinery, respectively.

**7.1.8** Free hold lands of the Company are located at Mudwala Khurd Sheikhpura with an area covering 74 kanals and 11 Marla, Kala Shah Kaku Sheikhpura with an area of 886 Kanal - 2 Marla, Upper Mall Scheme with an area of 2 Kanal -12 Marla and at Khanpur Canal Sheikhpura with an area of 135 Kanal - 6 Marla. These lands includes lands which have been held for establishment of head office and factory.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>7.2 Right of use assets</b>			
Opening net book value (NBV)		13,649	29,553
Disposals (at NBV) during the period / year	7.3	-	(9,192)
Depreciation charge for the period / year		(2,351)	(6,712)
		<u>11,298</u>	<u>13,649</u>

**7.3** The Company has vacated two premises during the prior period and accordingly disposal adjustment had been made in the prior year financial statements.

## 8 CAPITAL WORK IN PROGRESS

Building	8.1.1	35,771	12,247
Plant and machinery	8.1.2	949,653	243,548
Advances	8.1.3	169,414	161,372
		<u>1,154,838</u>	<u>417,167</u>

### 8.1 Movement of carrying amount is as follows:

#### 8.1.1 Building

Opening balance	12,247	8,315
Additions (at cost)	23,524	23,508
Transferred/ adjustment	-	(2,111)
Transferred/ adjustment	-	3,332
Transferred to operating fixed assets	-	(20,797)
Closing balance	<u>35,771</u>	<u>12,247</u>

#### 8.1.2 Plant and machinery

Opening balance	243,548	20,872
Additions (at cost)	714,495	393,124
Transferred/ adjustment	-	17,761
Transferred/ adjustment	-	(3,332)
Transferred to operating fixed assets	(8,390)	(184,877)
Closing balance	<u>949,653</u>	<u>243,548</u>

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>8.1.3 Advances</b>			
Opening balance	8.2	161,372	17,289
Additions (at cost)		162,419	159,733
Returned		(76,000)	-
Transferred to capital work in progress		(78,377)	(15,650)
Closing balance		<u>169,414</u>	<u>161,372</u>

**8.2** Advances includes balances amounting to Rs. 1.639 million (2021: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. The prior period balance includes an advances amounting to Nil (2021: Rs. 76.00 million ) against purchase of land at Faisalabad Industrial Estate Development and Management Company to establish a chemical plant at Allama Iqbal Industrial City. However, during the period the amount has been returned to the Company based on the management decision not to pursue the matter.

**8.3** Advances includes payment (31%) against land of 1.39 acres at Plot No. D-4 South Avenue S.I.T.E Karachi amounting to Rs. 155.00 million to Mehran Gums (Private) Limited and classified under the capital work in progress. The Company has intention to establish plant at stated land.

**8.4** Capital work in progress includes an amount of Rs. 13.670 million (June 30, 2021: Nil) against borrowing cost capitalised during the period.

## 9 LONG TERM INVESTMENTS

Investment in related parties - unquoted

Held at cost			
Chemi Visco Fiber Limited	9.1	-	-
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	9.2	2,500	100
		<u>2,500</u>	<u>100</u>

### 9.1 Chemi Visco Fiber Limited

5,625,000 (2021: 5,625,000) fully paid ordinary shares	56,250	56,250
Less: Provision for diminution in value of investment	(56,250)	(56,250)

Relevant information:

Percentage of investment in equity held 7.91% (2021: 7.91%) (Chief Executive : Mr. Usman Ghani)	-	-
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**9.1.1** 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.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>9.2</b> Ittehad Salt Processing (Private) Limited 250,000 (2021: 10,000) fully paid ordinary shares		2,500	100

## Relevant information:

Percentage of investment in equity held 100%  
(2021: 100%) (Chief Executive : Mr. Ahmed Mustafa)  
Location: Pakistan

**9.2.1** This represents investment made in subsidiary and it has been incorporated on December 03, 2019. The principal line of business of the subsidiary is to carry on business of exploring, operating and working on mines to extract minerals, salt, sand and stone etc. The Company has purchased/acquired remaining shares of related party during the prior year through special resolution of members dated May 26, 2021 and it has become wholly owned subsidiary of the Company. The Company has subscribed to right issues for further share capital of the subsidiary amounting to Rs. 2.400 million during the period as approved by Board on December 22, 2021 under approval of the members on May 26, 2021.

**9.2.2** Investment in Ittehad Salt Processing (Private) Limited represents 250,000 (2021: 10,000) fully paid ordinary shares of Rs. 10 each. The Company currently holds 100% shareholding interest in subsidiary, out of which 5 shares amounting to Rs. 50 are held in the name of 5 nominee directors of the Company.

**10 STORES, SPARES AND LOOSE TOOLS**

Stores			
in hand		90,152	61,140
in transit		2,870	-
		93,022	61,140
Spares:			
in hand		650,533	339,564
in transit		76,596	64,089
		727,129	403,653
		820,151	464,793
Less: Provision for obsolete stores and spares	10.2	30,838	21,838
		789,313	442,955

**10.1** Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

**10.2** Movement of provision for obsolete stores and spares

Opening balance	21,838	8,708
Provision during the year	9,000	18,000
Reversal during the year	-	-
Written off during the year against disposal/scrap sale	-	(4,870)
	30,838	21,838

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>11 STOCK IN TRADE</b>			
Raw materials:			
in hand	25	499,549	358,577
in transit	11.1	308,792	251,324
		808,341	609,901
Packing materials			
in hand		36,421	22,788
in transit		-	-
		36,421	22,788
Work in process	25	48,634	43,626
Finished goods	11.2	556,183	444,948
		1,449,579	1,121,263

**11.1** This represents stock in transit which was still on the way to port at the period end.

**11.2** The finished goods also includes stock in transit amounting to Nil (2021: Rs. 25.19 million) which was still on the way to port at the year end.

**11.3** Stock-in-trade up to a maximum amount of Rs. 1,121.263 million (2021: Rs. 1,121.263 million) are under hypothecation of commercial banks as security for short term borrowings.

## 12 TRADE DEBTS

Unsecured			
Considered good - foreign		129	90,342
Secured			
Considered doubtful	12.2	2,234	2,234
Less: Provision for doubtful debts		2,234	2,234
		-	-
Unsecured			
Considered good		1,225,309	1,077,534
Considered doubtful		55,242	55,242
		1,280,551	1,132,776
		1,280,680	1,223,118
Less: Provision for doubtful debts	12.1	55,242	55,242
		1,225,438	1,167,876

**12.1** Movement of provision for doubtful debts is as follows:

Opening balance		57,476	72,476
Adjustment on account of:			
Doubtful debts written off		-	-
Recovery of doubtful debts		-	(15,000)
Provision made for doubtful debts		-	-
Net adjustment		-	(15,000)
Closing balance		57,476	57,476

- 12.2** This represents receivable from Punjab Chemicals Stores and Honest Enterprises which is secured against mortgage of property and also a memorandum of understanding (MOU) signed between the parties. Upon recovery of Nil (2021: Rs. 15.00 million) during the prior period the Company has withdrawn the application filed under section 20 of the Arbitration Act, 1940. However, remaining amount has been kept fully impaired on prudence basis.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>13 LOANS AND ADVANCES</b>			
Advances - (Unsecured - considered good)			
To employees	13.1 & 2	29,370	19,575
Advance to supplies and services (Unsecured)			
Considered good	13.5	198,819	320,541
Considered doubtful		1,374	1,374
		200,193	321,915
Against import		1,370	1,342
		230,933	342,832
Less: Provision for doubtful advances	13.6	1,374	1,374
		229,559	341,458

- 13.1** This includes advance to Mr. Abdul Hai Khatri amounting to Rs. 10.01 million (2021: Nil) being a related party of the Company. This also includes advance to employees against salaries in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.
- 13.2** This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.
- 13.3** This includes advances amounting to Rs. 15.192 million (2021: Rs. 15.394 million) deposited to the Court against various cases for gratuity of employees and the Company is expecting favourable outcome and therefore, considered good.
- 13.4** Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.
- 13.5** This includes advances amounting to Rs. 107.273 million (2021: Rs. 236.842 million) provided to Sui Northern Gas Pipeline Limited and are settled as and when the gas billed to the Company. These advances do not carry any interest or mark-up.
- 13.6** Movement of provision for doubtful debts is as follows:

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

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		1,019	977
Cheques in hand		-	213,462
Cash at banks			
Current accounts		226,383	63,817
Saving accounts	14.1	30,900	60,379
		<u>258,302</u>	<u>338,635</u>

**14.1** The saving accounts carry mark-up at the rates ranging from 4% to 6% (June 30, 2021: 3% to 5.5%) per annum.

## 15 SHARE CAPITAL

### 15.1 Authorized share capital

175,000,000 (June 30, 2021: 100,000,000) ordinary shares of Rs. 10/- each		1,750,000	1,000,000
25,000,000 (June 30, 2021: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		<u>2,000,000</u>	<u>1,250,000</u>

**15.1.1** The Company has increased its authorized share capital from Rs. 1,250.000 million to Rs. 2,000.00 million as approved by the Board on October 27, 2021.

