

ANNUAL
REPORT 2022



GROWING STRONGER MAKING IT HAPPEN



ITTEHAD CHEMICALS LIMITED



Sustainable growth is among the biggest challenges any business faces. Every company needs to pin down “why we do & what we do.” That’s the company’s North Star, guiding every aspect from recruitment to customer management to product development and sales.

Indeed, the most sustainable way to create value is to continually invest in diversification.

In the recent years, diversification in exports and in local business has been conducive to faster and sustainable growth



**Strength and growth
come only through
continuous effort and
struggle.**

-Napolean Hill


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A low-angle photograph of a complex industrial structure, likely a refinery or chemical plant, featuring multiple levels of steel platforms, ladders, and large red and brown pipes. Two workers in the foreground, wearing hard hats (one white, one green) and safety gear, are looking at a set of plans. The worker on the right has an 'ICL' logo on their back. An orange flag is visible on a pole in the upper right against a clear blue sky with some light clouds.

Growth is never by
mere chance; it is the
result of forces
working together.

- James Cash Penney

Corporate Information

BOARD OF DIRECTORS	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
AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
RISK MANAGEMENT COMMITTEE	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
CHIEF FINANCIAL OFFICER	Mr. Muhammad Asif Khan		
COMPANY SECRETARY	Mr. Abdul Mansoor Khan		
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 – 36365697 Website: www.ittehadchemicals.com, E-mail: info@ittehadchemicals.com		
FACTORY/ PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph: 042 – 37950222 – 25, Fax: 042 – 37950206		
SHARES REGISTRAR	M/s Hameed Majeed Associate (Pvt.) Limited 1 st Floor, H.M. House, 7 Bank Square The Mall, Lahore Ph: 042 – 37235081 – 82		
BANKERS	Banks - Conventional Side Askari Bank Limited Allied Bank Limited Faysal Bank Limited Habib Metro Bank Limited MCB Bank Limited National Bank of Pakistan JS Bank Limited Pak Libya Holding Co. (Pvt.) Ltd. Pak Brunei Inv. Company Ltd The Bank of Punjab United Bank Limited Soneri Bank Limited Samba Bank Limited	Banks - Islamic Window Operations Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited – Islamic Banking	
AUDITORS	M/s. BDO Ebrahim & Co., Chartered Accountants, 2nd Floor, Block- C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021 – 35683189 – 35683498 Fax : 021 – 35684239		
LEGAL ADVISOR	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000		

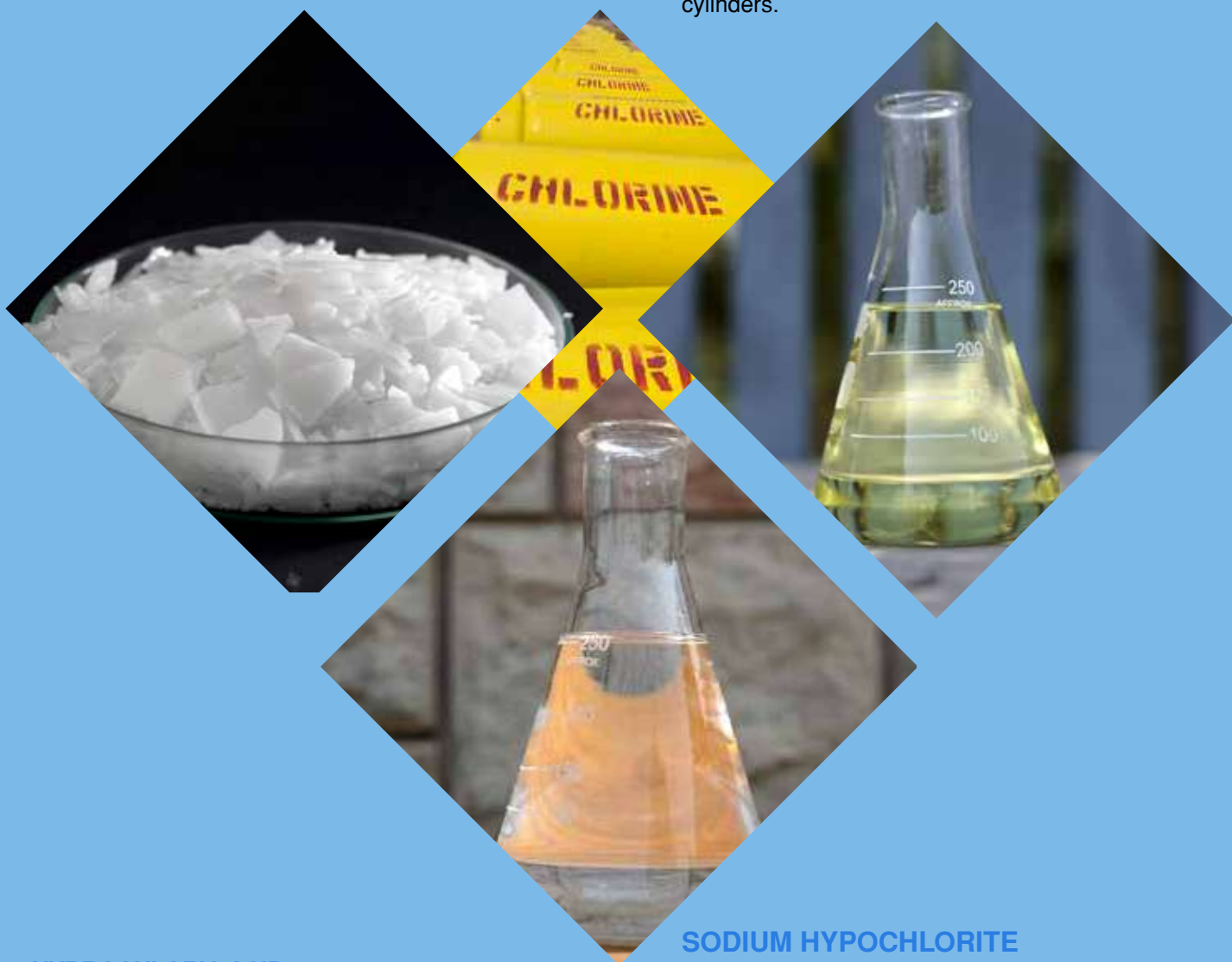
Product Profile

CAUSTIC SODA

Caustic Soda is mainly used as a raw material in soap manufacturing and also for mercerization of cotton in the textile industry. ICL produces caustic Soda in liquid form (50% & 31%) and also in the form of flakes, supplied in 25kg bags.

LIQUID CHLORINE

Liquid Chlorine is used in water treatment, paper industry, manufacturing of pharmaceuticals and agro chemicals. ICL supplies liquid chlorine in 100 Kg and 900 Kg cylinders.



HYDROCHLORIC ACID

Hydrochloric acid has a very diverse range of applications. Some of the main applications include steel industry, manufacturing of gelatin, textile, dyestuff and synthetic rubber. ICL produces 33% HCL which is mainly transported in rubber-lined tankers of up to 30 MT.

SODIUM HYPOCHLORITE

Sodium hypochlorite is widely used as a bleaching agent and for disinfection and sanitization purposes. Sodium hypochlorite is supplied by ICL in rubber-lined tankers of 10 to 30 MT.

LABSA (Linear Alkylbenzene Sulfonic Acid)

LABSA is an anionic surfactant widely used in production of laundry detergents and industrial cleaners. ICL supplies 96% LABSA in 215 KG drums and also in bulk tankers.

CALCIUM CHLORIDE

Calcium chloride is produced primarily for use in Oil and Gas industry. The product is supplied in 25KG and 1000 KG bags to customers in Pakistan and in the Middle East.



SLES (Sodium Lauryl Ether Sulfate)

SLES is primarily used in production of personal hygiene products such as shampoos, handwash, cosmetic products and oral hygiene products. ICL produces 3 grades of SLES being SLES1, SLES2 and SLES3. SLES is supplied in 160 Kg drums and also in bulk tankers.

SODIUM SULPHATE:

Sodium Sulphate is used in manufacturing of detergents, textile and glass products. ICL produces 99% sodium sulphate, supplied in 50 kg bags.

Vision-Mission-Values

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

Key ingredients of ICL Mission are:

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



Integrity:

We conduct ourselves in accordance with the highest moral and ethical standards, and in full compliance with all applicable laws.

Respect:

We treat our employees and all our stakeholders with professionalism, respect and dignity, creating an environment where people can express their professional opinions, contribute, innovate and excel.

A red diamond shape containing the ICL logo (a stylized 'I' and 'C' with a diamond in the center) and the text 'Core Values' in white.

ICL Core Values

Teamwork

We are committed to promoting a culture of teamwork and cooperation among our employees to enhance their productivity and well-being

Accountability

We hold ourselves accountable for our actions to our employees, our management, our shareholders and to the community that we operate in.

Enabling Technologies for Sustainability & Growth

ICL has always taken pride in being the industry leader in embracing latest technology and innovations. We are one of the first few companies in Pakistan to have deployed a fully integrated SAP ERP system. During the last one year, we have taken several initiatives to improve our business process efficiencies and to ensure best value-delivery to all our stakeholders. Some of the important milestones achieved were:

- 1- Deployment of Trukkr portal to integrate transporters and their vehicles.
- 2- Sales Portal for online ordering and tracking
- 3- Deployment of Business Intelligence Module for management reporting & Stewardship
- 4- Provision for Toll Manufacturing Process
- 5- Integrated Out-bound Logistics Process

Deployment of Trukkr Portal to integrate transporters and their vehicles.



Transportation of chemicals to our valued customers plays an important role in the company's overall service delivery. In order to incorporate the company's transporters and their vehicles in our management system, Trukkr.pk deployed their proprietary Logistics Management System (LMS) at the company. Our in-house IT experts worked with the service provider (Trukkr) to ensure a smooth roll out of the system without any disruption to the normal operations. The system is integrated with SAP and allows for the company's transporters to digitally interact with company's stakeholders to fulfill orders. This interaction includes bidding done by transporters for any specific trip as well as assigning vehicle and driver to any specific order, which has allowed to optimize costs as well as processes to save significant man hours in executing orders.

The Trukkr system also enables real-time product delivery tracking and reporting mechanism, which gives our customers live updates on the location of their shipments during transit along with its ETA (expected time of arrival). This helps ICL ensure timely delivery of its products to the customer and also reduces the chances of pilferage and product quality degradation during transport. ICL is proud to be the first in the chemical manufacturing industry in Pakistan to implement a real-time shipment monitoring system.

Sales Portal for Online Ordering

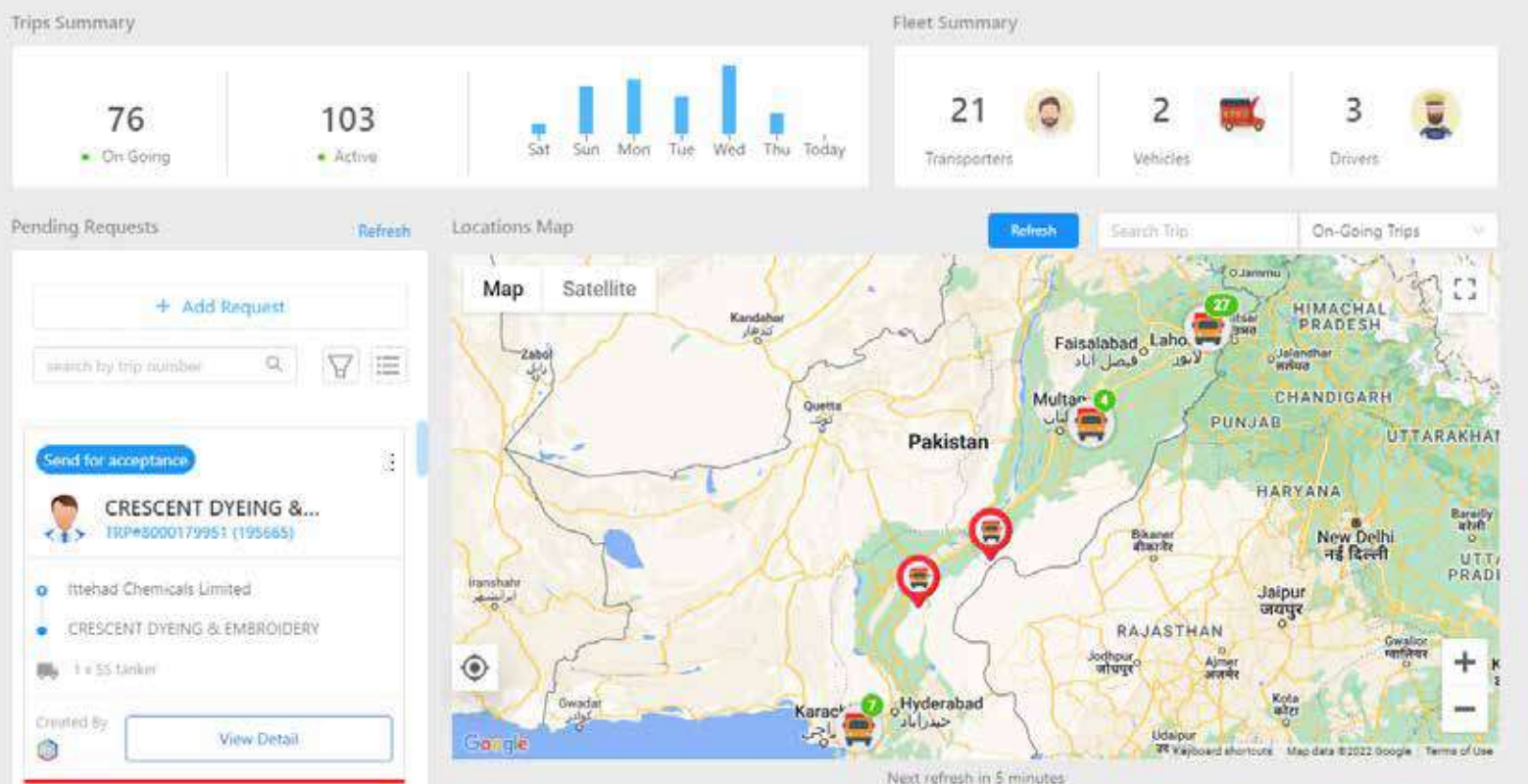
B2B businesses like ICL, traditionally operated through offline sales channels only with order generation typically done via phone or during one-to-one interaction with the clients. Taking the covid-19 situation as an opportunity, ICL has developed an online ordering system where our customers have been given access to an online sales portal for ordering company's products without having to call or visit our offices. Implementation of sales portal has greatly reduced the time needed for the customer to place an order and it also gives them an automated account of their transactions with the company without having to ask for account statements on regular basis.



**ITTEHAD
CHEMICALS
LIMITED**

Wide Range of Industrial Chemicals

Caustic Soda (Liquid / Flakes)
Sodium Hypochlorite
Liquid Chlorine
Hydrochloric Acid
Labsa
Zinc Sulphate



Business Intelligence (BI) Module – Management Reporting & Stewardship

In order to optimize the decision making at various levels, ICL has implemented Qlik Sense Business intelligence module to provide the decision makers with the right set of information. The system is integrated with SAP and provides customized analytics based on user selected criteria. Based on the success of this tool for sales and distribution, company plans to implement similar solutions for finance, production planning and inventory management in the coming years.

**Provision for Toll Manufacturing Process through ERP**

ICL greatly values flexibility in its business operations. Our guiding principle is to understand specific requirements of our customers and to fulfill them in best possible way. Some of our key clients requested us to provide them with toll manufacturing services for specific products. The process of toll manufacturing involves same steps in plant operations but requires an entirely different treatment when handled within the ERP system starting from raw material handling, storage, conversion and the shipment of the end product. Our capable in-house IT team, working with supply chain, finance and operations department, not only handled the development and deployment process in-house but also implemented it in a seamless manner without any disruption to the normal operations.



Growth is the only
evidence of life.

- John Henry Newman

Integrated Out-bound Logistics

In view of its commitment to sustainability and to reduce paper usage in its operations, ICL implemented an integrated out-bound logistics process through SAP. All the information sharing, approvals and reporting for outward product movement is now done through SAP. In addition to reducing the use of paper this has also resulted in significant improvement in end-to-end processing time.



ICL goes green

Ittehad Chemicals Limited, a pioneer in manufacturing of chemicals in Pakistan, firmly believes in “Green Manufacturing” whereby manufacturing processes are optimized to minimize their environmental impact. Our company operates on the concept of a double bottom line, where, not only do we strive to maximize our profit margins but also to minimize our environmental impact. By the grace of Allah, and through concerted efforts of our management and employees, ICL has been able to achieve multiple landmarks in this regard. Some of our key achievements during last one year were:

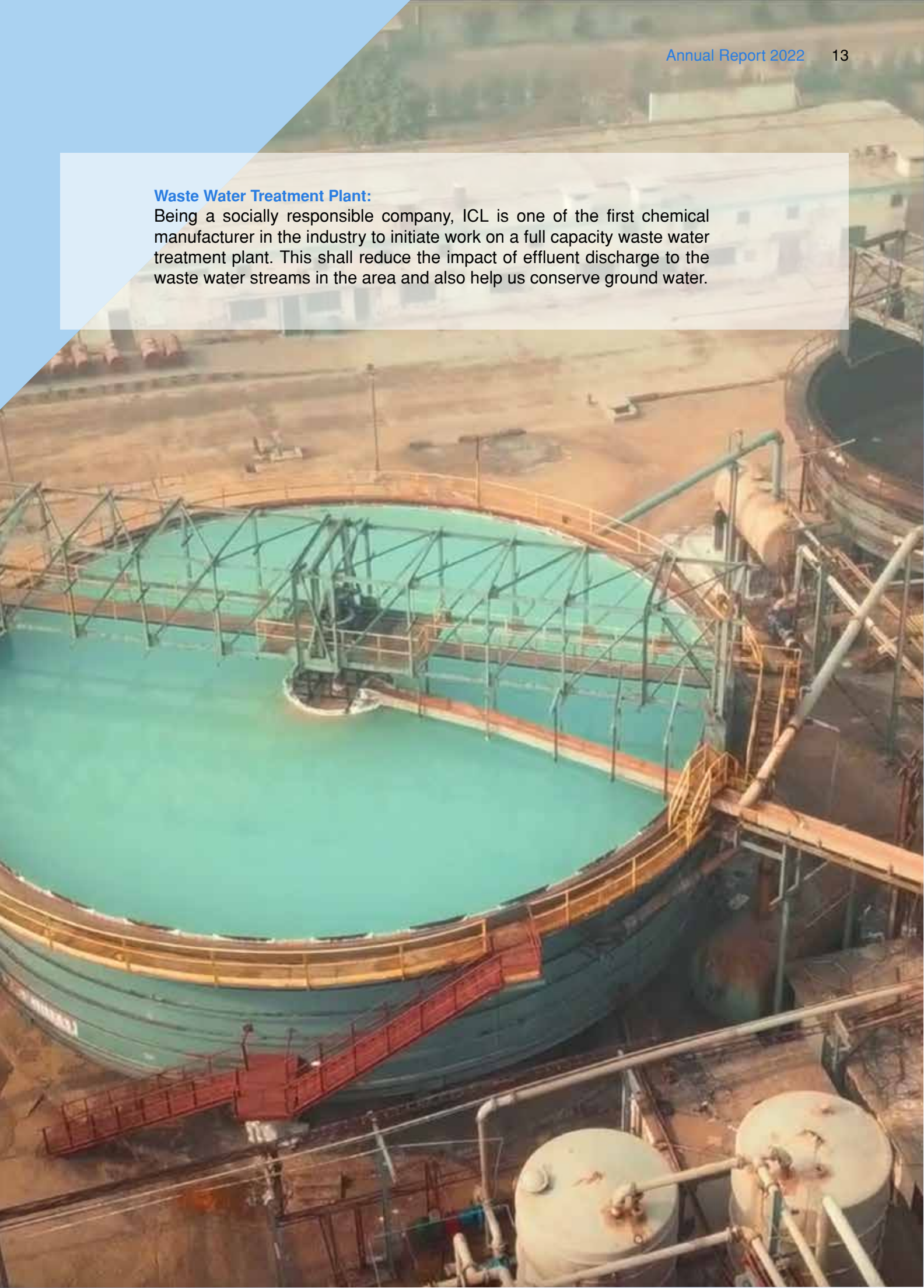
Efficiency Improvement of Gas Fired Power Plant:

Energy is as an essential factor of production for our industry. ICL currently operates a 30 MW (6 x 5 MW) gas-fired, engine based power plant adjacent to its plant facility at Kala Shah Kaku. Over the last few years, due to advancements in internal combustion engine technology, the efficiency of engine designs have improved significantly. A need was felt to enhance the efficiency of our power plant to reduce carbon emissions and to maximize the power output from given amount of fuel. Engine OEM (M/S Wartsila) was contracted for the job. Based on their detailed study and recommendations, the company has signed the agreement for efficiency enhancement of the power plant. The project shall be implemented in a phased manner with minimum disruption to plant operations. Once fully implemented, this shall enhance the plant capacity by almost 20% and fuel efficiency by 9%, thus reducing carbon emissions significantly and minimizing our dependence on the national grid.



Waste Water Treatment Plant:

Being a socially responsible company, ICL is one of the first chemical manufacturer in the industry to initiate work on a full capacity waste water treatment plant. This shall reduce the impact of effluent discharge to the waste water streams in the area and also help us conserve ground water.



Notice of Annual General Meeting

NOTICE is hereby given that the 31st Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Thursday, October 27, 2022, at 11:00 a.m. at the Registered Office at 39 - Empress Road, Lahore to transact the following business:

Ordinary Business

1. To confirm the Minutes of Annual General Meeting held on October 27, 2021.
2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the Financial Year ended June 30, 2022 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
3. To approve Interim Cash Dividend already paid at Rupees 1 per share i.e. 10% and Interim Bonus shares already issued @ 18.063754%.
4. To appoint Auditors for the Financial Year 2022-23 and to fix their remuneration. M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.
5. Any other business with the permission of the Chair.

By Order of the Board

Abdul Mansoor Khan
Company Secretary

Lahore
September 21, 2022

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 20, 2022 to October 27, 2022 (both days inclusive). Transfers received in order by our Share Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on October 19, 2022 will be considered in time for the purpose of attending and vote in Annual General Meeting.
- ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.
- iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number and CDC account numbers at the time of attending the Annual General Meeting for identification purpose.
- iv. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.
- v. Members are requested to notify the change of address immediately, if any, to Company's Shares Registrar.
- vi. Under Section # 72 of the Companies Act, 2017, the shareholders who hold shares in physical form are required to replace their physical shares with book-entry form within the period to be notified by the SECP. Hence, the shareholders who hold shares in physical form are advised to convert their physical shares in electronic form at their earliest.

- vii. The Annual Report for the Financial Year ended June 30, 2022 will be placed on Company's website [www. ittehadchemicals.com](http://www.ittehadchemicals.com) in due course of time.

STATEMENT UNDER REGULATION 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS 2017:-

Name of the investee Company	Ittehad Salt Processing (Pvt.) Limited
(a) total investment approved;	Rupees 300,000,000
b) amount of investment made to date	Rupees 2,500,000
(c) reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time;	No deviation. The Company is a wholly owned subsidiary of Ittehad Chemicals Limited. The investment will be made as per requirements of the subsidiary.
(d) material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.	No Change.



Chairman's Review

Dear stakeholders

It is a great pleasure to appreciate the endeavors of the Board of Directors in leading the Company towards strategic directions during the Financial Year ended June 30, 2022.

By the grace of Almighty Allah, the enhanced capacity (46,000 M. Tons per annum) of the Company's state of the art LABSA / SLES Plant commenced its commercial operations on May 12, 2022. Thus bringing up the total capacity of LABSA / SLES Plant to 70,000 M. Tons per annum. It is pertinent to convey that LABSA sales is contributing significantly to Company's turnover. On the other hand, in order to improve, fuel / operational efficiency, the up-gradation of Power Plant Engines is in progress and one of the power plant engines has been upgraded during the year under review while the remaining engines are expected to be completed during the ongoing financial year.

The Company injected further funds of Rupees 2.4 million in its wholly owned subsidiary company M/s Ittehad Salt Processing (Private) Limited (the "ISPPL") during the year under review. As conveyed earlier, the main objective of the wholly owned subsidiary company is to explore opportunities available in the Rock Salt Mining. The wholly owned subsidiary has already acquired the exploration license from Punjab Minerals and Mines Department for an area of 1,356.07 acres and is steadily accomplishing all the requisites to get mining license from the concerned Government Department.

During the year under review, the Company organized a Corporate Briefing Session which emphasized the Company's strategy, financial position, operations and performance. The Board recognizes the importance of building a strong relationship with all its stakeholders.

The Board and its Committees are keenly observing the prevailing challenges like massive currency devaluation, very high fuel & financing cost and inflationary pressures. Given all odds, your company continues to show strength and resilience, attaining another milestone of the highest sales ever of Rupees 15.68 Billion this year. The Board is optimistic about future growth and healthy returns with the ultimate objective to maximize shareholders' wealth in long run.

Last but not the least, I would like to acknowledge the immense contribution and commitment of each member of the Board and the employees of the Company, who ensured the Company's sustained growth.

Lahore
September 21, 2022



Muhammad Siddique Khatri
Chairman

Directors' Report

The Directors of the Company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2022, and Auditor's Report thereon.

ECONOMY OVERVIEW

Pakistan's economy is passing through multiple economic challenges like the balance of payment difficulties, a steep depreciation of the Pak currency, large fiscal and current account deficits, and political volatilities. In addition, recent flooding caused by abnormally heavy monsoon rains has negatively impacted economic activity in a number of cities, which may further intensify the crisis. All these factors are putting huge pressure on the disposable income of the consumers and might have an adverse impact on consumption. On the external front, the exports grew remarkably on account of policy supports provided-including regionally competitive energy tariff rates, Export Facilitation Scheme 2021, enhancement in coverage, and loan limits under LTFF. In FY 2022, the real GDP growth remained at 5.97 percent. However, underlying macroeconomic imbalances and associated domestic and international risks have dampened celebrations.

FINANCIAL PERFORMANCE

By the grace of almighty Allah, the sales of the Company have exhibited upward trajectory at a sizeable rate primarily on account of LABSA sales extension. During the year under review, the Company posted net sales revenue of Rupees 15,681 Million with an increase of 41% (2021: Rupees 11,124 Million). The cost of sales stood at Rupees 13,617 Million (2021: Rupees 9,238 Million) bringing gross profit to Rupees 2,065 Million (2021: Rupees 1,886 Million). The annual gross profit margin reduced to 13% from 17% vis à vis corresponding period of last year. After taking fair value gain of Rupees 101 Million on investment property as detailed in Note # 10 of the Audited Financial Statements, the bottom line showed a net profit after tax amounting to Rupees 415 Million (2021: Rupees 657 Million) which yielded earning(s) per share Rupees 4.15 per share (2021: Rupees 6.57 per share). The imposition of the Super tax by the Government retrospectively, high energy & Finance Cost, and inflationary pressures have eroded the profit of the Company.

During the year under review, the Company allotted Fifteen Million Three Hundred Thousands (15.3 Million) Bonus shares of Rs. 10 each out of the Share premium Account; hence, EPS for last year has been restated accordingly.

FINANCIAL HIGHLIGHTS

The comparative financial results for the years ended Jun 30, 2021 & 2022 are as under:

	Financial Year ended June 30	
	2022	2021
	Rupees in "000"	
Net Sales	15,681,372	11,123,793
Gross Profit	2,064,777	1,885,509
Operating Profit	992,781	1,093,005
Profit /(Loss) before Tax	764,049	980,110
Profit after Tax	414,539	656,767
Earnings Per Share – re-stated (Rupees)	4.15	6.57

PROFIT AND APPROPRIATIONS

	Financial Year ended June 30	
	2022	2021
	Rupees in "000"	
Total Comprehensive Income for the Year	413,069	655,382
Add: - Un-appropriated profit brought forward	2,305,352	1,904,070
Adjustment in Retained Earnings – Net (IFRS 16)	-	-
Profit available for appropriation	2,718,421	2,559,452
Appropriations:		
Final Cash Dividend paid @ 10% for the Financial Year 2019-20	-	(84,700)
Interim Cash Dividend paid @ 10% for the Financial Year 2021-22 (2020 – 21 : 20%)	(100,000)	(169,400)
Profit available for appropriation	2,618,421	2,305,352

Note:- Company has issued Bonus shares out of Share premium Account during the Financial Year 2021-22

CASH DIVIDEND / BONUS SHARES

The Board of Directors has already declared and paid an interim cash dividend @ Rupees one (01) per share i.e. 10% and issued 15.30 Million interim Bonus shares @ 18.063754% during the Financial Year ended June 30, 2022. However, the Board has not recommended any Final dividend / Bonus shares considering the prevailing challenges and in order to meet with financial obligations.

VIS CREDIT RATING COMPANY LIMITED (Formerly JCR-VIS Credit Rating Company Limited)

As announced on February 25, 2022, VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Ittehad Chemicals Limited (ICL) at 'A-/A-2' (Single A Minus/A-Two) with a 'Positive' outlook. The medium to long-term rating of 'A-' signifies good credit quality with adequate protection factors. Moreover, risk factors may vary with possible changes in economy. The short-term rating of 'A-2' denotes good certainty of timely payments coupled with sound liquidity and company fundamentals.

CORPORATE BRIEFING SESSION (CBS)

As per the requirement of the Pakistan Stock Exchange, it is mandatory for all listed companies to hold at least one Corporate Briefing Session (CBS) for stakeholders during a Financial Year. During the year under review, the Company arranged a CBS on June 15, 2022 at its Registered Office through Video Link facility which highlighted the Company's strategy, financial position, operations and performance. The Board recognizes the importance of building a strong relationship with all stakeholders. Corporate briefings are interactive sessions and provides Management an opportunity to convey the stakeholders, the overall performance and future outlook of the Company.

BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

As per requirements of Clause # 34 (2) (i, ii, iii) of Listed Companies (Code of Corporate Governance) Regulations 2019 (the "CCG"), the composition of the Board and its Committees has been given in "Statement of Compliance" annexed with this Annual Report. During the year, Seven (07) Board meetings, Five (05) Audit Committee meetings, Two (02) HR & Remuneration Committee Meetings and one (01) Risk Management Committee Meeting were held. The attendance at the Board and its Committees meeting is hereunder:

Name of Director	Number of Meetings attended			
	Board of Directors	Audit Committee	HR & R Committee	Risk Management Committee
Mr. Muhammad Siddique Khatri	7	N/A	N/A	1
Mr. Abdul Sattar Khatri	7	N/A	N/A	1
Mr. Waqas Siddiq Khatri	7	N/A	2	1
Mr. Abdullah Mustafa	7	5	2	N/A
Mrs. Farhana Abdul Sattar Khatri	7	N/A	N/A	N/A
Mr. Pervaiz Ahmad Khan	7	5	2	N/A
Mr. Pervez Ismail	7	5	N/A	N/A

The names of Members of Board Committees are also disclosed under the head “Corporate Information” as required under the Clause # 34 of CCG.

DIRECTORS' REMUNERATION

The Company doesn't pay any remuneration to Independent / Non-executive directors; however, the Board has approved payment of Meeting Attendance Fee Rupees 30,000 for each Board and its Committees Meetings as well as reimbursement of expenses incurred (if any) for boarding, lodging and travelling to independent and Non-Executive Directors only.

If we're growing,
we're always going
to be out of our
comfort zone.

- John Maxwell

DIRECTORS' TRAINING PROGRAMS

Presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director's Training Program. The Company will arrange Directors' Training Program for remaining one (01) Board Member as per his convenience.

CODE OF CONDUCT

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

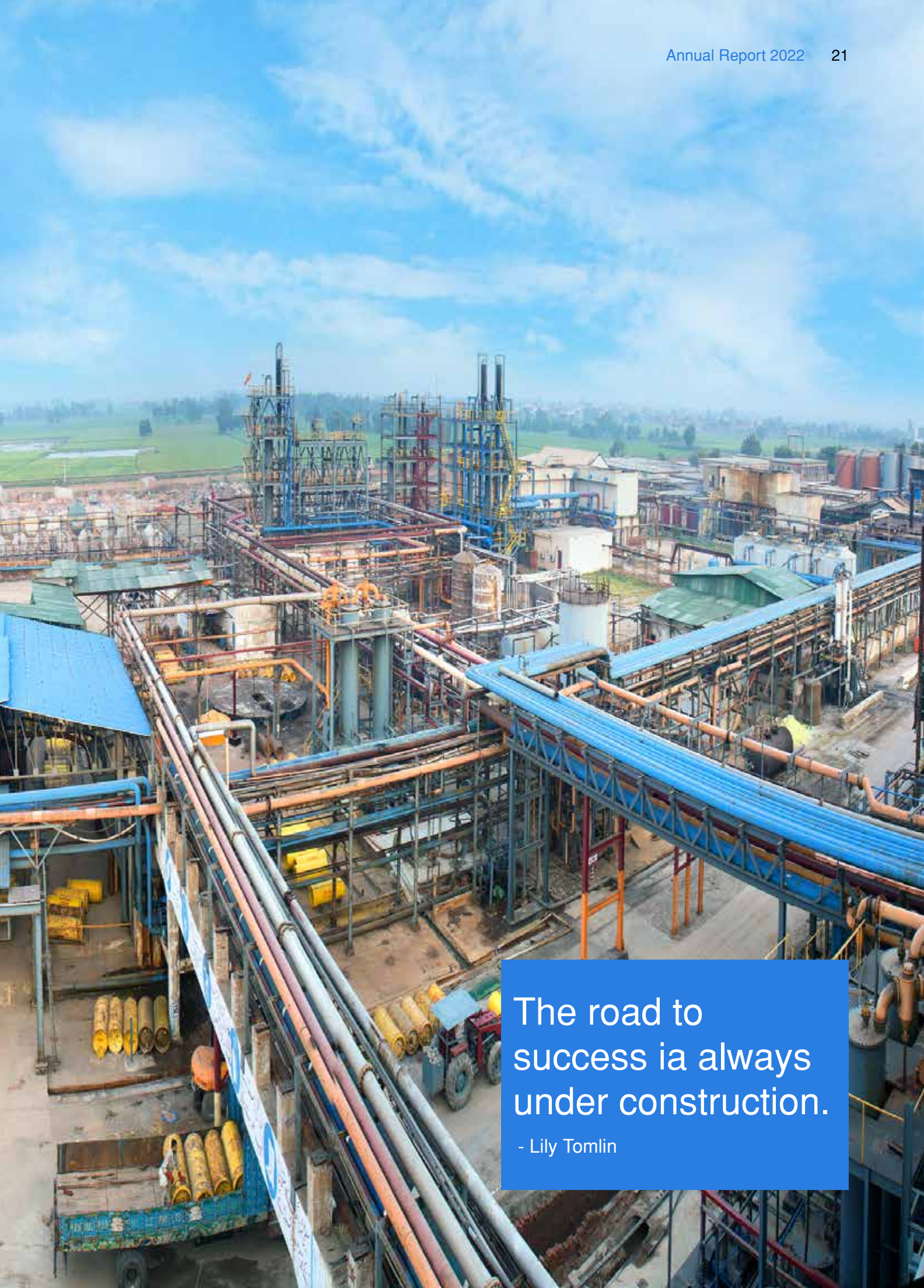
COMPLIANCE WITH THE LISTED COMPANIES CODE OF CORPORATE GOVERNANCE REGULATIONS 2019

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the statements on Corporate and Financial Reporting Framework:

- i. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Act 2017. These statements present the Company's state of affairs fairly, the results of its operations, cash flow and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. The key operating and financial data for the last six years is annexed.
- viii. Information about outstanding taxes and levies is given in Notes to the Accounts.
- ix. The value of investments of the Provident Fund based on its audited accounts as on Jun 30, 2022 is given in Note # 44 of the Financial Statements.
- x. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- xi. The Company has complied with requirements as stipulated in Code relating to related party transactions.
- xii. The trading made by directors, CEO, CFO, Company Secretary and their spouses and minor children in the Company's share during the year and the number of shares, if any, held by them are annexed.



The road to
success is always
under construction.

- Lily Tomlin

HEALTH, SAFETY AND ENVIRONMENT

We are committed to providing a safe and healthy work environment to our employees. The Company meets applicable laws and government regulations as well as Company's own standards. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for Occupational Health & Safety Management System ISO 45001:2018, Quality Management System (QMS) ISO 9001:2015, Environment Management System (EMS) ISO 14001:2015, and Halal Food Management System PS 3733:2019 by ACTS – Al-Waiz certification and Training Services (Pvt.) Limited.



CORPORATE SOCIAL RESPONSIBILITY

Our main CSR focuses are Health Care, Education, and community development. ICL continued to provide financial support to various organizations operating in the fields of Education, Health, and Social uplift. During the year under review, Company contributed Rupees 13,448,000 to various charitable organizations.



EXTERNAL AUDITORS

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment for the year 2022-23. The Board of Directors has endorsed the Audit Committees' recommendation for the re-appointment of M/s. BDO Ebrahim & Co., Chartered Accountants as Auditors of the Company for the ensuing year subject to the approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2022 is annexed.

FUTURE OUTLOOK

The Management of your Company is entrusted to enhance shareholders' value. By the grace of Almighty Allah, the enhanced capacity of the Company's state of the art LABSA / SLES Plant has commenced its commercial operations on May 12, 2022 and shall make its contribution towards the profitability. 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. 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. The higher mark-up rates, high fuel cost, devaluation of Pak Rupee and lackluster economy are the challenges for the industry.

ACKNOWLEDGMENT

Board is thankful to the valuable Shareholders, Customers, Suppliers, 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
September 21, 2022



Muhammad Saddique Khatri
Chairman



Abdul Sattar Khatri
Chief Executive Officer

Operating and Financial Highlights

	Unit	2022	2021	2020	2019	2018	2017
PROFIT AND LOSS							
Sales	Rs. in mln	15,681	11,124	8,857	6,644	5,743	4,990
Gross Profit	Rs. in mln	2,065	1,886	1,182	1,379	963	820
Operating Profit	Rs. in mln	993	1,093	496	756	504	384
Profit / (loss) before tax	Rs. in mln	764	980	78	505	361	220
Profit after tax	Rs. in mln	415	657	61	405	415	233
EBITDA	Rs. in mln	1,508	1,606	1,069	1,248	859	718
Earning per share - Basic and Diluted	Rs.	4.15	6.57	0.72	4.78	4.91	3.37
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	6,298	5,723	5,872	6,335	5,452	4,128
Current Assets	Rs. in mln	5,706	3,805	2,968	2,915	2,031	2,065
Current Liabilities	Rs. in mln	5,775	3,639	2,508	3,461	3,007	2,436
Long Term Liabilities	Rs. in mln	1,909	1,797	2,579	2,012	1,023	944
Share capital	Rs. in mln	1,000	847	847	847	770	770
Shareholders' Equity	Rs. in mln	3,789	3,482	3,081	3,031	2,737	2,421
INVESTOR INFORMATION							
Gross Profit Margin	%	13.17	16.95	13.34	20.75	16.77	16.43
Net Profit Margin	%	2.64	5.90	0.69	6.10	7.23	4.68
Return on Equity	%	11.40	20.01	1.99	14.05	16.11	10.59
Price Earning Ratio Restated		7.20	4.91	36.60	5.64	6.44	9.28
Net Asset Per Share	Rs.	37.89	41.11	36.38	35.78	35.54	31.45
Long -Term Debt to Equity Ratio		0.51	0.51	0.60	0.66	0.50	0.49
Current Ratio		0.99	1.05	1.18	0.84	0.68	0.85
Quick Ratio		0.53	0.64	0.74	0.50	0.45	0.49
Interest Coverage Ratio		3.01	4.85	1.03	2.96	3.27	2.17
Debtor Turnover	No. of Times	10.28	11.25	13.05	11.81	12.86	10.67
Inventory Turnover	No. of Times	5.11	5.91	6.95	4.40	7.16	4.80
Dividend Payout	%	24.12	30.45	139.31	-	20.39	38.58
Bonus Shares	%	18.06	-	-	-	10.00	-
Dividend Per Share		1.00	2.00	1.00	-	1.10	1.30

Statement of Value Added

Year ended June 30
2022 2021
(Rs. in Million)

Wealth Generated:

Total revenue net of discount and allowances
Bought-in-material and services

18,440	13,227
13,625	9,056
4,815	4,172

Wealth Distributed:

To Employees

Salaries, benefits and other costs

777	693
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To Government

Income tax, sales tax and worker welfare fund

2,880	2,196
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To Providers of capital

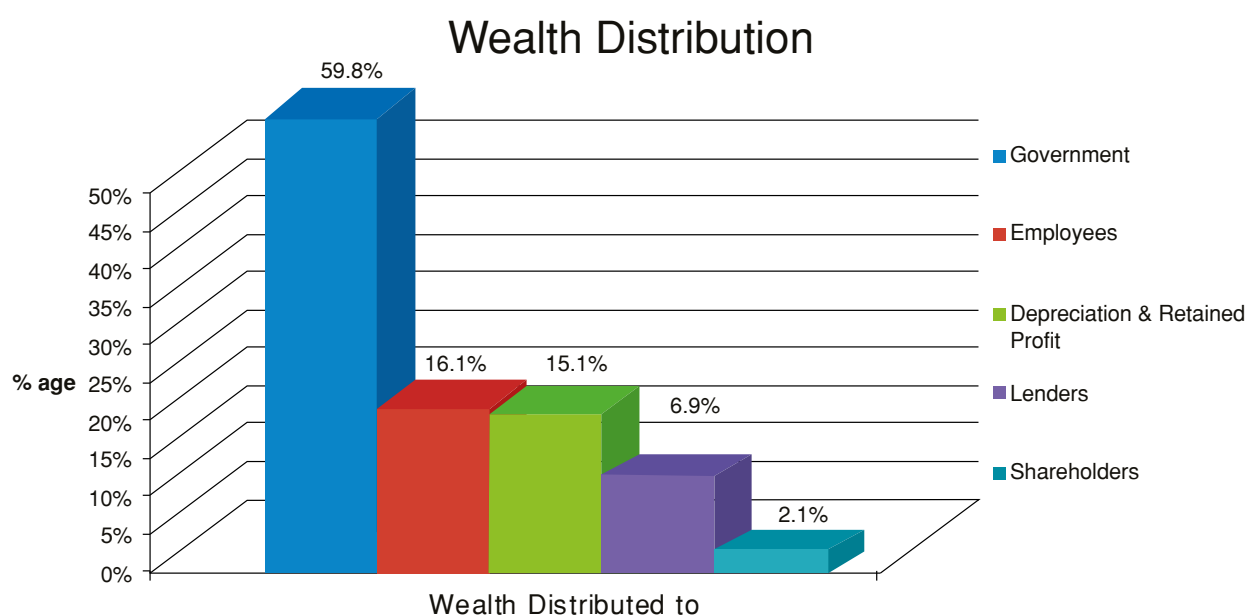
To shareholders (Dividend & Bonus Shares)
To Financial Institutes (Mark up/interest on borrowed funds)

100	169
330	225

Retained for Reinvestment and Growth

Depreciation and retained profits

729	888
4,815	4,172



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: Ittehad Chemicals Limited
Year ended: June 30, 2022

The company has complied the requirements contained in Regulations in the following manner:-

- The total number of directors are seven (07) as per the following:

Category	Numbers
Male	06
Female	01

- The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Pervaiz Ahmed Khan
	Mr. Pervez Ismail
Executive Directors	Mr. Abdul Sattar Khatri
	Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Muhammad Siddique Khatri
	Mr. Abdullah Mustafa
Female Director	Mrs. Farhana Abdul Sattar Khatri (Non-Executive)

- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
- The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- Presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Directors Training Program. The Company will arrange Directors' Training Program for remaining one (01) Board Member as per his convenience.
- The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- CFO and CEO duly endorsed the financial statements before approval of the Board.
- The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

b) HR and Remuneration Committee

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

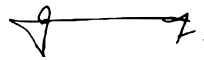
c) Risk Management Committee

Names	Designation held
Muhammad Siddique Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Waqas Siddiq Khatri	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees during Financial Year ended June 30, 2022 were as per following:
 - a) Audit Committee: Five (05) meetings held (at least one (01) meeting in each quarter).
 - b) HR and Remuneration Committee: Two (02) meetings held.
 - c) Risk Management Committee: One (01) meeting held.
15. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3,6,7,8,27,32,33 and 36, of the CCG have been complied with.
19. The Company has fully ensured the compliance of mandatory provisions of the Code. Since the Code requires

“comply or explain approach” towards the non-mandatory provisions of the Code; hence, we confirm that all requirements of optional provisions also complied with except presently the Board has not constituted a separate Nomination Committee and the functions are being performed by the HR & RC and the fractional requirement for Independent directors has not been rounded up as one keeping in view the requisite qualification, experience and expertise of the present Board of Directors.