### 15.2 Issued, subscribed and paid up share capital

27,100,000 (June 30, 2021: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2021: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
48,000,000 (June 30, 2021: 32,700,000) fully paid bonus shares of Rs. 10/- each		480,000	327,000
		<u>1,000,000</u>	<u>847,000</u>

#### 15.2.1 Movement of share capital is as follows:

Opening balance		84,700	847,000
Bonus shares issued during the period	15.2.2	15,300	153,000
Closing balance		<u>100,000</u>	<u>1,000,000</u>

**15.2.2** The Board of Directors of the Company in its meeting held on October 27, 2021 accord approval to issued bonus shares in the proportion 18.063754 shares for every 100 shares held i.e 18.063754%.

**15.2.3** These bonus shares have been issued from the share premium account.

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>16 LONG TERM FINANCING</b>			
Secured:			
Banking Companies			
MCB Bank Limited- SBP Refinance	16.1	95,409	142,613
Samba Bank Limited-TERF	16.2	69,545	-
Bank of Punjab (Labsa II)	16.3	263,096	-
		<u>428,050</u>	142,613
Other Financial Institutions			
Pak Libya Holding Company (Pvt) Limited	16.4	217,000	43,841
Pak Brunei Investment Company Limited	16.5	233,333	233,333
Pak Brunei Investment Co. Ltd (WWTP)	16.6	110,000	-
		<u>560,333</u>	277,174
		<u>988,383</u>	419,787
Less: Current portion shown under current liabilities		<u>227,358</u>	131,818
		<u>761,025</u>	<u>287,969</u>

- 16.1** The Company has obtained term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 196.970 million specifically for paying salaries and wages to Company's employees. The Company has made drawdown from May 2020 to September 2021. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal monthly installments commencing from January 31, 2021.

This term loan is secured by way of mortgage of all present and future plant and machinery hypothecation charge over all assets belonging to the Company with 27% margin. The rate of mark-up is fixed at 3%.

- 16.2** The Company has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 500 million. This finance is secured against 667 million ranking charge over fixed assets of the Company inclusive of 25% margin. This carries mark up at SBP TERF rate plus 3% per annum. The loan has not fully disbursed yet. The loan is repayable in sixteen (16) equal quarterly installments starting from 1 year (grace period) after initial draw down.
- 16.3** The Company has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 440 million. The SBP has approved Rs. 200 million under TERF during the period. However, Rs. 46.144 million has been approved under TERF subsequent to the reporting period. This finance is secured against ranking charge of Rs. 440 million over plant and machinery being imported through BOP and Rs. 400 million of fixed assets of the Company under 1st pari passu charge. These carry mark up at SBP rate plus 4% per annum. These loans are not fully disbursed yet. The loan is repayable in sixteen (16) equal semi-annual installments starting from 1 year after initial draw down.
- 16.4** The Company has obtained this loan under long term finance facility to the extent of Rs. 217 million. This finance is secured against ranking charge convertible / upgraded to first pari passu charge inclusive of 25% margin on all present and future fixed assets of the Company and carries mark up at 3 months KIBOR plus 1.5% per annum. The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.

- 16.5** The Company has obtained this loan under long term finance facility to the extent of Rs. 300 million. 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 three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020.
- 16.6** The Company has obtained this loan under long term finance facility to the extent of Rs. 110 million. This finance is secured against first pari passu hypothecation and mortgage charge on all moveable and immovable fixed assets of the Company. This carries mark up at 3 months KIBOR plus 1.40% per annum. The loan is repayable in sixteen (16) equal quarterly installments with 1st installment falling due at the end of 15th month.

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
Note	—— (Rupees in thousand) ——	

## 17 LONG TERM DIMINISHING MUSHARAKA

Secured:

Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	17.2	525,000	612,500
The Bank of Punjab - TAQWA (LABSA)	17.3	365,886	418,450
Al Baraka Bank (Pakistan) Limited	17.4	267,187	320,625
		<u>1,158,073</u>	<u>1,351,575</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,005)</u>
		<u>771,068</u>	<u>964,570</u>

### 17.1 Movement of long term Diminishing Musharaka is as follows:

Banking Companies			
Balance as at July 01		1,351,576	1,460,519
Obtained during the period / year		-	-
Repayments made during the period / year		(193,503)	(108,943)
		<u>1,158,073</u>	<u>1,351,576</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,006)</u>
		<u>771,068</u>	<u>964,570</u>

- 17.2** This finance has been obtained from an Islamic Financial Institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal installments with the one year grace period commencing from February 2020.
- 17.3** This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020.

- 17.4** This finance has been obtained under the Islamic mode of financing and secured against specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.40%. This finance is disbursed during the year in various tranches with a grace period of six months. During the period, Rs. 53.437 million was repaid.

(Un-audited)                      (Audited)  
December 31,                      June 30,  
2021                                      2021  
— (Rupees in thousand) —

## 18 LEASE LIABILITIES

Against right of use assets		
Lease liabilities	25,419	50,562
Payments / adjustments during the year	(3,500)	(25,143)
Less: Current portion	(7,520)	(7,520)
	<u>14,399</u>	<u>17,899</u>
<b>18.1</b> Maturity analysis-contractual undiscounted cash flow		
Less than one year	(9,660)	(9,343)
One to five year	(14,344)	(19,443)
More than five year	-	-
Total undiscounted lease liability	<u>(24,004)</u>	<u>(28,786)</u>

- 18.2** When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.

- 18.3** The above liabilities were obligations under leases with various lessors for lease of buildings.

- 18.4** The lease agreement less than one year are not classified under IFRS-16 leases.

## 19 DEFERRED GRANT

Deferred grant	51,877	5,115
Current portion shown under current liability	(18,002)	(4,077)
	<u>33,875</u>	<u>1,038</u>

- 19.1** This represents deferred grant recognised in respect of the benefit of below-market interest rate on long term finance facility as 'referred to in note 16.1, 16.2 and 16.3. The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The reconciliation of the carrying amount is as follows:

- 19.2** Following is the movement in government grant during the period / year:

Opening balance	5,115	5,935
Addition during the period	52,664	4,415
Amortized during the period	(5,902)	(5,235)
Closing balance	<u>51,877</u>	<u>5,115</u>

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>20 GIDC PAYABLE</b>			
GIDC payable		260,378	251,097
Current portion shown under current liability	20.1	(260,378)	174,085
		<u>-</u>	<u>77,012</u>

**20.1** Pursuant to Supreme Court order in August, 2020 and its subsequent dismissal of review petition in November 2020, the Company is paying levy as per GIDC monthly billing by Sui Northern Gas Pipeline Limited (SNGPL).

Institute of Chartered Accountants of Pakistan issued guidelines dated January 21, 2021 for measurement of GIDC as Financial Liability for treatment under accounting principles of IFRS- 9- "Financial Instruments" that require all the future outflows need to be recognized at Present Value as Financial Liability at amortized cost. Difference between present value of financial liability and face value is recognized as income in the statement of profit or loss. The liability recognized under aforesaid guideline, based on SNGPL monthly billing of GIDC i.e Rs. 15.737 million, is Rs. 260.378 million.

The Company has paid seven (7) instalments during the prior period and balance provision of GIDC as at the reporting date is Rs. 613.297 million (June 30, 2021: 604.017 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Company has filed a writ petition in the Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Sindh High Court has granted a stay for recovery of arrears and matter is pending for adjudication. There is an aggregate differential of Rs. 352.920 million which is subjudice and that will be remain as provision until the matter is settled. Further, there is an aggregate differential of Rs. 170.291 million between provision as per books of account and liability based on monthly instalment billed by SNGPL for unpaid portion of Cess levied through GIDC Act, 2011 and GIDC Ordinance, 2014, which is not recognized by the Company based on the advice of its legal expert as per their view it will not be collected as per GIDC Act, 2015.

## 21 TRADE AND OTHER PAYABLES

Trade creditors		273,051	407,719
Accrued liabilities	21.1 & 3	1,673,501	1,457,380
Advances from customers (unsecured)		179,521	74,108
Security deposits	21.2	66,625	62,824
Retention money		5,282	6,902
Income tax deducted at source		421	-
Workers' Profit Participation Fund		18,096	47,035
Workers Welfare Fund		33,752	28,018
Other liabilities		12,256	55,675
		<u>2,262,505</u>	<u>2,139,661</u>

**21.1** These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 3.270 million (June 30, 2021: Rs. 8.139 million).

**21.2** This amount represents security deposits received from vendors and dealers for goods/ services. Whole amount is utilizable for the Company's business and has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017. The amount have been kept in a separate bank account maintained for this purpose, however, the amount is being used for the purpose of business.