Lahore
September 21, 2022



Muhammad Saddique Khatri
Chairman



Abdul Sattar Khatri
Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ITTEHAD CHEMICALS LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ittehad Chemicals Limited for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

Lahore

Dated: September 30, 2022

UDIN: CR202210087R2tQX0EH9



Chartered Accountants

Engagement Partner: Sajjad Hussain Gill

The background of the slide features a collage of financial data visualizations. In the foreground, a smartphone is positioned on the left, displaying a line graph. Behind it, several bar charts and a pie chart are visible, all rendered in a light, faded style. The overall aesthetic is professional and data-oriented.

Financial Statements

for the year ended 30 June 2022

Independent Auditors' Report to the Members of Ittehad Chemicals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ITTEHAD CHEMICALS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2022, and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Capital expenditures	
	<p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2022.</p> <p>The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter.</p> <p>Refer to notes 6.1 to the financial statements.</p>	<p>Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria.</p> <p>We also assessed the useful economic lives assigned with reference to the Company's historical experience.</p> <p>We reviewed the minutes of the Company's Board of Directors during the year to evaluate the completeness of management's consideration of any events that warranted the carrying values.</p> <p>We visited the sites where significant capital</p>

S. No	Key audit matters	How the matter was addressed in our audit
		<p>projects are ongoing to understand the nature of the projects.</p> <p>We assess the adequacy of the disclosures presented in the financial statements regarding property, plant and equipment, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	Inventory valuation	
	<p>As at June 30, 2022, the Company held Rs. 2,664.093 million in inventories. Given the size of the inventory balance relative to the total assets of the Company and the estimates and judgements described below, the valuation of inventory required significant audit attention.</p> <p>As disclosed in Note 6.7 and 6.8, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> • Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items; • The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required. <p>Refer to Note 6.7, 6.8, 12 & 14 of the financial statements – Inventory.</p>	<p>Our audit procedures involved assessing the Company's accounting policies over recognizing and valuation of inventory in compliance with applicable accounting standards.</p> <p>We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value.</p> <p>We performed an analytical review of the inventory to compare and investigate any unexpected or unusual variation between current year and prior year and discuss these with management and also corroborate with underlying record.</p> <p>We checked final stock valuation sheet to physical stock taking Sheet to ensure that all items are included.</p> <p>We reconciled final stock valuation sheet to general ledger and stock ledger and checked amount to appropriate sources and investigate unusual items.</p> <p>We assessed the Company's disclosures in the financial statements in respect of inventory.</p>

S. No	Key audit matters	How the matter was addressed in our audit
3.	Contingencies	
	<p>As disclosed in note 34.1 to the financial statements, the Company is involved in certain legal and tax proceedings against the Company. The appeals were filed by the Company against these orders at respective forum.</p> <p>Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p> <p>No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Company.</p> <p>There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matter.</p>	<p>In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmations directly from legal and tax advisors.</p> <p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> • We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Company and the other parties involved in the disputes. • We read the minutes of the Board meetings, and inspected the company's legal expenses, in order to ensure all cases have been identified. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. • We followed the progress of each case and the Company's estimate of the cost to be incurred; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and • Obtained legal advice on the above cases from the legal advisors to ensure that outflow is possible and not probable.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Sajjad Hussain Gill.

LAHORE

DATED: September 30, 2022

UDIN: AR202210087HhQjpaSII



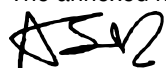
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Statement of Financial Position

as at 30 June, 2022

	Note	2022 — Rupees in thousand —	2021
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	6,298,108	5,722,682
Capital work in progress	8	396,152	417,167
		6,694,260	6,139,849
Intangible assets	9	1,440	6,445
Investment property	10	408,750	307,500
Long term investments	11	2,500	100
Long term deposits	12	51,758	51,007
		7,158,708	6,504,901
CURRENT ASSETS			
Stores, spares and loose tools	13	495,567	442,955
Stock in trade	14	2,168,526	1,121,263
Trade debts	15	1,787,468	1,167,876
Loans and advances	16	278,928	104,616
Trade deposits and short term prepayments	17	27,367	33,878
Tax refunds due from the Government	18	529,429	529,200
Taxation - net	19	224,526	66,459
Cash and bank balances	20	194,542	338,635
		5,706,353	3,804,882
TOTAL ASSETS		12,865,061	10,309,783
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	21.1	2,000,000	1,250,000
Issued, subscribed and paid up share capital	21.2	1,000,000	847,000
Reserves	22		
Capital reserves - Share premium		177,000	330,000
Revenue reserves - Unappropriated profit		2,618,421	2,305,352
Merger reserve	9.2	(6,445)	-
Surplus on revaluation of fixed assets	23	1,392,042	1,392,042
		5,181,018	4,874,394
NON CURRENT LIABILITIES			
Long term financing	24	670,698	287,969
Long term diminishing musharaka	25	577,566	964,570
Lease liabilities	26	9,300	17,899
Deferred liabilities	27	621,789	448,301
Deferred grant	28	30,094	1,038
GIDC payable	29	-	77,012
		1,909,447	1,796,789
CURRENT LIABILITIES			
Trade and other payables	30	3,231,916	1,902,819
Unclaimed dividend		2,308	5,303
Mark-up accrued	31	82,866	38,618
Short term borrowings	32	1,790,853	1,161,440
Current portion of long term liabilities	33	666,653	530,420
		5,774,596	3,638,600
CONTINGENCIES AND COMMITMENTS	34		
TOTAL EQUITY AND LIABILITIES		12,865,061	10,309,783

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Profit or Loss Account

For the year ended 30 June, 2022

		2022	2021
	Note	— Rupees in thousand —	
Sales	35	15,681,372	11,123,793
Cost of sales	36	(13,616,595)	(9,238,284)
Gross profit		2,064,777	1,885,509
Selling and distribution expenses	37	(805,901)	(576,501)
General and administrative expenses	38	(245,148)	(200,583)
Other operating expenses	39	(80,998)	(107,711)
Other income	40	60,051	92,291
		(1,071,996)	(792,504)
Operating profit		992,781	1,093,005
Financial charges	41	(329,982)	(225,395)
Fair value gain on investment property	10	101,250	112,500
Profit before taxation		764,049	980,110
Taxation	42	(349,510)	(323,343)
Profit after taxation		414,539	656,767
Earnings per share - Basic and diluted (Rupees)	45	4.15	6.57

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

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Comprehensive Income

For the year ended 30 June, 2022

		2022	2021
	Note	— Rupees in thousand —	
Profit after taxation for the year		414,539	656,766
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of defined benefit liability	27.3	(2,153)	(1,919)
Related tax effect		683	534
		(1,470)	(1,385)
Revaluation surplus on free hold land	23	-	419,308
		(1,470)	417,923
Items that may be reclassified subsequently to profit or loss		-	-
		(1,470)	417,923
Total comprehensive income for the year		<u>413,069</u>	<u>1,074,689</u>

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Cash Flows

For the year ended 30 June, 2022

		2022	2021
	Note	— Rupees in thousand —	
Cash flows from operating activities			
Net cash flows from operating activities before working capital changes	47	1,551,518	1,661,276
Increase in current assets			
Stores, spares and loose tools		(70,623)	(42,214)
Stock in trade		(1,047,263)	(436,145)
Trade debts		(628,692)	(381,764)
Loans and advances		(174,312)	(133,059)
Trade deposits and short term prepayments		6,511	(28,875)
Tax refunds due from the Government		(120,793)	34,457
		(2,035,172)	(987,600)
Increase in current liabilities			
Trade and other payables		1,252,085	559,797
Cash generated from operations		768,431	1,233,473
Taxes paid		(227,971)	(97,326)
Gratuity paid		(5,191)	(34,442)
Financial charges paid		(307,216)	(265,151)
Net cash generated from operating activities		228,053	836,554
Cash flows from investing activities			
Additions to operating fixed assets		(61,002)	(22,308)
Additions to intangible assets		(1,672)	-
Additions to capital work in progress		(997,872)	(576,365)
Proceeds from sale of operating fixed assets		12,715	249,916
Long term investment		(2,400)	(81)
Long term deposits		(751)	1,035
Net cash used in investing activities		(1,050,982)	(347,803)
Cash flows from financing activities			
Proceeds from long term financing		678,550	142,316
Repayments of long term financing		(131,818)	(82,576)
Repayments of long term diminishing musharaka		(387,005)	(108,944)
Repayment of finance lease liabilities		(7,312)	(8,462)
Dividend paid		(102,995)	(249,817)
Short term borrowings - net		629,416	22,866
Net cash used in financing activities		678,836	(284,617)
Net (decrease) / increase in cash and cash equivalents		(144,093)	204,134
Cash and cash equivalents at the beginning of the year		338,635	134,501
Cash and cash equivalents at the end of the year	20	194,542	338,635

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Changes in Equity


For the year ended 30 June, 2022

	Note	Issued, subscribed and paid-up capital	Reserves				Total
			Capital Reserves			Revenue Reserves	
			Surplus on revaluation of fixed assets	Balance arising upon merger	Share premium	Unappropriated profit	
			(Rupees in thousand)				
Balance as at July 01, 2020		847,000	972,734	-	330,000	1,904,070	4,053,804
Transaction with owners:							
Final cash dividend on ordinary shares @ Rs. 1 per share		-	-	-	-	(84,700)	(84,700)
Interim final cash dividend on ordinary shares @ Rs. 2 per share		-	-	-	-	(169,400)	(169,400)
		-	-	-	-	(254,100)	(254,100)
Total comprehensive income for the year							
Profit for the year		-	-	-	-	656,767	656,767
Remeasurement of defined benefit liability - net		-	-	-	-	(1,385)	(1,385)
Revaluation surplus for the year		-	419,308	-	-	-	419,308
		-	419,308	-	-	655,382	1,074,690
Balance as at July 01, 2021		847,000	1,392,042	-	330,000	2,305,352	4,874,394
Transaction with owners:							
Issuance of bonus shares @ 18.06 %		153,000	-	-	(153,000)	-	-
Interim cash dividend on ordinary shares @ Rs. 1 per share		-	-	-	-	(100,000)	(100,000)
Total comprehensive income for the year							
Profit for the year		-	-	-	-	-	-
Profit for the year		-	-	-	-	414,539	414,539
Adjustment of goodwill upon merger	9.2	-	-	(6,445)	-	-	(6,445)
Remeasurements of defined benefit liability - net		-	-	-	-	(1,470)	(1,470)
Balance as at June 30, 2022		1,000,000	1,392,042	(6,445)	177,000	2,618,421	5,181,018

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Notes to the Financial Statements

For the year ended 30 June, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange 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 holds 100% shares of Ittehad Salt Processing (Private) Limited (subsidiary company), which is a private limited company and incorporated in Pakistan under the Companies Act, 2017 on December 3, 2019, as company limited by shares. The subsidiary company is engaged in the business of exploring, operating, and working on mines and quarries. The registered office of subsidiary company is situated at 31-A, Tech Society, Canal Bank, Lahore. The Chief Executive of subsidiary company is Ahmed Mustafa.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

Regional office

Karachi
Faisalabad
Islamabad

Office address

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits which are measured at present value, freehold land and investment property which are measured at fair value as referred in notes 6.1 and 6.3 respectively.

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 43.

3.3 Functional and presentation currency

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

4 CHANGE IN ACCOUNTING POLICY - ACCOUNTING FOR COMMON CONTROL TRANSACTIONS

During the year, the SECP has issued an accounting standard "Accounting for Common Control Transactions," which prescribes use of measurement principal of predecessor accounting for business combinations under common controls. Under the predecessor accounting measurement, at the date of common control transaction, there shall be no: a) fair value adjustment to the assets and liabilities of the transferred / transferring entity; or b) recognition of new assets and liabilities for the transferred / transferring entity. The Company, considering the above requirement, has applied the predecessor accounting method prospectively whereby the previously recognized Intangible Asset – Goodwill has now been adjusted by Rs. 6.445 million and a Group Restructuring Reserve named as "balance arising upon merger" has been created by the same amount within equity. The management has not applied this change in accounting policy retrospectively considering the insignificance of the amount involved."

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

5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations did not have any significant impact on the financial statements.

Effective date
(annual periods
beginning on or after)

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
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Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
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5.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
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Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
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Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
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Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
--	------------------

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022
Effective date
(annual periods
beginning on or after)

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract

January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

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

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

6 SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property, plant and equipment

a) Owned assets

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

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 7. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

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

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax (if any), in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be first charged to any revaluation surplus against this asset and the remaining balance recognized in profit or loss.

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

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

b) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

6.2 Intangible assets

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

6.3 Investment property

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

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

Rental income from investment property is accounted for as described in note 6.22.

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

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

6.4 Leases

Right of use assets

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

6.5 Investment in associates

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

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

6.6 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.

6.7 Stores, spares and loose tools

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

6.8 Stock-in-trade

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

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

Adequate provision is made for slow moving and obsolete items.

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

6.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.

6.10 Taxation**a) Current**

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

b) Deferred

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

6.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to profit and loss account in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

6.12 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.13 Provisions

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

6.14 Deferred grant

The deferred grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

6.15 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

6.16 Cash and cash equivalents

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

6.17 Dividend and appropriation to reserve

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

6.18 Financial instruments

6.18.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

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

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

6.18.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

6.18.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

6.18.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

6.19 Offsetting of financial assets and financial liabilities

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

6.20 Foreign currency transactions and translation

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

6.21 Employee benefits

The Company's employees benefits comprise of provident fund, gratuity scheme and compensated absences for eligible employees.

6.21.1 Staff retirement benefits**a) Defined contribution plan (Provident Fund)**

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

b) Defined contribution plan (Provident fund - officers and above)

The Company has planned to operates an approved provident fund scheme, effective from July 01, 2021, for officers and above. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation of job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred.

c) Defined benefit plan (Gratuity Fund)

The Company operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2022 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss account.

In prior year, the Company has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Company has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per the current policy.

6.21.2 Compensated absences

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

6.22 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers**Sale of goods**

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers
- Return on deposits is accrued using effective interest rate.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

6.23 Related party transactions

Transactions and contracts with the related parties are based on the policy approved by the Board. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

6.24 Borrowing costs

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

6.25 Segment reporting

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

6.26 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.27 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

6.28 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6.29 Capital reserves - Share premium

This reserve can be utilized by the Company only for the purposes specified in section 81(3) of the Companies Act, 2017.

6.30 Balance arising upon merger

For the business combinations under the common control, the consideration paid over and above the carrying value of the assets and liabilities acquired is recognized as "balance arising upon merger".

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Right of use assets

Note	2022 Rupees in thousand	2021
7.1	6,289,161	5,709,033
7.12	8,947	13,649
	<u>6,298,108</u>	<u>5,722,682</u>

7.1 Operating fixed assets

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

Description	(Rupees in thousand)								Total
	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	
Net carrying value basis year ended June 30, 2022									
Opening net book value (NBV)	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Additions / Transfer (at cost)	-	49,948	-	993,738	17,664	1,251	6,166	49,453	1,118,220
Disposals (NBV)	-	-	-	(23,364)	-	-	-	(4,322)	(27,686)
Depreciation charge	-	(23,076)	(70)	(461,990)	(6,721)	(448)	(3,901)	(14,200)	(510,406)
Closing net book value	1,592,895	248,840	628	4,296,427	50,061	4,387	18,536	77,387	6,289,161
Gross carrying value basis year ended June 30, 2022									
Cost	1,592,895	460,222	3,906	7,776,652	162,223	12,149	77,499	146,853	10,232,399
Accumulated depreciation	-	(211,382)	(3,278)	(3,480,225)	(112,162)	(7,762)	(58,963)	(69,466)	(3,943,238)
Net book value	1,592,895	248,840	628	4,296,427	50,061	4,387	18,536	77,387	6,289,161
Net carrying value basis year ended June 30, 2021									
Opening net book value (NBV)	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Additions (at cost)	419,308	20,796	-	186,049	1,169	240	5,262	14,466	647,290
Disposals / transfers (NBV)	-	(2,922)	-	(270,075)	-	(14)	(80)	(1,905)	(274,996)
Depreciation charge	-	(23,658)	(77)	(461,846)	(6,903)	(387)	(3,219)	(10,031)	(506,121)
Closing net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Gross carrying value basis year ended June 30, 2021									
Cost	1,592,895	410,275	3,906	6,861,819	144,558	10,898	71,331	112,851	9,208,533
Accumulated depreciation	-	(188,307)	(3,208)	(3,073,776)	(105,440)	(7,314)	(55,060)	(66,395)	(3,499,500)
Net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Depreciation rate % per annum	-	10	10	10 to 33	15	10	15 to 30	20	

7.2 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 have been held for establishment of head office and factory.

7.3 This includes transfer from capital work-in-progress amounting to Rs. 1,083.842 million (2021: Rs. 205.675 million).

7.4 Free hold land was revalued by independent valuers M/s. Harvester Services (Private) Limited as at May 25, 2006, M/s. Dimen Associates (Private) Limited as at June 30, 2009, M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012, M/s. Unicorn International Surveyors as at June 30, 2015, M/s. Harvester Services (Private) Limited as at June 30, 2018 and M/s Harvester Services (Private) Limited as at June 30, 2021 on the basis of market value. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 1392.42 million (2021: Rs. 1392.42 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.853 million (2021: Rs. 200.853 million).

7.5 The forced sale value of free hold land was Rs. 1353.960 million as at June 30, 2021.

7.6 The depreciation charge for the year has been allocated as follows:

	Note	2022 —Rupees in thousand —	2021 —Rupees in thousand —
Cost of sales	36	496,947	496,283
Selling and distribution expenses	37	1,926	2,289
General and administrative expenses	38	16,235	14,262
		<u>515,108</u>	<u>512,834</u>
	7.1	510,406	506,121
	7.12	<u>4,702</u>	<u>6,713</u>
		<u>515,108</u>	<u>512,834</u>

7.7 The depreciation break-up is as follows:

Operating fixed assets
Right of use of assets

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

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
(Rupees in thousand)							
Vehicles							
Suzuki Alto - AKT-459	607	327	280	550	270	Negotiation	Mr. Kafait Ullah
Toyota Land Cruiser LE-17-125	11,257	7,927	3,330	10,000	6,670	Negotiation	Haji Muhammad Rafiue
Honda City LED-10-3373	1,036	906	130	800	670	Negotiation	Mr. Muhammad Kamran
Toyota Corolla LEC-12-7876	1,531	1,206	325	665	340	Negotiation	Mr. Syed Muhammad Shirazi
Suzuki Wagonr-BEQ-091	1,019	763	256	700	444	Negotiation	Mr. Jawaid
Electrolyzer # IEM I (P&M)	78,906	55,541	23,365	-	(23,365)	Scrap	
Total - 2022	<u>94,356</u>	<u>66,670</u>	<u>27,686</u>	<u>12,715</u>	<u>(14,971)</u>		
Total - 2021	<u>1,028,486</u>	<u>753,490</u>	<u>274,996</u>	<u>249,916</u>	<u>(25,080)</u>		

7.9 Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

7.10 Fair value measurement (revalued property, plant and equipment)

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

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

7.11 Valuation techniques used to derive level 2 fair values - Land

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

	Note	2022 — Rupees in thousand —	2021
7.12 Right of use assets			
The following is the statement of right-of-use assets:			
Building			
Year ended June 30,			
Net carry value basis			
Opening net book value (July 01,)	7.13	13,649	29,553
Disposals		-	(9,192)
Depreciation charge		(4,702)	(6,712)
Closing net book value		8,947	13,649
Gross carry value basis			
Cost		41,653	41,653
Accumulated depreciation		(32,706)	(28,004)
Net book value		8,947	13,649
Depreciation rate % per annum		10%	10%

7.13 In prior year Company has vacated two premises and accordingly disposal adjustment has been made in these financial statements.

8 CAPITAL WORK IN PROGRESS

This comprises of:		24,388	12,247
Building		357,918	243,548
Plant and machinery	8.2	13,846	161,372
Advances		396,152	417,167

	Advances	Building	Plant and machinery	Total
	Rupees in thousand			
8.1 Movement of carrying amount				
Year ended June 30, 2022				
Opening balance	161,372	12,247	243,547	417,166
Additions (at cost)	18,596	46,684	1,073,548	1,138,828
Adjustment	(63,499)	-	63,499	-
Adjustment	(76,000)	15,406	(15,406)	(76,000)
Transferred to operating fixed assets	(26,623)	(49,949)	(1,007,270)	(1,083,842)
Closing balance	13,846	24,388	357,918	396,152
Year ended June 30, 2021				
Opening balance	17,289	8,315	20,872	46,476
Additions (at cost)	159,733	23,508	393,124	576,365
Adjustment	(15,650)	(2,111)	17,761	-
Adjustment	-	3,332	(3,332)	-
Transferred to operating fixed assets	-	(20,797)	(184,878)	(205,675)
Closing balance	161,372	12,247	243,547	417,166

8.2 Advances include balances amounting to Rs. 1.639 million (2021: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This 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 year the amount has been returned to the Company based on the management decision not to pursue the matter.

8.3 Capital work in progress includes an amount of Rs. 38.332 million (June 30, 2021: Nil) against borrowing cost capitalised during the period.

9 INTANGIBLE ASSETS

Computer software and licences
Goodwill

Note	2022	2021
	Rupees in thousand	
9.1	1,440	-
9.2	-	6,445
	1,440	6,445

9.1 Computer software and licences

Net carrying value as at 1 July 01

Opening balance as on July 01,	-	-
Addition during the year	1,672	-
Amortization charge	(232)	-
Net book value as at June 30,	1,440	-

Gross carrying value as at 30 June

Cost	24,214	22,542
Accumulated amortization	(22,774)	(22,542)
Net book value	1,440	-

Amortization % per annum

33.33% 33.33%

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

Administrative expenses	38	232	-
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9.2 Goodwill

During the year ended 30 June, 2013, the Honorable Lahore High Court approved the Scheme of Arrangement for merger / amalgamation of Chemi Chloride Industries Limited (CCIL), a wholly owned subsidiary, with the Company effective from October 03, 2012. Since the merger was between two companies under common control, International Financial Reporting Standard IFRS 3 - Business Combinations was not applicable. The management based on its judgement applied acquisition accounting method and recognized excess of the consideration paid over fair value of net assets of subsidiary company on the date of acquisition amounting to Rs. 6.445 million as Goodwill.

During the current year, the SECP has issued an accounting standard "Accounting for Common Control Transactions," which prescribes use of measurement principal of predecessor accounting for business combinations under common controls. Under the predecessor accounting measurement, at the date of common control transaction, there shall be no: a) fair value adjustment to the assets and liabilities of the transferred / transferring entity; or b) recognition of new assets and liabilities for the transferred / transferring entity. The Company, considering the above requirement, has applied the predecessor accounting method prospectively whereby the previously recognized Intangible Asset – Goodwill has now been adjusted by Rs. 6.445 million and a "balance arising upon merger" has been created by the same amount within equity. The management has not applied this change in accounting policy retrospectively considering the insignificance of the amount involved.

	Note	2022 — Rupees in thousand —	2021
10 INVESTMENT PROPERTY			
10.1 Freehold land	10.1	408,750	307,500
The movement in this account is as follows:			
Opening balance		307,500	195,000
Fair value gain on revaluation shown in "income statement"	10.2	101,250	112,500
		408,750	307,500

10.2 Fair value measurement (Investment property)

This comprises commercial property that is freehold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2022 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

Fair value measurement of investment property is based on assumptions considered to be based on level 2 inputs.

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.

10.3 The forced sale value of investment property is Rs. 347.437 million (2021: Rs. 261.375 million).

11 LONG TERM INVESTMENTS

Investment in related parties - unquoted

Held at cost

Chemi Visco Fiber Limited

Investment in subsidiary company

Held at cost

Ittehad Salt Processing (Private) Limited

11.1 Chemi Visco Fiber Limited

5,625,000 (2021: 5,625,000) fully paid ordinary shares

Less: Provision for diminution in value of investment

Relevant information:

Percentage of investment in equity held 7.91%

(2022: 7.91%) (Chief Executive : Mr. Usman Ghani)

11.1.1 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.

11.2 Ittehad Salt Processing (Private) Limited

250,000 (2021: 10,000) fully paid ordinary shares

Relevant information:

Percentage of investment in equity held 100%

(2021: 100%) (Chief Executive : Mr. Ahmed Mustafa)

Location: Pakistan

11.3 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 year as approved by Board on December 22, 2021 under approval of the members on May 26, 2021.

12 LONG TERM DEPOSITS

Long term deposit

12.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or mark-up and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Company. The impact of discounting is considered insignificant by the management.

Note	2022 — Rupees in thousand —	2021
11.1	-	-
11.2	2,500	100
	2,500	100
11.1.1	56,250 (56,250)	56,250 (56,250)
	-	-
11.3	2,500	100
12.1	51,758	51,007

	Note	2022 — Rupees in thousand —	2021
13 STORES, SPARES AND LOOSE TOOLS			
Stores			
in hand	13.1	86,628	61,140
in transit		512	-
		87,140	61,140
Spares:			
in hand	13.1	413,819	339,564
in transit		31,567	64,089
		445,386	403,653
		532,526	464,793
Less: Provision for obsolete stores and spares	13.2	36,959	21,838
		495,567	442,955

13.1 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.

13.2 Movement of provision for obsolete stores and spares			
Opening balance		21,837	8,708
Adjustment on account of write off during the year		(2,889)	(4,871)
Provision made during the year		18,011	18,000
		36,959	21,837

14 STOCK IN TRADE

Raw materials:			
in hand	36	1,018,757	358,577
in transit	14.1	404,602	251,324
		1,423,359	609,901
Packing materials			
in hand		24,011	22,788
in transit		-	-
Work in process	36	53,901	43,626
Finished goods	14.2 & 36	667,255	444,948
		2,168,526	1,121,263

14.1 This represents stock in transit which was still on the way from port at the year end.

14.2 The finished goods also includes stock in transit amounting to Rs. 6.36 million (2021: 25.19 million) which was still on the way to the port at the year end.

14.3 Stock-in-trade up to a maximum amount of Rs. 2,168.526 million (2021: Rs.1,121.263 million) are under hypothecation of commercial banks as security against short term borrowings.

	Note	2022 —Rupees in thousand—	2021
15 TRADE DEBTS			
Unsecured			
Considered good - Foreign		306,196	90,342
Secured			
Considered doubtful	15.2	2,234	2,234
Less: Provision for doubtful debt		2,234	2,234
		-	-
Unsecured			
Considered good - Local		1,481,272	1,077,534
Considered doubtful		60,234	55,242
		1,541,506	1,132,776
		1,847,702	1,223,118
Less: Provision for doubtful debts	15.1	60,234	55,242
		1,787,468	1,167,876
15.1 Movement of expected credit losses (ECL) is as follows:			
Opening balance		57,476	72,476
Adjustment on account of:			
Recovery of losses		-	(15,000)
Expected credit losses		4,992	-
Net adjustment		4,992	(15,000)
Closing balance		62,468	57,476
15.2 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 Rs. 15 million in prior year 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.			
16 LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	16.1-3	19,390	19,575
Advance to supplies and services (Unsecured)			
Considered good		122,984	83,699
Considered doubtful		1,374	1,374
		124,358	85,073
Other advance	16.5	135,000	-
Against import		1,554	1,342
		280,302	105,990
Less: Provision for doubtful advances	16.6	1,374	1,374
		278,928	104,616
16.1 This includes advance to employees against salaries in accordance with the terms of their employment. These advances are unsecured, interest free and are deductible from their salaries.			
16.2 This includes advances provided to employees to meet business expenses. These advances do not carry any interest or mark-up.			
16.3 This includes advances amounting to Rs. 15.192 million (2021: Rs. 15.394 million) deposited to the Honourable Lahore High Court against various cases for gratuity of employees. The Company is expecting favourable outcome and therefore, considered good.			
16.4 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.			

- 16.5** This represents payment against purchase of land measuring 1.39 acres located at Plot No. D-4 South Avenue S.I.T.E Karachi. Initial payment was Rs.155.00 million, however, during the year Rs. 20.00 million has been returned to the Company.

	Note	2022 — Rupees in thousand —	2021
16.6 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
17 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)	17.1	19,400	25,108
Security deposits	17.2	950	1,625
Prepayments		7,017	7,145
		27,367	33,878

- 17.1** This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

- 17.2** This includes security deposit against rented premises. These deposits do not carry any interest or mark-up and are recoverable within one year as the respective premises are vacated during the year.

18 TAX REFUNDS DUE FROM THE GOVERNMENT			
(Considered good)			
Income tax		383,160	503,724
Sales tax		146,269	25,476
		529,429	529,200
19 TAXATION - NET			
Advance income tax		478,501	233,704
Less: Provision for taxation	42	253,975	167,245
		224,526	66,459
20 CASH AND BANK BALANCES			
Cash in hand		463	977
Cheques in hand		-	213,462
Cash at banks			
Current accounts	20.1	175,898	63,817
Saving accounts	20.2	18,181	60,379
		194,079	124,196
		194,542	338,635

- 20.1** Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.

- 20.2** The balance in saving accounts carries mark up which ranges from 4.5% to 12.25% (2021: 3% to 5.5%) per annum.