**21.3** Sui Northern Gas Pipelines Limited has charged cost of supply relating to the RLNG supplies in the billing month of February 2018 based on interim order passed by Oil and Gas Regulatory Authority. The Company along with other industrial units in Punjab decided to file writ petition for deferment of said order. The Honorable Lahore High Court issued stay order with reference to the petition filed. The matter is pending adjudication, however, the Company has made a provision amounting Rs. 356.88 million on prudence basis since February 2018.

No payment has so far been made against the provision made regarding the cost of supply amounting to Rs. 356.88 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
Note	—	—

## 22 SHORT TERM BORROWINGS

Secured

From banking companies and financial institutions

Running finances	22.1	492,756	786,440
Term finance	22.2	1,100,000	375,000
		<u>1,592,756</u>	<u>1,161,440</u>

**22.1** Short term running finance facilities from various banks aggregated to Rs. 1,520 million (2021: Rs. 1,420 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2021: one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company and hypothecation charge over stores, spares and stocks of chemicals.

**22.2** Term finance facilities from various banks aggregated to Rs. 1125 million (2021: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.25% per annum (2021: matching KIBOR plus 0.70% to 1.50% per annum) on utilized limits. These facilities are secured against ranking and first pari passu charge over present and future current assets of the Company.

## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingent liabilities

- a) Letters of guarantee outstanding as at December 31, 2021 were Rs. 434.376 million (June 2021: Rs. 347.693 million).
- b) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income

tax demand of Rs. 54.510 million. The Company 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).

- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The 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).
- 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. 12.077 million (June 30, 2021: Rs. 12.077 million) against these claims.
- e) 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).
- f) 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).
- g) 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).

## 23.2 Commitments

Commitments as on December 31, 2021 were as follows:

- Against letters of credit amounting to Rs. 926.366 million (June 30, 2021: Rs. 1,711.130 million).
- Against purchase of land amounting to Rs. 346.639 million (June 30, 2021: Rs. 1.639 million).
- Commitments for lease payments has been made under the relevant note.

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2021	2020	2021	2020
(Rupees in thousand)			

## 24 SALES

Sales				
Manufacturing (Note: 24.1)	8,015,146	6,246,647	4,192,226	3,416,882
Trading	14,298	-	-	-
	8,029,444	6,246,647	4,192,226	3,416,882
Less: Sales tax	1,146,089	876,579	598,788	477,384
Less: Commission	85,573	76,169	44,991	40,612
	1,231,662	952,748	643,779	517,996
	6,797,782	5,293,899	3,548,447	2,898,886

**24.1** This amount includes export sales amounting to Rs. 194.897 million (2020: Rs. 268.907 million).

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	(Rupees in thousand)			
<b>25 COST OF SALES</b>				
Raw materials consumed	2,439,536	1,530,268	1,229,140	830,505
Other overheads:				
Stores, spares and consumables	158,046	97,359	82,347	52,158
Packing materials consumed	79,957	89,523	37,993	47,136
Salaries, wages and other benefits	293,362	268,929	146,543	137,033
Fuel and power	2,819,287	1,828,731	1,463,555	999,998
Repair and maintenance	20,911	17,718	11,683	9,722
Rent, rates and taxes	4,634	93	2,301	47
Insurance	6,700	7,347	3,338	3,699
Depreciation	231,217	249,344	115,755	125,420
Vehicle running expenses	8,199	6,530	4,297	3,276
Telephone, telex and postage	486	480	264	246
Printing and stationery	127	142	54	114
Provision for slow moving stores and spares	9,000	12,000	4,500	6,000
Other expenses	1,101	736	595	429
	<u>3,633,027</u>	<u>2,578,932</u>	<u>1,873,225</u>	<u>1,385,278</u>
Opening work in process	43,626	38,912	46,469	40,502
Closing work in process	(48,634)	(43,366)	(48,634)	(43,366)
	<u>(5,008)</u>	<u>(4,454)</u>	<u>(2,165)</u>	<u>(2,864)</u>
Cost of goods manufactured	6,067,555	4,104,746	3,100,200	2,212,919
Cost of stores traded	12,350	-	-	-
Opening stock of finished goods	444,948	392,491	426,447	443,648
Closing stock of finished goods	(556,183)	(385,760)	(556,183)	(385,760)
	<u>(111,235)</u>	<u>6,731</u>	<u>(129,736)</u>	<u>57,888</u>
	<u>5,968,670</u>	<u>4,111,477</u>	<u>2,970,464</u>	<u>2,270,807</u>
<b>26 OTHER INCOME</b>				
Gain on sale of fixed assets	609	815	609	491
Gain on disposal of right to use assets	-	2,822	-	2,822
Sale of scrap	12,347	15,660	2,421	5,060
Gain on extinguishment of original GIDC liability	-	25,486	-	25,486
Government grants	5,902	2,762	5,902	2,762
Gain on foreign exchange	13,912	-	5,385	-
Return on bank and investment	240	1,376	57	1,366
	<u>33,010</u>	<u>48,921</u>	<u>14,374</u>	<u>37,987</u>

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2021	2020	2021	2020
(Rupees in thousand)			

**27 OTHER OPERATING EXPENSES**

Auditors' remuneration				
Audit fee	400	400	200	200
Half yearly review fee	250	250	125	156
Tax and certification charges	76	50	76	50
Out of pocket expenses	187	95	187	95
	913	795	588	501
Loss on sale of fixed assets (27.1)	-	21,507	-	12,584
Workers' profit participation fund	14,338	33,748	14,338	18,564
Loss on foreign exchange	2,571	4,375	2,571	3,308
Workers welfare fund	5,735	15,737	5,735	9,012
	<u>23,557</u>	<u>76,162</u>	<u>23,232</u>	<u>43,969</u>

**27.1** This figures includes loss on account of scrapping of Electrolizer and storage tank as no future economic benefits are expected from its use.

**28 TAXATION**

Current	83,760	76,764	43,678	41,742
Current - FTR	3,029	2,100	1,688	856
Prior year	(68,417)	(625)	(68,417)	(625)
Deferred	64,886	148,112	98,098	73,744
	<u>83,258</u>	<u>226,351</u>	<u>75,047</u>	<u>115,717</u>

**29 EARNINGS PER SHARE - BASIC AND DILUTED - RESTATED**

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

Profit after taxation - (Rs. in thousand)	183,422	427,426	191,982	256,966
Weighted average number of ordinary shares - (in thousand)	100,000	100,000	100,000	100,000
Earnings per share - basic and diluted - (Rs.)	1.83	4.27	1.92	2.57

**29.1** The earning per share of prior periods has restated due to issue of bonus shares during the period.

### 30 TRANSACTIONS WITH RELATED PARTIES

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

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	(Rupees in thousand)			
<b>Transaction with:</b>				
<b>Relationship with the Company</b>				
<b>Basis of relation</b>				
<b>Nature of transaction</b>				
<b>Subsidiary company</b>				
Ittehad Salt Processing (Pvt.) Limited				
Investment made	2,400	-	2,400	-
<b>Related party</b>				
Chemi Multifabrics Limited				
<b>Family relation</b>				
Marketing service charges	33,443	25,534	17,511	13,904
<b>Retirement benefit plans</b>				
Contribution to staff retirement benefit plans	293	266	142	146
<b>Key management personnel</b>				
Remuneration and other benefits	49,539	39,028	24,769	19,514
Loan and advance	10,010	-	10,010	-

**30.1** The Company has made investment in shares/equity of Ittehad Salt Processing (Private) Limited a related party during the period ended December 31, 2021 an amount of Rs. 2.400 million.

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

### 31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of December 30, 2021 and June 30, 2021.

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

### **32 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no significant changes in the risk management policies since the year end.

The condensed interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2021.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2021.

### **33 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All other significant transactions and events that have affected the Company's financial position and performance during the period have been adequately disclosed in the notes to these financial statements.

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in thousand) -----							
<b>On-Balance sheet financial instruments</b>							
<b>As at December 31, 2021</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	2,500	-	2,500	-	-	-	-
Long-term deposits	53,383	-	53,383	-	-	-	-
Trade debts - net of provisions	1,225,438	-	1,225,438	-	-	-	-
Loans and advances	29,370	-	29,370	-	-	-	-
Trade deposits	16,716	-	16,716	-	-	-	-
Cash and bank balances	258,302	-	258,302	-	-	-	-
	<u>1,585,709</u>	<u>-</u>	<u>1,585,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	988,383	988,383	-	-	-	-
Long term diminishing musharaka	-	1,158,073	1,158,073	-	-	-	-
Lease liabilities	-	21,919	21,919	-	-	-	-
GIDC payable	-	260,378	260,378	-	-	-	-
Trade and other payables	-	1,964,090	1,964,090	-	-	-	-
Mark-up accrued	-	52,379	52,379	-	-	-	-
Short-term borrowings	-	1,592,756	1,592,756	-	-	-	-
	<u>-</u>	<u>6,037,978</u>	<u>6,037,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at June 30, 2021</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	100	-	100	-	-	-	-
Long-term deposits	51,007	-	51,007	-	-	-	-
Trade debts - net of provisions	1,167,876	-	1,167,876	-	-	-	-
Loans and advances	19,575	-	19,575	-	-	-	-
Trade deposits	25,108	-	25,108	-	-	-	-
Cash and bank balances	338,635	-	338,635	-	-	-	-
	<u>1,602,301</u>	<u>-</u>	<u>1,602,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	419,787	419,787	-	-	-	-
Long term diminishing musharaka	-	1,351,575	1,351,575	-	-	-	-
Lease liabilities	-	25,419	25,419	-	-	-	-
Trade and other payables	-	1,927,676	1,927,676	-	-	-	-
Gratuity	-	87,515	87,515	-	-	-	-
GIDC payable	-	77,012	77,012	-	-	-	-
Mark-up accrued	-	38,618	38,618	-	-	-	-
Short-term borrowings	-	1,161,440	1,161,440	-	-	-	-
	<u>-</u>	<u>5,089,042</u>	<u>5,089,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**34.1** The Company has valued free hold land at fair value and classified under property, plant and equipment and investment property. The carrying value and level of fair value of these non-financial assets have been disclosed in the relevant note to the condensed interim financial statements.