21 SHARE CAPITAL**21.1 Authorized share capital**

			Note	2022 — Rupees in thousand —	2021
	2022	2021			
	Number of ordinary shares of Rs. 10/- each				
	175,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,750,000	1,000,000
	25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
	<u>200,000,000</u>	<u>125,000,000</u>		<u>2,000,000</u>	<u>1,250,000</u>

21.1.1 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.

21.2 Issued, subscribed and paid up capital

	2022	2021			
	Number of ordinary shares of Rs. 10/- each				
	27,100,000	27,100,000	Fully paid in cash	271,000	271,000
	24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
	48,000,000	32,700,000	Fully paid bonus shares	480,000	327,000
	<u>100,000,000</u>	<u>84,700,000</u>		<u>1,000,000</u>	<u>847,000</u>
				Number of Shares	Rupees (thousand)
21.2.1 Movement of share capital is as follows:					
Opening balance				84,700,000	847,000
Shares issued during the year			21.2.3	15,300,000	153,000
Closing balance				<u>100,000,000</u>	<u>1,000,000</u>

21.2.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

21.2.3 The Board of Directors of the Company in its meeting held on October 27, 2021 accord approval to issue bonus shares in the proportion 18.063754 shares for every 100 shares held i.e 18.064%. These bonus shares have been issued from the share premium account.

22 RESERVES

Capital					
Share premium	22.1	177,000		330,000	
Revenue					
Un-appropriated profit		2,618,421		2,305,352	
		<u>2,795,421</u>		<u>2,635,352</u>	

22.1 This reserve can be utilized by the Company only for the purposes specified in section 81(3) of the Companies Act, 2017.

22.2 Movement of reserves have been reflected in the statement of changes in equity.

	Note	2022 — Rupees in thousand —	2021
23 SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		1,392,042	972,734
Revaluation surplus arising during the year	23.1	-	419,308
		<u>1,392,042</u>	<u>1,392,042</u>

23.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2021 by an independent valuer M/s. Harvestor Services (Private) Limited on the basis of market value.

24 LONG TERM FINANCING

Secured:

Banking Companies

MCB Bank Limited- SBP Refinance

Samba Bank Limited-TERF

Bank of Punjab (Labsa II)

Other Financial Institutions

Pak Libya Holding Company (Pvt) Limited

Pak Brunei Investment Company Limited

Pak Brunei Investment Co. Ltd (WWTP)

Less: Current portion shown under current liabilities

24.1	48,205	142,613
24.2	71,866	-
24.3	274,771	-
	<u>394,842</u>	<u>142,613</u>
24.4	217,000	43,841
24.5	200,000	233,333
24.6	110,000	-
	<u>527,000</u>	<u>277,174</u>
	<u>921,842</u>	<u>419,787</u>
33	251,144	131,818
	<u>670,698</u>	<u>287,969</u>

24.1 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%.

24.2 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.

24.3 The Company has obtained this loan to the extent of Rs. 313.717 million. The SBP has approved Rs. 246.144 million under Temporary Economic Refinance Facility (TERF). So, the remaining amount of Rs.67.573 million is treated as demand finance. This finance is secured against the 1st pari passu charge of Rs. 400 million over fixed assets of the company. These carry mark up at SBP rate 4% plus 1% spread of Bank per annum under TERF and for the remaining amount carry 6 month KIBOR plus 1.5% per annum. The loan is repayable in Ten (10) equal semi- annual installments having grace period of Six months after the disbursement date.

- 24.4** 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.
- 24.5** 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.
- 24.6** 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 from the disbursement date.

		2022	2021
Note		— Rupees in thousand —	
25 LONG TERM DIMINISHING MUSHARAKA			
Secured;			
Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	25.1	437,500	612,500
The Bank of Punjab - TAQWA (LABSA)	25.2	313,321	418,450
Al-Baraka Bank (Pakistan) Limited	25.3	213,750	320,625
		964,571	1,351,575
Less: Current portion shown under current liabilities	33	387,005	387,005
		577,566	964,570

- 25.1** 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.
- 25.2** 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.
- 25.3** 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 year, Rs. 106.875 million was repaid.

	Note	2022 — Rupees in thousand —	2021
26 LEASE LIABILITIES			
Against right-of-use assets			
Lease liabilities		25,419	50,562
Payments / adjustments during the year		(7,312)	(25,143)
		18,107	25,419
Less: Current portion		(8,807)	(7,520)
		9,300	17,899
26.1 Maturity analysis-contractual undiscounted cash flow			
Less than one year		(9,997)	(9,343)
One to five year		(9,194)	(19,443)
Total undiscounted lease liability		(19,191)	(28,786)
26.2	When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.		
26.3	The above liabilities were obligations under leases with various lessors for lease of buildings.		
27 DEFERRED LIABILITIES			
Deferred taxation	27.1	519,144	360,786
Provision for gratuity	27.3	102,645	87,515
		621,789	448,301
27.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		614,756	507,749
Deductible temporary differences			
Provision for gratuity		(32,552)	(39,539)
Provision for doubtful debts		(20,614)	(16,668)
Provision for WPPF		(12,372)	(13,086)
Provision for obsolete stores		(11,721)	(6,075)
Lease liability		(5,742)	(7,071)
Tax credits		(12,611)	(64,524)
		519,144	360,786
27.2	The gross movement in the deferred tax liability during the year is as follow:		
Balance as at July 1,		360,786	222,414
Charge to profit and loss account		159,041	138,906
Credit in other comprehensive income		(683)	(534)
		519,144	360,786
27.3 Provision for gratuity			
a) General description			
The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.			

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2022 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

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

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2022 Percentage Per annum	2021 Percentage Per annum
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	13.25	10
Expected rate of increase in salary	12.25	9
c) Reconciliation of payable to defined benefit plan		
Present value of obligation and liability recognized in balance sheet	102,645	87,515
d) Movement of the liability recognized in the statement of financial position		
Opening net liability	87,515	142,380
Charge for the year	18,168	26,380
Gains and losses arising on Plan settlements	-	5,896
Benefits due but not paid	-	(54,618)
Remeasurement chargeable to other comprehensive income	2,153	1,919
Contribution paid to outgoing employees	(5,191)	(34,442)
Closing net liability	102,645	87,515
e) Charge for the year		
Current service cost	9,676	18,063
Interest cost	8,492	8,317
Gains and losses arising on plan settlements	-	5,896
Charge for the year	18,168	32,276

- f) The expected charge in respect of defined benefit plan for the year ending June 30, 2023 will be 24.03 million.

g) **Sensitivity analysis**

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
2022		
Discount rate	95,495	110,663
Salary increase	110,813	95,236
2021		
Discount rate	80,222	95,843
Salary increase	95,924	80,023
h) Maturity profile		
Time in year		
1	7,202	4,020
2	11,235	7,590
3	8,092	4,543
4	8,243	4,579
5-11 onwards	885,041	852,455

The average duration of the defined benefit obligation is 7 years.

	2022	2021
	— Rupees in thousand —	
i) Remeasurement chargeable to other comprehensive income		
Experience adjustment and actuarial loss / (gain) on obligation	2,153	1,919
Tax impact at 33% (2021: 29%) - net of export %age	(683)	(534)
	1,470	1,385

- j) In prior year, the Company has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Company has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per current policy.

28 DEFERRED GRANT

Deferred Grant	49,791	5,115
Current portion of grant	(19,697)	(4,077)
	30,094	1,038

- 28.1** This represents deferred grant recognised in respect of the benefit of below-market interest rate on long term finance facility as 'referred to in notes 24.1, 24.2 and 24.3. 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:

	Note	2022 — Rupees in thousand —	2021
28.2	Following is the movement in government grant during the year:		
	Opening balance as at July 01	5,115	5,935
	Addition during the period	61,526	4,415
	Amortized during the period	(16,850)	(5,235)
	Closing balance as at June 30	49,791	5,115

28.3 Company received term finance facility under Refinancing / Temporary Economic Refinance Facility Scheme of the State Bank of Pakistan from different banks. ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the company recognized the Deferred Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

29 GIDC PAYABLE

GIDC payable		62,775	251,097
Less: Current portion shown under current liability	29.1	62,775	174,085
		-	77,012

29.1 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 till June 30, 2021 and balance provision of GIDC as at the reporting date is Rs. 619.344 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 Honourable Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Honourable 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 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.

	Note	2022 — Rupees in thousand —	2021
30 TRADE AND OTHER PAYABLES			
Trade creditors		935,564	407,719
Accrued liabilities	30.1 & 30.3	1,932,551	1,220,538
Advances from customers		265,015	74,108
Security deposits	30.2	-	62,824
Retention money		5,331	6,902
Income tax deducted at source		15,577	-
Workers' Profit Participation Fund	30.4	39,013	47,035
Workers Welfare Fund	30.5	16,322	28,018
Other liabilities		22,543	55,675
		<u>3,231,916</u>	<u>1,902,819</u>

30.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 27.774 million (2021: Rs. 8.139 million).

30.2 This amount represented security deposits received from vendors and dealers for goods/ services. This has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017.

30.3 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 filed 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. 368.266 million on prudence basis since February 2018.

30.4 Workers' Profit Participation Fund

Balance as at July 01,		47,035	2,875
Interest at prescribed rate		2,825	47
Less: Amount paid to fund		46,591	1,080
		<u>3,269</u>	<u>1,842</u>
Current year's allocation at 5%	39	35,744	45,193
		<u>39,013</u>	<u>47,035</u>

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

30.5 Workers' Welfare Fund

Balance as at July 01		28,018	3,983
Current year's allocation at 2%	39	16,322	24,035
Less : Amount paid		(28,018)	-
		<u>16,322</u>	<u>28,018</u>

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

31 MARK UP ACCRUED

Secured;			
Long term financing		20,953	8,358
Long term diminishing musharaka		22,172	21,975
Short term borrowings		39,741	8,285
		<u>82,866</u>	<u>38,618</u>

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
32 SHORT TERM BORROWINGS			
Secured;			
Banking companies			
Running finances			
MCB Bank Limited	32.1	118,118	102,877
Askari Bank Limited	32.1	-	67,504
The Bank of Punjab	32.1	192,931	107,801
Samba Bank Limited	32.1	342,310	351,383
Habib Metro Bank Limited	32.1	130,985	156,875
Soneri Bank Limited	32.1	81,567	-
		<u>865,911</u>	<u>786,440</u>
Term finance			
Askari Bank Limited	31.2	150,000	100,000
Bank Al-Falah Limited	31.2	275,000	175,000
Pak Brunei Investment Company Limited	31.2	200,000	100,000
Faysal Bank Ltd (Istisna)	31.2	299,942	-
		<u>924,942</u>	<u>375,000</u>
		<u>1,790,853</u>	<u>1,161,440</u>

32.1 Short term running finance facilities have been obtained from various banks aggregated to Rs. 1,570 million (2021: Rs. 1,420 million) and carry 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.

32.2 Term finance facilities have been obtained from various banks aggregated to Rs. 1,125 million (2021: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.00% 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.

32.3 Financing/credit facilities available

At the reporting date, the following financing facilities had been negotiated and were available.

Aggregate facilities for opening of letters of credit and short term loan amounting to Rs. 5,215 million (2021: Rs. 2,125 million) are available to the Company.

33 CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	24	251,144	131,818
Long term diminishing musharaka	25	387,005	387,005
Liabilities against assets subject to finance lease	26	8,807	7,520
Deferred grant	28	19,697	4,077
		<u>666,653</u>	<u>530,420</u>

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingent liabilities

a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company.

- a) The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2021: Rs. 54.510 million).
- b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2021: Rs. 4.080 million).
- c) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 12.797 million (June 30, 2021: Rs. 12.077 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2021: 1.20 million).
- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million (2021: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2021: 25.50 million).
- g) Letters of guarantee outstanding as at June 30, 2022 were Rs. 470.908 million (2021: Rs. 347.693 million).

34.2 Commitments

Commitments as on June 30, 2022 were as follows:

- a) Against letters of credit amounting to Rs. 1,427.79 million (2021: Rs. 1,711.130 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (2021: Rs. 1.639 million).
- c) Commitment for lease payment has been made under the relevant note.

	Note	2022 —Rupees in thousand—	2021
35 SALES			
Sales			
Manufacturing	35.1	18,362,562	13,127,733
Trading		17,498	5,410
		<u>18,380,060</u>	<u>13,133,143</u>
Less: Sales tax		2,513,891	1,848,622
Commission to selling agents		184,797	160,728
		<u>2,698,688</u>	<u>2,009,350</u>
		<u>15,681,372</u>	<u>11,123,793</u>

35.1 This amount includes export sales amounting to Rs. 780.788 million (2021: Rs. 512.619 million).

35.2 Country wise export sales is as follows:

Afghanistan	37,845	36,648
France	81,065	-
Saudia Arabia	7,364	-
United Arab Emirates	558,032	201,755
Uzbekistan	24,841	-
Vietnam	14,109	-
Oman	10,202	274,216
China	47,330	-
	<u>780,788</u>	<u>512,619</u>

36 COST OF SALES

Raw materials consumed			
Opening stock		609,901	238,476
Purchases		6,659,571	3,969,104
		<u>7,269,472</u>	<u>4,207,580</u>
Closing stock	14	(1,423,359)	(609,901)
		<u>5,846,113</u>	<u>3,597,679</u>
Stores, spares and consumables		315,854	236,400
Packing materials consumed		167,087	168,026
Salaries, wages and other benefits	36.1	596,414	530,538
Fuel and power		6,301,888	4,169,077
Repair and maintenance		46,576	43,916
Rent, rates and taxes		9,304	379
Insurance		14,373	13,991
Depreciation	7.6	496,947	496,283
Vehicle running expenses		17,070	13,316
Telephone, telex and postage		1,033	938
Printing and stationery		303	293
Provision for slow moving stores and spares	13.2	18,011	18,000
Other expenses		3,430	1,741
		<u>13,834,403</u>	<u>9,290,577</u>

	Note	2022 — Rupees in thousand —	2021
Work in process			
Opening		43,626	38,912
Closing	14	(53,901)	(43,626)
		(10,275)	(4,714)
Cost of goods manufactured		13,824,128	9,285,863
Cost of stores traded		14,774	4,878
Finished goods			
Opening		444,948	392,491
Closing	14	(667,255)	(444,948)
		(222,307)	(52,457)
		<u>13,616,595</u>	<u>9,238,284</u>

36.1 This amount includes Rs. 25.464 million (2021: Rs. 26.76 million) in respect of employees' retirement benefits.

37 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	37.1	41,145	34,620
Travelling and conveyance		1,073	572
Vehicle running expenses		3,225	1,975
Advertisement		815	74
Telephone, telex and postage		1,210	1,130
Marketing service charges		76,481	53,936
Freight		667,956	472,463
Rent, rates and taxes		1,248	509
Printing and stationery		744	566
Fee and subscription		112	102
Fuel and power		2,960	2,270
Repair and maintenance		1,780	1,617
Insurance		5,225	4,378
Depreciation	7.6	1,927	2,289
		<u>805,901</u>	<u>576,501</u>

37.1 This amount includes Rs. 1.639 million (2021: Rs. 2.147 million) in respect of employees' retirement benefits.

38 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	38.1	139,477	128,107
Traveling and conveyance		14,932	7,038
Vehicle running expenses		11,348	9,061
Telephone, telex and postage		3,067	3,123
Rent, rates and taxes		7,367	2,586
Printing and stationery		1,095	915
Fee and subscription		9,422	3,688
Legal and professional charges		9,804	9,450
Fuel and power		6,228	4,858
Provision for doubtful debts and advances		4,992	-
Amortization of intangible asset		232	-
Repair and maintenance		3,574	2,833
Depreciation	7.6	16,235	14,262
Bad debts written off		-	1,021
Donations	38.2	13,448	9,522
Other expenses		3,927	4,119
		<u>245,148</u>	<u>200,583</u>

- 38.1** This amount includes Rs. 3.499 million (2021: Rs. 3.91 million) in respect of employees' retirement benefits.