**34.2** Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

### 35 CORRESPONDING FIGURES

**35.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.

**35.2** In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2021 and the corresponding figures in the condensed interim statement of profit or loss and the condensed interim comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Company for the half year ended December 31, 2020.

### 36 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENT

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum.

The management considers presently this outbreak does not have any impact on the amounts being reported in the Company's statement of financial position as at December 31, 2021. While this is still an evolving situation as at the time of issuing these financial statements yet, to date the operations of the Company have continued uninterrupted during this pandemic, future effects cannot be predicted. However, we have been informed by the management that it will continue to monitor the potential impact and will take all steps possible to mitigate any effects. In light of ongoing COVID-19 pandemic, the Company has reviewed its exposure to business risks and has not identified any significant impact on the Company's operations or decline in revenue during the period ended December 31, 2021.

### 37 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on 11 February 2022 by the Board of Directors of the Company.

### 38 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on February 11, 2022 has not recommended any interim cash dividend.

### 39 GENERAL

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

**39.2** 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%.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# **ITTEHAD CHEMICALS LIMITED**

## **CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS HALF YEARLY REPORT DECEMBER 31, 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 half year ended December 31, 2021.

Ittehad Salt Processing (Private) Limited (“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.

During the 2<sup>nd</sup> Quarter of current Financial Year, the paid up capital of Ittehad Salt Processing (Private) Limited (“ISPPL”) has been increased from Rupees 100,000/- to Rupees 2,500,000 by issuing of 240,000 Right Shares at Rupees 10/- per share in the proportion of 24 Right Shares for every one (01) ordinary share held. Ittehad Chemicals Limited (“Holding Company”) has fully subscribed 240,000 ordinary right shares of its wholly owned subsidiary company “Ittehad Salt Processing (Pvt.) Limited (the “ISPPL”).

The Consolidated Financial Statements showed Earning per share Rs. 1.83 for the Half Year ended December 31, 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



Abdul Sattar Khatri  
Chief Executive Officer



Muhammad Siddique Khatri  
Chairman

Lahore  
February 11, 2022

## Consolidated Condensed Interim Statement of Financial Position as at December 31, 2021

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	7	5,523,479	5,722,682
Capital work in progress	8	1,154,838	417,167
		6,678,317	6,139,849
Intangible assets		6,697	6,697
Investment property		307,500	307,500
Long term investments	9	-	-
Long term deposits		53,383	51,007
		7,045,897	6,505,053
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	10	789,313	442,955
Stock in trade	11	1,449,579	1,121,263
Trade debts	12	1,225,438	1,167,876
Loans and advances	13	229,559	341,458
Trade deposits and short term prepayments		25,332	33,878
Tax refunds due from Government		557,944	529,200
Taxation - net		126,834	66,459
Cash and bank balances	14	259,954	338,731
		4,663,953	4,041,820
<b>TOTAL ASSETS</b>		<b>11,709,850</b>	<b>10,546,873</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	15.1	2,000,000	1,250,000
Issued, subscribed and paid up capital	15.2	1,000,000	847,000
Reserves			
Capital reserves - Share premium	15.2.3	177,000	330,000
Revenue reserves - Unappropriated profit		2,488,748	2,305,352
Surplus on revaluation of Freehold land		1,392,042	1,392,042
Loan From directors		-	-
		5,057,790	4,874,394
<b>NON CURRENT LIABILITIES</b>			
Long term financing	16	761,025	287,969
Long term diminishing musharaka	17	771,068	964,570
Lease liabilities	18	14,399	17,899
Deferred liabilities		521,246	448,301
Deferred grant	19	33,875	1,038
GIDC payable	20	-	77,012
		2,101,613	1,796,789
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	2,263,435	2,139,909
Unclaimed dividend		1,992	5,303
Mark-up accrued		52,379	38,618
Short term borrowings	22	1,592,756	1,161,440
Current portion of lease liabilities	18	7,520	7,520
Current portion of deferred grant	19	18,002	4,077
Current portion of long term liabilities		614,363	518,823
		4,550,447	3,875,690
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	23	<b>11,709,850</b>	<b>10,546,873</b>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Statement of Profit or Loss Account (Un-audited) for the half year ended December 31, 2021

	Note	Half year ended December 31,		Quarter ended December 31,	
		2021	2020	2021	2020
—— (Rupees in thousand) ——					
Sales - net	24	6,797,782	5,293,899	3,548,447	2,898,886
Cost of sales	25	(5,968,670)	(4,111,477)	(2,970,464)	(2,270,807)
<b>Gross profit</b>		<b>829,112</b>	<b>1,182,422</b>	<b>577,983</b>	<b>628,079</b>
Selling and distribution expenses		(323,776)	(285,764)	(168,857)	(152,546)
General and administrative expenses		(112,200)	(98,995)	(58,224)	(49,722)
Other operating income	26	33,010	48,921	14,374	37,987
Other operating expenses	27	(23,557)	(76,162)	(23,232)	(43,969)
		(426,523)	(412,000)	(235,939)	(208,250)
<b>Operating profit</b>		<b>402,589</b>	<b>770,422</b>	<b>342,044</b>	<b>419,829</b>
Financial charges		(135,914)	(116,645)	(75,015)	(47,146)
<b>Profit before taxation</b>		<b>266,675</b>	<b>653,777</b>	<b>267,029</b>	<b>372,683</b>
Taxation	28	(83,279)	(226,351)	(75,047)	(115,717)
<b>Profit after taxation</b>		<b>183,396</b>	<b>427,426</b>	<b>191,982</b>	<b>256,966</b>
<b>Earnings per share - basic and diluted (Rupees) - Restated</b>	29	<b>1.83</b>	<b>4.27</b>	<b>1.92</b>	<b>2.57</b>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

### Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year ended December 31, 2021

Note	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	—— (Rupees in thousand) ——			
Profit for the period	183,396	427,426	191,982	256,966
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>183,396</u>	<u>427,426</u>	<u>191,982</u>	<u>256,966</u>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2021

	Quarter ended December 31,	
	2021	2020
	— (Rupees in thousand) —	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	266,675	653,777
Adjustments for items not involving movement of funds:		
Depreciation	239,289	257,623
Provision for gratuity	9,114	14,934
Gain on sale of fixed assets	(609)	20,692
Gain on foreign exchange	(11,341)	4,375
Gain on disposal of right of use assets	-	(2,822)
Gain on extinguishment of original GIDC liability	-	(25,486)
Bad debts write off	-	1,021
Amortisation of GIDC payable	-	-
Government grants	(5,902)	-
Provision for obsolete stores and spares	9,000	12,000
Financial charges	135,914	113,883
Net cash flow before working capital changes	642,140	1,049,997
<b>(Increase)/ decrease in current assets</b>		
Stores and spares	(355,358)	17,132
Stock in trade	(328,316)	83,788
Trade debts	(46,221)	(127,302)
Loans and advances	111,899	(29,485)
Trade deposits and short term prepayments	6,921	(1,873)
Tax refunds due from the Government	(5,308)	59,933
	(616,383)	2,193
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	46,511	498,974
Cash generated from operations	72,268	1,551,164
Income taxes paid	(102,203)	(32,980)
Gratuity paid	(1,056)	(4,213)
Financial charges paid	(129,920)	(158,303)
Net cash (used in) / generated from operating activities	(160,911)	1,355,668
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets - net	(32,302)	(9,108)
Additions to capital work in progress	(732,390)	(201,468)
Proceeds from sale of operating fixed assets	1,215	51,394
Long term investment	-	-
Long term deposits	(751)	(89)
Net cash used in investing activities	(764,228)	(159,271)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	665,858	98,475
Repayment of long term financing	(50,499)	-
Repayment of long term diminishing musharaka	(193,503)	(1,034)
Principal paid on lease liabilities	(3,500)	(4,601)
Dividend paid	(3,310)	(82,604)
Short term borrowings-net	431,316	(622,476)
Net cash generated / (used in) from financing activities	846,362	(612,240)
Net increase in cash and cash equivalents	(78,777)	584,157
Cash and cash equivalents at the beginning of the period	338,731	134,501
Cash and cash equivalents at the end of the period	259,954	718,658

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2021

	Issued, subscribed and paid-up capital	Directors' loan	Surplus on revaluation of fixed assets	Reserves		Total
				Capital	Revenue	
				Share premium	Unappropriated profit	
----- (Rupees in thousand) -----						
<b>Balance as at July 01, 2020</b>	847,000	-	972,734	330,000	1,904,070	4,053,804
<b>Transaction with owners:</b>						
Final cash dividend 2020: Rs. 1 Per share	-	-	-	-	(84,700)	(84,700)
<b>Total comprehensive income for the period ended December 31, 2020</b>						
Profit for the period	-	-	-	-	427,426	427,426
<b>Balance as at December 31, 2020</b>	<u>847,000</u>	<u>-</u>	<u>972,734</u>	<u>330,000</u>	<u>2,246,796</u>	<u>4,396,530</u>
<b>Transaction with owners:</b>						
Interim Final cash dividend on ordinary shares: @ Rs. 2 Per share	-	-	-	-	(169,400)	(169,400)
<b>Total comprehensive income for the period ended June 30, 2021</b>						
Profit for the period	-	-	-	-	229,341	229,341
Remeasurement of defined benefits liability - net	-	-	-	-	(1,385)	(1,385)
Revaluation surplus during the period	-	-	419,308	-	-	419,308
Directors' Loan	-	219	419,308	-	227,956	647,264
<b>Balance as at June 30, 2021</b>	<u>847,000</u>	<u>219</u>	<u>1,392,042</u>	<u>330,000</u>	<u>2,305,352</u>	<u>4,874,613</u>
<b>Transaction with owners:</b>						
Interim issuance of bonus shares @ 18.06 %	153,000	-	-	(153,000)	-	-
Reclassification / repayment of Directors's Loan	-	(219)	-	-	-	(219)
<b>Total comprehensive income for the period ended December 31, 2021</b>						
Profit for the period	-	-	-	-	183,396	183,396
<b>Balance as at December 31, 2021</b>	<u>1,000,000</u>	<u>-</u>	<u>1,392,042</u>	<u>177,000</u>	<u>2,488,748</u>	<u>5,057,790</u>

The annexed notes from 1 to 39 form an integral part of these consolidated condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2021

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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 the Parent Company

ICL 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 ICL became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. ICL was privatised on July 03, 1995. ICL is engaged in the business of manufacturing and selling caustic soda and other allied chemicals.

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

#### 1.2 Status of the 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

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

Regional office	Office address
Karachi	Town House No. 44-N/1-A, Razi Road, Block-6, P.E.C.H.S. Karachi.
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 Subsidiary Company Ittehad Salt Processing (Private) Limited 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 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 Group 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 condensed interim financial statements have been extracted from the annual audited financial statements of the Group 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 half year ended December 31, 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 Group.

## 4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THERE IN

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

### **4.2 Initial application of standards, amendments or an interpretation to existing standards**

The following amendments to existing standards have been published that are applicable to the Group's financial statements.

#### **4.2.1 Standards, amendments and interpretations to accounting standards that are effective in the current period**

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

#### **4.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

## 5 TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2021, have been made using the estimated effective tax rate applicable to expected total annual earnings. The applicable income tax rate for the Tax Year 2022 is 29%. Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

## 6 ESTIMATES

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

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>7 OPERATING FIXED ASSETS</b>			
Fixed assets	7.1	5,512,181	5,709,033
Right of use assets	7.2	11,298	13,649
		<u>5,523,479</u>	<u>5,722,682</u>

### 7.1 Fixed assets

Opening net book value (NBV)		5,709,033	5,842,860
Additions (at cost) during the period / year	7.1.1	40,692	647,290
		<u>5,749,725</u>	<u>6,490,150</u>
Disposals (at NBV) during the period / year	7.1.2	(606)	(274,996)
Depreciation charged during the period / year		<u>(236,938)</u>	<u>(506,121)</u>
		<u>(237,544)</u>	<u>(781,117)</u>
Closing net book value (NBV)		<u>5,512,181</u>	<u>5,709,033</u>

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

Free Hold Land	-	419,308
Building	-	20,796
Plant and machinery	8,900	186,049
Other equipment	3,295	1,169
Furniture and fixtures	858	240
Office and other equipment	1,970	5,262
Vehicles	25,669	14,466
	<u>40,692</u>	<u>647,290</u>

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

Building on freehold land	-	2,922
Plant and machinery (Electrolysers / DSA)	-	270,075
Furniture and fixture	-	14
Office and other equipment	-	80
Vehicles	606	1,905
	<u>606</u>	<u>274,996</u>

#### 7.1.3 Fair value measurement (revalued property, plant and equipment)

**7.1.4** Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value.

**7.1.5** Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

#### 7.1.6 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per Kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

**7.1.7** This includes transfers from capital work in progress amounting to Nil and Rs. 8.90 million (June 30, 2021: Rs. 20.797 million and Rs. 184.878 million) against building and plant and machinery, respectively.

**7.1.8** Free hold lands of the Group are located at Mudwala Khurd Sheikhpura with an area covering 74 kanals and 11 Marla, Kala Shah Kaku Sheikhpura with an area of 886 Kanal - 2 Marla, Upper Mall Scheme with an area of 2 Kanal -12 Marla and at Khanpur Canal Sheikhpura with an area of 135 Kanal - 6 Marla. These lands includes lands which have been held for establishment of head office and factory.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>7.2 Right of use assets</b>			
Opening net book value (NBV)		13,649	29,553
Disposals (at NBV) during the period / year	7.3	-	(9,192)
Depreciation charge for the period / year		(2,351)	(6,712)
		<u>11,298</u>	<u>13,649</u>

**7.3** The Group has vacated two premises during the prior period and accordingly disposal adjustment had been made in the prior year financial statements.

## 8 CAPITAL WORK IN PROGRESS

Building	8.1.1	35,771	12,247
Plant and machinery	8.1.2	949,653	243,548
Advances	8.1.3	169,414	161,372
		<u>1,154,838</u>	<u>417,167</u>

### 8.1 Movement of carrying amount is as follows:

#### 8.1.1 Building

Opening balance	12,247	8,315
Additions (at cost)	23,524	23,508
Transferred/ adjustment	-	(2,111)
Transferred/ adjustment	-	3,332
Transferred to operating fixed assets	-	(20,797)
Closing balance	<u>35,771</u>	<u>12,247</u>

#### 8.1.2 Plant and machinery

Opening balance	243,548	20,872
Additions (at cost)	714,495	393,124
Transferred/ adjustment	-	17,761
Transferred/ adjustment	-	(3,332)
Transferred to operating fixed assets	(8,390)	(184,877)
Closing balance	<u>949,653</u>	<u>243,548</u>

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>8.1.3 Advances</b>			
Opening balance	8.2	161,372	17,289
Additions (at cost)		162,419	159,733
Returned		(76,000)	-
Transferred to capital work in progress		(78,377)	(15,650)
Closing balance		<u>169,414</u>	<u>161,372</u>

**8.2** Advances includes balances amounting to Rs. 1.639 million (2021: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. The prior period balance includes an advances amounting to Nil (2021: Rs. 76.00 million ) against purchase of land at Faisalabad Industrial Estate Development and Management Company to establish a chemical plant at Allama Iqbal Industrial City. However, during the period the amount has been returned to the Group based on the management decision not to pursue the matter.

**8.3** Advances includes payment (31%) against land of 1.39 acres at Plot No. D-4 South Avenue S.I.T.E Karachi amounting to Rs. 155.00 million to Mehran Gums (Private) Limited and classified under the capital work in progress. The Group has intentions to establish plant at stated land.

**8.4** Capital work in progress includes an amount of Rs. 13.670 million (June 30, 2021: Nil) against borrowing cost capitalised during the period.

## 9 LONG TERM INVESTMENTS

Investment in related parties - unquoted

Held at cost			
Chemi Visco Fiber Limited	9.1	-	-
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	9.2	-	-
		<u>-</u>	<u>-</u>

### 9.1 Chemi Visco Fiber Limited

5,625,000 (2021: 5,625,000) fully paid ordinary shares	56,250	56,250
Less: Provision for diminution in value of investment	(56,250)	(56,250)
Relevant information:		
Percentage of investment in equity held 7.91% (2021: 7.91%) (Chief Executive : Mr. Usman Ghani)	-	-

**9.1.1** 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.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
<b>9.2</b> Ittehad Salt Processing (Private) Limited 250,000 (2021: 10,000) fully paid ordinary shares		(Rupees in thousand)	
		-	-

## Relevant information:

Percentage of investment in equity held 100%  
(2021: 100%) (Chief Executive : Mr. Ahmed Mustafa)  
Location: Pakistan

**9.2.1** This represents investment made in subsidiary and it has been incorporated on December 03, 2019. The principal line of business of the subsidiary is to carry on business of exploring, operating and working on mines to extract minerals, salt, sand and stone etc. The Holding Company has purchased/acquired remaining shares of related party during the prior year through special resolution of members dated May 26, 2021 and it has become wholly owned subsidiary of the Holding Company. The Holding Company has subscribed to right issues for further share capital of the subsidiary amounting to Rs. 2.400 million during the period as approved by Board on December 22, 2021 under approval of the members on May 26, 2021.