Note — 2022 — 2021
— Rupees in thousand —

38.2 Donations

The Company has paid donations to donees as mentioned below exceeding Rs. 0.500 million.

Rana Al-habib Memorial Hospital Foundation	600	600
Dastkari School KSK	1,603	1,380
Kiran Foundation	130	600
Akhuwat Foundation	500	500
Baitusslam welfare trust	500	-
Indus hospital	500	-
Cuchi Khatri Jamat Khana	500	-
	<u>4,333</u>	<u>3,080</u>

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

Donation amounting to Rs. 0.130 million (2021: Rs. 0.600 million) paid to Kiran Foundation (Ex Kiran Ibtadai School). Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Company is the patron of the school and Mr. Waqas Siddiq Khatri, an executive director of the company, is also the member of the Board of Trustees.

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

39 OTHER OPERATING EXPENSES

Auditors' remuneration		
Audit fee	900	900
Half yearly review fee	250	250
Tax and certification charges	76	50
Out of pocket expenses	236	167
	<u>1,462</u>	<u>1,367</u>
Loss on sale of fixed assets	-	11,433
Loss on scrap of fixed assets	23,364	13,645
Workers' profit participation fund	30.4 35,743	45,193
Workers welfare fund	30.5 16,322	24,035
Foreign exchange loss	4,107	12,038
	<u>80,998</u>	<u>107,711</u>

40 OTHER INCOME

Income from financial assets		
Return on saving accounts	1,136	5,805
Balances written back	285	-
Income from non- financial assets		
Gain on sale of fixed assets	8,393	-
Gain on sale of leased assets (disposal)	-	7,489
Gain on discounting of GIDC payable	-	25,486
Sale of scrap	23,680	33,276
Government grants	16,850	5,235
Insurance claim net	9,707	-
Recovery of doubtful debts	15.1 -	15,000
	<u>58,630</u>	<u>86,486</u>
	<u>60,051</u>	<u>92,291</u>

	Note	2022 —Rupees in thousand—	2021
41 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		52,179	33,294
Long term diminishing musharaka		122,036	127,429
Interest on lease finance		1,922	3,282
Short term borrowings		120,023	40,296
Worker's profit participation fund		2,825	48
		298,985	204,349
Bank charges and commission		15,670	12,002
Unwinding of discount on GIDC payment		15,327	9,044
		329,982	225,395
42 TAXATION			
Current	42.1	195,238	170,740
Super tax	42.2	63,507	-
Prior year		(68,277)	13,697
Deferred tax		159,042	138,906
		349,510	323,343

42.1 The tax charge represents minimum tax (2021: Normal) under the income Tax Ordinance, 2001, so numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented for current year, however, comparative year reconciliation is as follows:

42.2 This represents super tax @ 10% on the taxable income for the tax year 2022 imposed through Finance Act 2022.

42.3 Relationship between Tax Expense and Accounting Profit

Accounting profit	-	980,110
Applicable tax rate 29% (2021: 29%)	-	29%
Tax at the applicable rate of 29% (2021: 29%)	-	284,232
Tax effect of inadmissible expenses/ losses	-	242,215
Tax effect of admissible expenses	-	(180,872)
Income taxed at different rates	-	7,867
Prior years adjustment	-	13,697
Tax effect of losses and other allowances	-	(182,703)
Effect of super tax	-	-
Effect of temporary difference	-	138,907
Tax charge for the year	-	323,343

42.4 The rate of tax has been fixed at 29% for Tax Year 2021 and onwards by taxation authorities.

42.5 Comparison of tax provision against tax assessments

Years	Excess/ (Short)	Tax provision	Tax assessment/ tax return
		—Rupees in thousand—	
2020-21	68,417	170,740	102,323
2019-20	1,446	1,446	-

- 42.6** As at June 30, 2022, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

43 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 6. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 6.10 to these financial statements.

b) Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 27.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 7 to these financial statements, the Company has revalued its free hold land as on June 30, 2022.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding effect on amounts recognized in profit and loss account as provision / reversal.

e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) Expected credit losses

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of expected credit loss is recognized.

g) Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

44 DEFINED CONTRIBUTION PLAN

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

The Trustees have intimated that the size of the Fund at year end was Rs. 7.218 million (2021: Rs. 8.795 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2022, investment out of the Fund have been made in accordance with provision of the Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

The cost / fair value of the investments was Rs. 6.120 million (2021: Rs. 7.129 million) at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
2022		
Deposit in scheduled banks	6,120	100
2021		
Deposit in scheduled banks	7,129	100

44.2 During the year, the Company has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Company and the employees contribution to the provident fund will be at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation of job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred. During the year contribution (employee and employer) amounting to Rs. 21.973 million has been made. Separate bank account is maintained to deposit said contribution.

45 EARNINGS PER SHARE - BASIC AND DILUTED

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

	Note	2022 — Rupees in thousand —	2021
Profit after taxation - (Rupees in thousand)		414,539	656,767
Weighted average number of ordinary shares - (in thousand)		100,000	100,000
Earnings per share - (Rupees)		4.15	6.57

45.1 The earning per share of prior year has restated due to issuance of bonus shares during the year.

46 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	
	Financing	Equity reserves
	Total	
	Rupees in thousand	
Balance as at July 1, 2021	3,400,280	5,303
Borrowings from Banking Companies (short and long)	1,307,966	-
Repayment of financing	(139,130)	-
Repayments of long term diminishing musharaka	(387,005)	-
Dividend paid on ordinary shares	-	100,000
Payment of dividend	-	(102,995)
Balance as at June 30, 2022	4,182,111	2,308

	Note	2022	2021
		Rupees in thousand	
47 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		764,049	980,110
Adjustments for items not involving movement of funds:			
Depreciation	7.6	515,108	512,833
Amortization of intangible assets		232	-
Provision for staff retirement gratuity	27	18,168	32,276
Loss on sale of fixed assets	7.8	14,971	25,078
Gain on disposal of leased assets	7.12	-	(7,489)
Gain on revaluation of investment property	10.1	(101,250)	(112,500)
Foreign exchange gain	39	4,107	12,038
Provision for / (recovery of) doubtful debts	15	4,992	(25,486)
Bad debts written off	37	-	1,021
Provision for obsolete stores and spares	13	18,011	18,000
Financial charges	41	313,130	225,395
Net cash flow before working capital changes		1,551,518	1,661,276

48 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors, associate persons 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 except for those which are specifically disclosed elsewhere.

		Note	2022 —Rupees in thousand—	2021
48.1 Transactions with related parties				
Relation with the Company	Nature of transaction			
Other related party				
Chemi Multifabrics Limited	Marketing service charges		75,475	53,936
Chemi Viscofiber Limited	Purchase of Misc. Stores Items		7,435	-
Subsidiary				
Ittehad Salt Processing (Private) Limited	Investment made		2,400	81
	Loan - Given		780	-
	Loan - repaid		(780)	-
Mr. Wasiq Saddique Khatri (Director's son)	Disposal of fixed assets (NBV)		-	650
Staff retirement fund	Contribution to staff retirement		584	541
Directors and employees	Remuneration to directors and key management personnel		110,311	90,615
Key management personnel	Loans & advances		10,010	-
	Payment of loans & advances		(10,010)	-

48.2 Basis of relationship with the company

Name of related party	Relationship	Basis of Association
Chemi Viscofiber Limited	Other related party	Shareholding
Chemi Multifabrics Limited	Other related party	N/A
Ittehad Salt Processing (Private) Limited	Subsidiary	Wholly owned subsidiary
Chemi Dyestuffs Industries (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

48.3 Year end balance

Chemi Multifabrics Limited (Payable)	27,774	8,139
Chemi Viscofiber Limited	1,539	-

48.4 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 53)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

48.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

49 FINANCIAL INSTRUMENTS**Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

49.1 Credit risk

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

	2022	2021
	— Rupees in thousand —	
Long term deposits	51,758	51,007
Long term investments	2,500	100
Trade debts - net of expected credit loss	1,787,468	1,167,876
Loans and advances - net of provision	19,390	19,575
Trade deposits	19,400	25,108
Bank balances	194,079	337,658
	<u>2,074,595</u>	<u>1,601,324</u>

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

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

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

Export	306,196	90,342
Domestic	1,481,272	1,077,534
	<u>1,787,468</u>	<u>1,167,876</u>

Trade receivables by geographical split is as follows:

Country	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
	Rupees in thousand			2022	2021
Afghanistan	-	37,845	37,845	-	-
China	-	47,330	47,330	4	18,928
United Arab Emirates	-	558,032	558,032	221,155	
France	-	81,065	81,065	85,037	
Oman	-	10,202	10,202	-	71,414
Saudi Arabia	-	7,364	7,364		
Uzbekistan	-	24,841	24,841		
Vietnam	-	14,109	14,109		
Total	-	780,788	780,788	306,196	90,342

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

	2022	2021
	—Rupees in thousand—	
Dealers	364,062	253,046
End-user customers	1,423,407	914,830
	<u>1,787,469</u>	<u>1,167,876</u>
The aging of trade receivable at the reporting date is:		
Not past due	1,538,038	944,968
Past due 1-30 days	199,018	141,877
Past due 30-150 days	50,412	81,031
	<u>1,787,468</u>	<u>1,167,876</u>

The company's most significant customers, are dealers from whom the receivable was Rs. 364.062 million (2021: Rs. 253.046 million) and foreign debtors amounting to Rs. 306.196 million (2021: Rs. 90.342 million) of the total carrying amount as at 30 June 2022.

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

On the basis of expected credit loss an amount of Rs. 4.992 million (2021: Nil million) has been charged to profit and loss account and upto balance sheet an amount of Rs. 64.701 million (2021: Rs. 57.476 million) has been provided for as expected credit loss as fully explained on note 15.1.

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

Cash and bank balances

The Company held cash and cash equivalents amounting to Rs. 194.542 million. These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Company considers its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries and deposits with government entities. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

	Rating Agency	Ratings Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-falah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
SAMBA Bank	JCR-VIS	A1-	AA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA
Pak Brunie Investment Company Limited	JCR-VIS	A-1+	AA+

49.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees in thousand					
2022						
Financial liabilities						
Long term financing	921,842	1,154,668	186,417	160,886	308,716	498,649
Long term diminishing musharaka	964,571	1,148,628	253,785	241,714	447,210	205,919
Lease liabilities	18,107	19,191	9,997	-	9,194	-
Trade and other payables	2,895,989	2,895,989	2,895,989	-	-	-
Mark-up accrued	82,866	82,867	82,867	-	-	-
Short term borrowing	1,790,853	1,861,536	1,861,536	-	-	-
	<u>6,674,228</u>	<u>7,162,879</u>	<u>5,290,591</u>	<u>402,600</u>	<u>765,120</u>	<u>704,568</u>
2021						
Financial liabilities						
Long term financing	419,787	494,272	63,540	96,135	148,950	185,647
Long term diminishing musharaka	1,351,575	1,590,086	252,623	244,167	462,962	630,334
Lease liabilities	25,419	28,786	9,343	-	19,443	-
Trade and other payables	1,927,676	1,927,676	1,927,676	-	-	-
Mark-up accrued	38,618	38,618	38,618	-	-	-
Short term borrowing	1,161,440	1,186,230	1,186,230	-	-	-
	<u>4,924,515</u>	<u>5,265,668</u>	<u>3,478,030</u>	<u>340,302</u>	<u>631,355</u>	<u>815,981</u>

49.3 Market risk

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

a) Currency risk

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

	Note	2022 — Rupees in thousand —	2021
Trade debts		306,196	90,342
Gross balance sheet exposure		306,196	90,342
Outstanding letters of credit	34.2	(1,427,795)	(1,711,130)
Net exposure		(1,121,599)	(1,620,788)

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
USD to PKR	182.15	163.53	206.00	158.30

Sensitivity analysis

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

Effect on profit or loss

Loss	30,620	9,034
------	--------	-------

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

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

	Effective rates	Carrying amount	
		2022 — Rupees in thousand —	2021
Financial liabilities			
Variable rate instruments:			
Long term loans	8.77%	971,634	424,902
Long term diminishing musharaka	10.97%	964,571	1,351,575
Short term borrowings	10.09%	1,790,853	1,161,440
		3,727,058	2,937,917

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2022		
Cash flow sensitivity - Variable rate financial liabilities	<u>(37,271)</u>	<u>37,271</u>
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,379)</u>	<u>29,379</u>

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

49.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

50 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

51 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 June 30, 2022 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.

52 FINANCIAL INSTRUMENTS BY CATEGORY

2022							
Note	Carrying amount			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total

Rupees in thousand

On-Balance sheet financial instruments

As at June 30, 2022

Financial assets at amortised cost

Long-term deposits	12	51,758	-	51,758	-	-	-	-
Long term investment		2,500		2,500				
Trade debts - net of provisions	15	1,787,468	-	1,787,468	-	-	-	-
Loans and advances	16	19,390	-	19,390	-	-	-	-
Trade deposits	17	19,400	-	19,400	-	-	-	-
Cash and bank balances	20	194,542	-	194,542	-	-	-	-
		2,075,058	-	2,075,058	-	-	-	-

Financial liabilities at amortised cost

Long term financing	24	-	921,842	921,842	-	-	-	-
Long term diminishing musharaka	25	-	964,571	964,571	-	-	-	-
Lease liabilities	26	-	18,107	18,107	-	-	-	-
Gratuity	27	-	102,645	102,645	-	-	-	-
GIDC payable	29	-	-	-	-	-	-	-
Trade and other payables	30	-	2,895,989	2,895,989	-	-	-	-
Mark-up accrued	31	-	82,867	82,867	-	-	-	-
Short-term borrowings	32	-	1,790,853	1,790,853	-	-	-	-
		-	6,776,874	6,776,874	-	-	-	-

2021							
Note	New carrying amount under IFRS 9			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total

Rupees in thousand

On-Balance sheet financial instruments

As at June 30, 2021

Financial assets at amortised cost

Long term Investment	11	100	-	100	-	-	-	-
Long-term deposits	12	51,007	-	51,007	-	-	-	-
Trade debts - net of provisions	15	1,167,876	-	1,167,876	-	-	-	-
Loans and advances	16	19,575	-	19,575	-	-	-	-
Trade deposits	17	25,108	-	25,108	-	-	-	-
Cash and bank balances	20	338,635	-	338,635	-	-	-	-
		1,602,301	-	1,602,301	-	-	-	-

Financial liabilities at amortised cost

Long term financing	24	-	419,787	419,787	-	-	-	-
Long term diminishing musharaka	25	-	1,351,575	1,351,575	-	-	-	-
Lease liabilities	26	-	25,419	25,419	-	-	-	-
Gratuity		-	87,515	87,515	-	-	-	-
GIDC payable	29		77,012	77,012				
Trade and other payables	30	-	1,927,676	1,927,676	-	-	-	-
Mark-up accrued	31	-	38,618	38,618	-	-	-	-
Short-term borrowings	32	-	1,161,440	1,161,440	-	-	-	-
		-	5,089,042	5,089,042	-	-	-	-

52.1 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 financial statements.