**9.2.2** Investment in Ittehad Salt Processing (Private) Limited represents 250,000 (2021: 10,000) fully paid ordinary shares of Rs. 10 each. The Holding Company currently holds 100% shareholding interest in subsidiary, out of which 5 shares amounting to Rs. 50 are held in the name of 5 nominee directors of the Holding Company.

**10 STORES, SPARES AND LOOSE TOOLS**

Stores			
in hand		90,152	61,140
in transit		2,870	-
		93,022	61,140
Spares:			
in hand		650,533	339,564
in transit		76,596	64,089
		727,129	403,653
		820,151	464,793
Less: Provision for obsolete stores and spares	10.2	30,838	21,838
		789,313	442,955

**10.1** Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

**10.2** Movement of provision for obsolete stores and spares

Opening balance		21,838	8,708
Provision during the year		9,000	18,000
Reversal during the year		-	-
Written off during the year against disposal/scrap sale		-	(4,870)
		30,838	21,838

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>11 STOCK IN TRADE</b>			
Raw materials:			
in hand	25	499,549	358,577
in transit	11.1	308,792	251,324
		808,341	609,901
Packing materials			
in hand		36,421	22,788
in transit		-	-
		36,421	22,788
Work in process	25	48,634	43,626
Finished goods	11.2	556,183	444,948
		1,449,579	1,121,263

**11.1** This represents stock in transit which was still on the way to port at the period end.

**11.2** The finished goods also includes stock in transit amounting to Nil (2021: Rs. 25.19 million) which was still on the way to port at the year end.

**11.3** Stock-in-trade up to a maximum amount of Rs. 1,121.263 million (2021: Rs. 1,121.263 million) are under hypothecation of commercial banks as security for short term borrowings.

## 12 TRADE DEBTS

Unsecured			
Considered good - foreign		129	90,342
Secured			
Considered doubtful	12.2	2,234	2,234
Less: Provision for doubtful debts		2,234	2,234
		-	-
Unsecured			
Considered good		1,225,309	1,077,534
Considered doubtful		55,242	55,242
		1,280,551	1,132,776
		1,280,680	1,223,118
Less: Provision for doubtful debts	12.1	55,242	55,242
		1,225,438	1,167,876

**12.1** Movement of provision for doubtful debts is as follows:

Opening balance		57,476	72,476
Adjustment on account of:			
Doubtful debts written off		-	-
Recovery of doubtful debts		-	(15,000)
Provision made for doubtful debts		-	-
Net adjustment		-	(15,000)
Closing balance		57,476	57,476

- 12.2** This represents receivable from Punjab Chemicals Stores and Honest Enterprises which is secured against mortgage of property and also a memorandum of understanding (MOU) signed between the parties. Upon recovery of Nil (2021: Rs. 15.00 million) during the prior period the Group has withdrawn the application filed under section 20 of the Arbitration Act, 1940. However, remaining amount has been kept fully impaired on prudence basis.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>13 LOANS AND ADVANCES</b>			
Advances - (Unsecured - considered good)			
To employees	13.1 & 2	29,370	19,575
Advance to supplies and services (Unsecured)			
Considered good	13.5	198,819	320,541
Considered doubtful		1,374	1,374
		200,193	321,915
Against import		1,370	1,342
		230,933	342,832
Less: Provision for doubtful advances	13.6	1,374	1,374
		229,559	341,458

- 13.1** This includes advance to Mr. Abdul Hai Khatri amounting to Rs. 10.01 million (2021: Nil) being a related party of the Group. This also includes advance to employees against salaries in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.
- 13.2** This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.
- 13.3** This includes advances amounting to Rs. 15.192 million (2021: Rs. 15.394 million) deposited to the Court against various cases for gratuity of employees and the Group is expecting favourable outcome and therefore, considered good.
- 13.4** Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.
- 13.5** This includes advances amounting to Rs. 107.273 million (2021: Rs. 236.842 million) provided to Sui Northern Gas Pipeline Limited and are settled as and when the gas billed to the Group. These advances do not carry any interest or mark-up.
- 13.6** Movement of provision for doubtful debts is as follows:

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

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>14 CASH AND BANK BALANCES</b>			
Cash in hand		1,019	977
Cheques in hand		-	213,462
Cash at banks			
Current accounts		228,035	63,913
Saving accounts	14.1	30,900	60,379
		<u>259,954</u>	<u>338,731</u>

**14.1** The saving accounts carry mark-up at the rates ranging from 4% to 6% (June 30, 2021: 3% to 5.5%) per annum.

## 15 SHARE CAPITAL

### 15.1 Authorized share capital

175,000,000 (June 30, 2021: 100,000,000) ordinary shares of Rs. 10/- each		1,750,000	1,000,000
25,000,000 (June 30, 2021: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		<u>2,000,000</u>	<u>1,250,000</u>

**15.1.1** The Holding Company has increased its authorized share capital from Rs. 1,250.000 million to Rs. 2,000.00 million as approved by the Board on October 27, 2021.

### 15.2 Issued, subscribed and paid up share capital

27,100,000 (June 30, 2021: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2021: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
48,000,000 (June 30, 2021: 32,700,000) fully paid bonus shares of Rs. 10/- each		480,000	327,000
		<u>1,000,000</u>	<u>847,000</u>

#### 15.2.1 Movement of share capital is as follows:

Opening balance		84,700	847,000
Bonus shares issued during the period	15.2.2	15,300	153,000
Closing balance		<u>100,000</u>	<u>1,000,000</u>

**15.2.2** The Board of Directors of the Holding Company in its meeting held on October 27, 2021 accord approval to issued bonus shares in the proportion 18.063754 shares for every 100 shares held i.e 18.063754%.

**15.2.3** These bonus shares have been issued from the share premium account.

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>16 LONG TERM FINANCING</b>			
Secured:			
Banking Companies			
MCB Bank Limited- SBP Refinance	16.1	95,409	142,613
Samba Bank Limited-TERF	16.2	69,545	-
Bank of Punjab (Labsa II)	16.3	263,096	-
		<u>428,050</u>	<u>142,613</u>
Other Financial Institutions			
Pak Libya Holding Company (Pvt) Limited	16.4	217,000	43,841
Pak Brunei Investment Company Limited	16.5	233,333	233,333
Pak Brunei Investment Co. Ltd (WWTP)	16.6	110,000	-
		<u>560,333</u>	<u>277,174</u>
		<u>988,383</u>	<u>419,787</u>
Less: Current portion shown under current liabilities		<u>227,358</u>	<u>131,818</u>
		<u>761,025</u>	<u>287,969</u>

- 16.1** The Group has obtained term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 196.970 million specifically for paying salaries and wages to Group's employees. The Group has made drawdown from May 2020 to September 2021. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal monthly installments commencing from January 31, 2021.

This term loan is secured by way of mortgage of all present and future plant and machinery hypothecation charge over all assets belonging to the Group with 27% margin. The rate of mark-up is fixed at 3%.

- 16.2** The Group has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 500 million. This finance is secured against 667 million ranking charge over fixed assets of the Group inclusive of 25% margin. This carries mark up at SBP TERF rate plus 3% per annum. The loan has not fully disbursed yet. The loan is repayable in sixteen (16) equal quarterly installments starting from 1 year (grace period) after initial draw down.
- 16.3** The Group has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 440 million. The SBP has approved Rs. 200 million under TERF during the period. However, Rs. 46.144 million has been approved under TERF subsequent to the reporting period. This finance is secured against ranking charge of Rs. 440 million over plant and machinery being imported through BOP and Rs. 400 million of fixed assets of the Group under 1st pari passu charge. These carry mark up at SBP rate plus 4% per annum. These loans are not fully disbursed yet. The loan is repayable in sixteen (16) equal semi-annual installments starting from 1 year after initial draw down.
- 16.4** The Group has obtained this loan under long term finance facility to the extent of Rs. 217 million. This finance is secured against ranking charge convertible / upgraded to first pari passu charge inclusive of 25% margin on all present and future fixed assets of the Group and carries mark up at 3 months KIBOR plus 1.5% per annum. The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.

- 16.5** The Group has obtained this loan under long term finance facility to the extent of Rs. 300 million. This finance is secured against hypothecation / mortgage charge over all present and future fixed assets of the Group with 25% margin and carries mark up at three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020.
- 16.6** The Group has obtained this loan under long term finance facility to the extent of Rs. 110 million. This finance is secured against first pari passu hypothecation and mortgage charge on all moveable and immovable fixed assets of the Group. This carries mark up at 3 months KIBOR plus 1.40% per annum. The loan is repayable in sixteen (16) equal quarterly instalments with 1st installment falling due at the end of 15th month.

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
Note	—— (Rupees in thousand) ——	

## 17 LONG TERM DIMINISHING MUSHARAKA

Secured:

Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	17.2	525,000	612,500
The Bank of Punjab - TAQWA (LABSA)	17.3	365,886	418,450
Al Baraka Bank (Pakistan) Limited	17.4	267,187	320,625
		<u>1,158,073</u>	<u>1,351,575</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,005)</u>
		<u>771,068</u>	<u>964,570</u>

### 17.1 Movement of long term Diminishing Musharaka is as follows:

Banking Companies			
Balance as at July 01		1,351,576	1,460,519
Obtained during the period / year		-	-
Repayments made during the period / year		(193,503)	(108,943)
		<u>1,158,073</u>	<u>1,351,576</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,006)</u>
		<u>771,068</u>	<u>964,570</u>

- 17.2** This finance has been obtained from an Islamic Financial Institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Group and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal installments with the one year grace period commencing from February 2020.
- 17.3** This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Group and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020.

- 17.4** This finance has been obtained under the Islamic mode of financing and secured against specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Group and carries mark up at six months average KIBOR plus 1.40%. This finance is disbursed during the year in various tranches with a grace period of six months. During the period, Rs. 53.437 million was repaid.

(Un-audited)                      (Audited)  
December 31,                      June 30,  
2021                                      2021  
— (Rupees in thousand) —

## 18 LEASE LIABILITIES

Against right of use assets		
Lease liabilities	25,419	50,562
Payments / adjustments during the year	(3,500)	(25,143)
Less: Current portion	(7,520)	(7,520)
	<u>14,399</u>	<u>17,899</u>
<b>18.1</b> Maturity analysis-contractual undiscounted cash flow		
Less than one year	(9,660)	(9,343)
One to five year	(14,344)	(19,443)
More than five year	-	-
Total undiscounted lease liability	<u>(24,004)</u>	<u>(28,786)</u>

- 18.2** When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate which is 8% per annum.

- 18.3** The above liabilities were obligations under leases with various lessors for lease of buildings.

- 18.4** The lease agreement less than one year are not classified under IFRS-16 leases.

## 19 DEFERRED GRANT

Deferred grant	51,877	5,115
Current portion shown under current liability	(18,002)	(4,077)
	<u>33,875</u>	<u>1,038</u>

- 19.1** This represents deferred grant recognised in respect of the benefit of below-market interest rate on long term finance facility as 'referred to in note 16.1, 16.2 and 16.3. The benefit has been measured as the difference between the fair value of the loan and the proceeds received. The reconciliation of the carrying amount is as follows:

- 19.2** Following is the movement in government grant during the period / year:

Opening balance	5,115	5,935
Addition during the period	52,664	4,415
Amortized during the period	(5,902)	(5,235)
Closing balance	<u>51,877</u>	<u>5,115</u>

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	(Rupees in thousand)	
<b>20 GIDC PAYABLE</b>			
GIDC payable		260,378	251,097
Current portion shown under current liability	20.1	(260,378)	174,085
		<u>-</u>	<u>77,012</u>

**20.1** Pursuant to Supreme Court order in August, 2020 and its subsequent dismissal of review petition in November 2020, the Group is paying levy as per GIDC monthly billing by Sui Northern Gas Pipeline Limited (SNGPL).

Institute of Chartered Accountants of Pakistan issued guidelines dated January 21, 2021 for measurement of GIDC as Financial Liability for treatment under accounting principles of IFRS- 9- "Financial Instruments" that require all the future outflows need to be recognized at Present Value as Financial Liability at amortized cost. Difference between present value of financial liability and face value is recognized as income in the statement of profit or loss. The liability recognized under aforesaid guideline, based on SNGPL monthly billing of GIDC i.e Rs. 15.737 million, is Rs. 260.378 million.

The Group has paid seven (7) instalments during the prior period and balance provision of GIDC as at the reporting date is Rs. 613.297 million (June 30, 2021: 604.017 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Group has filed a writ petition in the Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Sindh High Court has granted a stay for recovery of arrears and matter is pending for adjudication. There is an aggregate differential of Rs. 352.920 million which is subjudic and that will be remain as provision until the matter is settled. Further, there is an aggregate differential of Rs. 170.291 million between provision as per books of account and liability based on monthly instalment billed by SNGPL for unpaid portion of Cess levied through GIDC Act, 2011 and GIDC Ordinance, 2014, which is not recognized by the Group based on the advice of its legal expert as per their view it will not be collected as per GIDC Act, 2015.

## 21 TRADE AND OTHER PAYABLES

Trade creditors		273,051	407,719
Accrued liabilities	21.1 & 3	1,674,431	1,457,628
Advances from customers (unsecured)		179,521	74,108
Security deposits	21.2	66,625	62,824
Retention money		5,282	6,902
Income tax deducted at source		421	-
Workers' Profit Participation Fund		18,096	47,035
Workers Welfare Fund		33,752	28,018
Other liabilities		12,256	55,675
		<u>2,263,435</u>	<u>2,139,909</u>

**21.1** These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 3.270 million (June 30, 2021: Rs. 8.139 million).

**21.2** This amount represents security deposits received from vendors and dealers for goods/ services. Whole amount is utilizable for the Group's business and has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017. The amount have been kept in a separate bank account maintained for this purpose, however, the amount is being used for the purpose of business.

**21.3** Sui Northern Gas Pipelines Limited has charged cost of supply relating to the RLNG supplies in the billing month of February 2018 based on interim order passed by Oil and Gas Regulatory Authority. The Group along with other industrial units in Punjab decided to file writ petition for deferment of said order. The Honorable Lahore High Court issued stay order with reference to the petition filed. The matter is pending adjudication, however, the Holding Company has made a provision amounting Rs. 356.88 million on prudence basis since February 2018.

No payment has so far been made against the provision made regarding the cost of supply amounting to Rs. 356.88 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
(Rupees in thousand)			
<b>22 SHORT TERM BORROWINGS</b>			
Secured			
From banking companies and financial institutions			
Running finances	22.1	492,756	786,440
Term finance	22.2	1,100,000	375,000
		<u>1,592,756</u>	<u>1,161,440</u>

**22.1** Short term running finance facilities from various banks aggregated to Rs. 1,520 million (2021: Rs. 1,420 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2021: one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Group and hypothecation charge over stores, spares and stocks of chemicals.

**22.2** Term finance facilities from various banks aggregated to Rs. 1125 million (2021: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.25% per annum (2021: matching KIBOR plus 0.70% to 1.50% per annum) on utilized limits. These facilities are secured against ranking and first pari passu charge over present and future current assets of the Group.

## 23 CONTINGENCIES AND COMMITMENTS

### 23.1 Contingent liabilities

- Letters of guarantee outstanding as at December 31, 2021 were Rs. 434.376 million (June 2021: Rs. 347.693 million).
- 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 Holding 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 Holding 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 Holding Company expects a favourable outcome of the proceedings. However, if the case is decided against the Holding Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2021: Rs. 54.510 million).

- c) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Holding Company. The Holding 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 Holding 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 Holding Company. Thereafter the CIR has filed appeal before ATIR. The Holding 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 Holding Company, it may result in tax payable of Rs. 4.080 million (June 30, 2021: Rs. 4.080 million).
- d) The Holding Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Holding Company would be required to pay an amount of Rs. 12.077 million (June 30, 2021: Rs. 12.077 million ) against these claims.
- e) 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 Holding 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 Holding 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 Holding Company has challenged the demand of Rs. 1.20 million in ATIR. The Holding 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).
- f) 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 Holding 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 Holding Company it may result in a contingent deductible allowance of Rs. 63.20 million (2021: Rs. 63.20 million).

- g) 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 Holding 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 Holding 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 Holding Company, it may result in tax payable of Rs. 25.50 million (2021: 25.50 million).

### 23.2 Commitments

Commitments as on December 31, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 926.366 million (June 30, 2021: Rs. 1,711.130 million).
- b) Against purchase of land amounting to Rs. 346.639 million (June 30, 2021: Rs. 1.639 million).
- c) Commitments for lease payments has been made under the relevant note.

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2021	2020	2021	2020
(Rupees in thousand)			

### 24 SALES

Sales				
Manufacturing (Note: 24.1)	8,015,146	6,246,647	4,192,226	3,416,882
Trading	14,298	-	-	-
	8,029,444	6,246,647	4,192,226	3,416,882
Less: Sales tax	1,146,089	876,579	598,788	477,384
Less: Commission	85,573	76,169	44,991	40,612
	1,231,662	952,748	643,779	517,996
	6,797,782	5,293,899	3,548,447	2,898,886

**24.1** This amount includes export sales amounting to Rs. 194.897 million (2020: Rs. 268.907 million).

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	(Rupees in thousand)			
<b>25 COST OF SALES</b>				
Raw materials consumed	2,439,536	1,530,268	1,229,140	830,505
Other overheads:				
Stores, spares and consumables	158,046	97,359	82,347	52,158
Packing materials consumed	79,957	89,523	37,993	47,136
Salaries, wages and other benefits	293,362	268,929	146,543	137,033
Fuel and power	2,819,287	1,828,731	1,463,555	999,998
Repair and maintenance	20,911	17,718	11,683	9,722
Rent, rates and taxes	4,634	93	2,301	47
Insurance	6,700	7,347	3,338	3,699
Depreciation	231,217	249,344	115,755	125,420
Vehicle running expenses	8,199	6,530	4,297	3,276
Telephone, telex and postage	486	480	264	246
Printing and stationery	127	142	54	114
Provision for slow moving stores and spares	9,000	12,000	4,500	6,000
Other expenses	1,101	736	595	429
	<u>3,633,027</u>	<u>2,578,932</u>	<u>1,873,225</u>	<u>1,385,278</u>
Opening work in process	43,626	38,912	46,469	40,502
Closing work in process	(48,634)	(43,366)	(48,634)	(43,366)
	<u>(5,008)</u>	<u>(4,454)</u>	<u>(2,165)</u>	<u>(2,864)</u>
Cost of goods manufactured	6,067,555	4,104,746	3,100,200	2,212,919
Cost of stores traded	12,350	-	-	-
Opening stock of finished goods	444,948	392,491	426,447	443,648
Closing stock of finished goods	(556,183)	(385,760)	(556,183)	(385,760)
	<u>(111,235)</u>	<u>6,731</u>	<u>(129,736)</u>	<u>57,888</u>
	<u>5,968,670</u>	<u>4,111,477</u>	<u>2,970,464</u>	<u>2,270,807</u>
<b>26 OTHER INCOME</b>				
Gain on sale of fixed assets	609	815	609	491
Gain on disposal of right to use assets	-	2,822	-	2,822
Sale of scrap	12,347	15,660	2,421	5,060
Gain on extinguishment of original GIDC liability	-	25,486	-	25,486
Government grants	5,902	2,762	5,902	2,762
Gain on foreign exchange	13,912	-	5,385	-
Return on bank and investment	240	1,376	57	1,366
	<u>33,010</u>	<u>48,921</u>	<u>14,374</u>	<u>37,987</u>

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2021	2020	2021	2020
(Rupees in thousand)			

**27 OTHER OPERATING EXPENSES**

Auditors' remuneration				
Audit fee	400	400	200	200
Half yearly review fee	250	250	125	156
Tax and certification charges	76	50	76	50
Out of pocket expenses	187	95	187	95
	913	795	588	501
Loss on sale of fixed assets (27.1)	-	21,507	-	12,584
Workers' profit participation fund	14,338	33,748	14,338	18,564
Loss on foreign exchange	2,571	4,375	2,571	3,308
Workers welfare fund	5,735	15,737	5,735	9,012
	<u>23,557</u>	<u>76,162</u>	<u>23,232</u>	<u>43,969</u>

**27.1** This figures includes loss on account of scrapping of Electrolizer and storage tank as no future economic benefits are expected from its use.

**28 TAXATION**

Current	83,781	76,764	43,678	41,742
Current - FTR	3,029	2,100	1,688	856
Prior year	(68,417)	(625)	(68,417)	(625)
Deferred	64,886	148,112	98,098	73,744
	<u>83,279</u>	<u>226,351</u>	<u>75,047</u>	<u>115,717</u>

**29 EARNINGS PER SHARE - BASIC AND DILUTED - RESTATED**

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

Profit after taxation - (Rs. in thousand)	183,422	427,426	191,982	256,966
Weighted average number of ordinary shares - (in thousand)	100,000	100,000	100,000	100,000
Earnings per share - basic and diluted - (Rs.)	1.83	4.27	1.92	2.57

**29.1** The earning per share of prior periods has restated due to issue of bonus shares during the period.

### 30 TRANSACTIONS WITH RELATED PARTIES

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

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
	(Rupees in thousand)			
<b>Transaction with:</b>				
<b>Relationship with the Company</b>				
<b>Basis of relation</b>				
<b>Nature of transaction</b>				
<b>Subsidiary company</b>				
Ittehad Salt Processing (Pvt.) Limited				
Investment made	2,400	-	2,400	-
<b>Related party</b>				
Chemi Multifabrics Limited				
<b>Family relation</b>				
Marketing service charges	33,443	25,534	17,511	13,904
<b>Retirement benefit plans</b>				
Contribution to staff retirement benefit plans	293	266	142	146
<b>Key management personnel</b>				
Remuneration and other benefits	49,539	39,028	24,769	19,514
Loan and advance	10,010	-	10,010	-

**30.1** The Holding Company has made investment in shares/equity of Ittehad Salt Processing (Private) Limited a related party during the period ended December 31, 2021 an amount of Rs. 2.400 million.

**30.2** The balances with related parties have been disclosed in the relevant notes to the consolidated condensed interim financial statements.

### 31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Group which are measured at fair value as of December 30, 2021 and June 30, 2021.

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

### **32 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no significant changes in the risk management policies since the year end.

The consolidated condensed interim financial statements does not include all financial risk management information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended June 30, 2021.

The Group's financial risk management objective and policies are consistent with that disclosed in the consolidated annual financial statements for the year ended June 30, 2021.

### **33 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

All other significant transactions and events that have affected the Company's financial position and performance during the period have been adequately disclosed in the notes to these financial statements.

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value		Fair value				
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in thousand) -----							
<b>On-Balance sheet financial instruments</b>							
<b>As at December 31, 2021</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	-	-	-	-	-	-	-
Long-term deposits	53,383	-	53,383	-	-	-	-
Trade debts - net of provisions	1,225,438	-	1,225,438	-	-	-	-
Loans and advances	29,370	-	29,370	-	-	-	-
Trade deposits	18,216	-	18,216	-	-	-	-
Cash and bank balances	259,954	-	259,954	-	-	-	-
	<b>1,586,361</b>	<b>-</b>	<b>1,586,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	988,383	988,383	-	-	-	-
Long term diminishing musharaka	-	1,158,073	1,158,073	-	-	-	-
Lease liabilities	-	21,919	21,919	-	-	-	-
GIDC payable	-	260,378	260,378	-	-	-	-
Trade and other payables	-	1,965,020	1,965,020	-	-	-	-
Mark-up accrued	-	52,379	52,379	-	-	-	-
Short-term borrowings	-	1,592,756	1,592,756	-	-	-	-
	<b>-</b>	<b>6,038,908</b>	<b>6,038,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2021</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	-	-	-	-	-	-	-
Long-term deposits	51,007	-	51,007	-	-	-	-
Trade debts - net of provisions	1,167,876	-	1,167,876	-	-	-	-
Loans and advances	19,575	-	19,575	-	-	-	-
Trade deposits	25,108	-	25,108	-	-	-	-
Cash and bank balances	338,731	-	338,731	-	-	-	-
	<b>1,602,297</b>	<b>-</b>	<b>1,602,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	419,787	419,787	-	-	-	-
Long term diminishing musharaka	-	1,351,575	1,351,575	-	-	-	-
Lease liabilities	-	25,419	25,419	-	-	-	-
Trade and other payables	-	1,927,705	1,927,705	-	-	-	-
Gratuity	-	87,515	87,515	-	-	-	-
GIDC payable	-	77,012	77,012	-	-	-	-
Mark-up accrued	-	38,618	38,618	-	-	-	-
Short-term borrowings	-	1,161,440	1,161,440	-	-	-	-
	<b>-</b>	<b>5,089,071</b>	<b>5,089,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 34.1** The Company has valued free hold land at fair value and classified under property, plant and equipment and investment property. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the condensed interim financial statements.
- 34.2** Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

### **35 CORRESPONDING FIGURES**

- 35.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.
- 35.2** The parent company has acquired subsidiary on May 26, 2021, however, corresponding figures have been taken from standalone financial statements of the Parent Company, therefore, it may not be comparable.

### **36 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENT**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum.

The management considers presently this outbreak does not have any impact on the amounts being reported in the Group's statement of financial position as at December 31, 2021. While this is still an evolving situation as at the time of issuing these financial statements yet, to date the operations of the Group have continued uninterrupted during this pandemic, future effects cannot be predicted. However, we have been informed by the management that it will continue to monitor the potential impact and will take all steps possible to mitigate any effects. Inlight of ongoing COVID-19 pandemic, the Group has reviewed its exposure to business risks and has not identified any significant impact on the Group's operations or decline in revenue during the period ended December 31, 2021.

### **37 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue on 11 February 2022 by the Board of Directors of the Group.

### 38 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding Company in its meeting held on February 11, 2022 has not recommended any interim cash dividend.

### 39 GENERAL

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

**39.2** The Board of Directors of the Holding 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%.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



Ms Certification  
No of Certificate 236



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