52.2 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.

53 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in thousand					
Managerial remuneration	5,520	4,913	5,160	4,033	106,601	92,649
House rent allowance	2,484	2,211	2,322	1,815	47,970	41,692
Medical expenses	276	246	258	202	5,330	4,632
Bonus (performance)	690	690	710	580	23,820	11,669
	8,970	8,060	8,450	6,630	183,721	150,642
Number of persons	1	1	1	1	62	57

53.1 The Company also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobiles phones in accordance with their terms of employment.

53.2 Aggregate amount charged in these financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 1.560 million (2021: Rs. 1.2 million). The Directors fees for attending Board, HR&R Committee and Audit Committee meetings were paid as prescribed in Articles of Association.

53.3 Remuneration to Non-Executive Director relates to amount paid to attend meetings.

54 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2022	2021	2022	2021	
Caustic Soda Liquid	150,000	150,000	100,175	95,795	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	5,330	5,569	
LABSA / SLES	70,000	24,000	22,165	18,899	
Liquid Chlorine	13,200	13,200	8,911	7,943	
Hydrochloric Acid	250,000	250,000	222,176	215,297	
Sodium Hypochlorite	49,500	49,500	30,388	25,125	
Bleaching Earth	-	-	-	-	
Zinc Sulphate	600	600	89	90	
Sodium Sulphate (Anhydrous)	4,000	4,000	2,090	1,532	
Calcium Chloride Prills	30,000	30,000	12,744	19,138	
Humic Acid	120	120	-	22	

55 NUMBER OF EMPLOYEES

Number of employees at June 30,

Permanent

Head office

Factory

Contractual

Head office

Factory

Average number of employees during the year

Permanent

Head office

Factory

Contractual

Head office

Factory

2022

2021

76

74

409

411

2

2

130

134

75

73

410

424

2

3

132

136

56 CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

The proportion of debt to equity at the year end was:

Total Borrowings (notes 24, 25, and 32)

Less: Balances with banks (note 20)

Net debt

Total equity

Total capital

Gearing ratio

Note	2022	2021
	— Rupees in thousand —	
	3,705,770	2,932,802
	194,542	338,635
	3,511,228	2,594,167
	5,181,018	4,874,394
	8,692,246	7,468,561
	0.40	0.35

57 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the year except the gain on sale of fixed assets amounting to Rs.1.989 million is net-off with loss on sale of fixed assets amounting to Rs.13.422 million for appropriate presentation.

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

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

59 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on September 21, 2022 has not recommended any cash dividend (June 30, 2021: Nil).

60 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

		2022	2021
		— Rupees in thousand —	
Description	Explanation		
Loan and advance obtained	Interest bearing	1,539,513	1,526,575
Shariah bank deposit		-	-
Segment revenue (shariah compliant business)		-	-
Bank balance as at June 30,	Placed under shariah permissible	21,976	87,252
Income on bank deposit		997	992
Mark up paid on Islamic mode of Financing		153,319	162,471
Gain / (loss) or dividend income		-	-
Exchange gain		-	-

Relationship with banks having Islamic windows**Bank Name****Nature of transaction**

Al- Baraka Bank (Pakistan) Limited	
The Bank of Punjab	
Dubai Islamic Bank (Pakistan Limited	Long term diminishing musharaka, short term borrowings and current A/C
Bank Alfalah Limited - Islamic	
Meezan Bank Limited	

Profit earned or interest paid on any conventional loan or advance has been disclosed in the relevant note to these financial statements.

61 DATE OF AUTHORIZATION OF ISSUE


These financial statements were authorized for issue on 21 September 2022 by the Board of Directors of the Company.

62 GENERAL

Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.



Chief Executive



Director



Chief Financial Officer

The background of the page is a grayscale image featuring various financial data visualizations. In the foreground, a smartphone is positioned on the left, displaying a bar chart. Behind it, several other charts are visible, including a large bar chart with a line graph overlaid, and a pie chart on the right side. The overall theme is financial reporting and data analysis.

Consolidated Financial Statements

for the year ended 30 June 2022

Directors' Report on The Consolidated Financial Statements

The Directors take pleasure in presenting their Report on the Consolidated Financial Statements of the Ittehad Chemicals Limited ("The Holding Company") and its wholly owned subsidiary company "Ittehad Salt Processing (Pvt.) Limited" (the "ISPPL"), for the year ended June 30, 2022.

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 in the Rock Salt Mining. Presently, the wholly owned subsidiary has 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 steadily accomplishing all the requisites to get the mining license from Government Department.

During the year under review, The Holding Company has made further long term investment Rupees 2.40 Million in its wholly owned subsidiary company Ittehad Salt Processing (Private) Limited (the "ISPPL"). The Management has already obtained shareholders' approval for long term investment up to Rs. 300 Million (from time to time and as per project requirements) in an Extra-Ordinary General Meeting held on May 21, 2021.

The Consolidated Financial Statements showed Earnings per share Rs. 4.14 (2021: Rupees 6.57) for the year ended June 30, 2022.

During the year under review, the Holding Company allotted Fifteen Million Three Hundred Thousands (15.3 Million) Bonus shares of Rs. 10 each out of Share premium Account and the Subsidiary Company has allotted Two Hundred and Forty Thousands Right shares @ Rs. 10 each to their respective shareholders. Hence, EPS for last year has been restated accordingly.

Adequate internal financial controls are placed 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.



Muhammad Siddique Khatri
Chairman



Abdul Sattar Khatri
Chief Executive Officer

Lahore
September 21, 2022

Independent Auditors' Report to the Members of Ittehad Chemicals Limited

Report on the Audit of the consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Ittehad Chemicals Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Capital expenditures	
	<p>The Group continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2022.</p> <p>The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Group's accounting policy, in particular for assets constructed by the Group and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter.</p> <p>Refer to notes 6.1 to the consolidated financial statements.</p>	<p>Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria.</p> <p>We also assessed the useful economic lives assigned with reference to the Group's historical experience.</p> <p>We reviewed the minutes of the Group's Board of Directors during the year to evaluate the completeness of management's consideration of any events that warranted the carrying values.</p> <p>We performed physical verification on test basis of the items of plant and equipment capitalized</p>

S. No	Key audit matters	How the matter was addressed in our audit
		<p>during the year.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p> <p>We assess the adequacy of the disclosures presented in the consolidated financial statements regarding property, plant and equipment, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	Inventory valuation	
	<p>As at June 30, 2022, the Group held Rs. 2,664.093 million in inventories. Given the size of the inventory balance relative to the total assets of the Group and the estimates and judgements described below, the valuation of inventory required significant audit attention.</p> <p>As disclosed in Note 6.7 and 6.8, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> • Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items; • The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required. 	<p>Our audit procedures involved assessing the Group's accounting policies over recognizing and valuation of inventory in compliance with applicable accounting standards.</p> <p>We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value.</p> <p>We performed an analytical review of the inventory to compare and investigate any unexpected or unusual variation between current year and prior year and discuss these with management and also corroborate with underlying record.</p> <p>We checked final stock valuation sheet to physical stock taking Sheet to ensure that all items are included.</p> <p>We reconciled final stock valuation sheet to general ledger and stock ledger and checked amount to appropriate sources and investigate unusual items.</p> <p>We assessed the Group's disclosures in the consolidated financial statements in respect of inventory.</p>

S. No	Key audit matters	How the matter was addressed in our audit
	Refer to Note 6.7, 6.8, 13 & 14 of the consolidated financial statements – Inventory.	
S. No	Key audit matters	How the matter was addressed in our audit
3.	Contingencies	
	<p>As disclosed in note 35.1 to the consolidated financial statements, the Group is involved in certain legal and tax proceedings against the Group. The appeals were filed by the Group against these orders at respective forum.</p> <p>Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the consolidated financial statements.</p> <p>No provision has been made in the consolidated financial statements for the liability that may arise in the event of a decision against the Group as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Group.</p> <p>There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matter.</p>	<p>In response to the risk of completeness of the disclosures and the completeness of the provisions in the consolidated financial statements, we obtained external confirmations directly from legal and tax advisors.</p> <p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> • We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved in the disputes. • We read the minutes of the Board meetings, and inspected the Group's legal expenses, in order to ensure all cases have been identified. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. • We followed the progress of each case and the Group's estimate of the cost to be incurred; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and • Obtained legal advice on the above cases from the legal advisors to ensure that outflow is possible and not probable.

Information Other than the consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sajjad Hussain Gill.

Lahore

Dated: September 30, 2022

UDIN: AR20221008719hs4Fu0q



BDO Ebrahim & Co
Chartered Accountants

Consolidated Statement of Financial Position

as at 30 June, 2022

	Note	2022 — Rupees in thousand —	2021
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	6,298,108	5,722,682
Capital work in progress	8	396,152	417,167
		6,694,260	6,139,849
Intangible assets	9	1,692	6,697
Investment property	10	408,750	307,500
Long term investments	11	-	-
Long term deposits	12	53,258	51,007
		7,157,960	6,505,053
CURRENT ASSETS			
Stores, spares and loose tools	13	495,567	442,955
Stock in trade	14	2,168,526	1,121,263
Trade debts	15	1,787,468	1,167,876
Loans and advances	16	278,928	104,616
Trade deposits and short term prepayments	17	27,367	33,878
Tax refunds due from the Government	18	529,429	529,200
Taxation - net	19	224,526	66,459
Cash and bank balances	20	196,151	338,731
		5,707,962	3,804,978
TOTAL ASSETS		12,865,922	10,310,031
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	21.1	2,000,000	1,250,000
Issued, subscribed and paid up share capital	21.2	1,000,000	847,000
Reserves	22		
Capital reserves - Share premium		177,000	330,000
Revenue reserves - Unappropriated profit		2,618,302	2,305,352
Merger reserve	9.4	(6,445)	-
Surplus on revaluation of fixed assets	23	1,392,042	1,392,042
Loan from directors	24	-	219
		5,180,899	4,874,613
NON CURRENT LIABILITIES			
Long term financing	25	670,698	287,969
Long term diminishing musharaka	26	577,566	964,570
Lease liabilities	27	9,300	17,899
Deferred liabilities	28	621,789	448,301
Deferred grant	29	30,094	1,038
GIDC payable	30	-	77,012
		1,909,447	1,796,789
CURRENT LIABILITIES			
Trade and other payables	31	3,231,966	1,902,848
Loan from related parties	32	930	-
Unclaimed dividend		2,308	5,303
Mark-up accrued	33	82,866	38,618
Short term borrowings	34	1,790,853	1,161,440
Current portion of long term liabilities	35	666,653	530,420
		5,775,576	3,638,629
CONTINGENCIES AND COMMITMENTS	36		
TOTAL EQUITY AND LIABILITIES		12,865,922	10,310,031

The annexed notes from 1 to 64 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Profit or Loss Account

For the year ended 30 June, 2022

		2022	2021
	Note	Rupees in thousand	
Sales	37	15,681,372	11,123,793
Cost of sales	38	(13,616,595)	(9,238,284)
Gross profit		2,064,777	1,885,509
Selling and distribution expenses	39	(805,901)	(576,501)
General and administrative expenses	40	(245,185)	(200,583)
Other operating expenses	41	(81,079)	(107,711)
Other income	42	60,051	92,291
		(1,072,114)	(792,504)
Operating profit		992,663	1,093,005
Financial charges	43	(329,982)	(225,395)
Fair value gain on investment property	10	101,250	112,500
Profit before taxation		763,931	980,110
Taxation	44	(349,511)	(323,343)
Profit after taxation		414,420	656,767
Earnings per share - Basic and diluted (Rupees)	47	4.14	6.57

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

The annexed notes from 1 to 64 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Comprehensive Income


For the year ended 30 June, 2022

		2022	2021
	Note	— Rupees in thousand —	
Profit after taxation for the year		414,420	656,767
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurement of defined benefit liability	28.3	(2,153)	(1,919)
Related tax effect		683	534
		(1,470)	(1,385)
Revaluation surplus on free hold land	23	-	419,308
		(1,470)	417,923
Items that may be reclassified subsequent to profit or loss		-	-
		(1,470)	417,923
Total comprehensive income for the year		412,950	1,074,690

The annexed notes from 1 to 64 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended 30 June, 2022

		2022	2021
	Note	— Rupees in thousand —	
Cash flows from operating activities			
Net cash flows from operating activities before working capital changes	49	1,551,397	1,661,276
Increase in current assets			
Stores, spares and loose tools		(70,623)	(42,214)
Stock in trade		(1,047,263)	(436,145)
Trade debts		(628,692)	(381,764)
Loans and advances		(174,312)	(133,059)
Trade deposits and short term prepayments		6,511	(28,875)
Tax refunds due from the Government		(120,793)	34,457
		(2,035,172)	(987,600)
Increase in current liabilities			
Trade and other payables		1,252,106	559,797
Cash generated from operations		768,331	1,233,473
Taxes paid		(227,971)	(97,326)
Gratuity paid		(5,191)	(34,442)
Financial charges paid		(307,216)	(265,151)
Net cash generated from operating activities		227,953	836,554
Cash flows from investing activities			
Additions to operating fixed assets		(61,002)	(22,308)
Additions to intangible assets		(1,672)	-
Additions to capital work in progress		(997,872)	(576,365)
Proceeds from sale of operating fixed assets		12,715	249,916
Long term investment		-	-
Investment in subsidiary - net		-	15
Long term deposits		(2,251)	1,035
Net cash used in investing activities		(1,050,082)	(347,707)
Cash flows from financing activities			
Proceeds from long term financing		678,550	142,316
Repayments of long term financing		(131,818)	(82,576)
Proceeds from long term diminishing musharaka		-	-
Repayments of long term diminishing musharaka		(387,005)	(108,944)
Repayment of finance lease liabilities		(7,312)	(8,462)
Proceeds from third party loan during the year		720	-
Dividend paid		(102,995)	(249,817)
Short term borrowings - net		629,409	22,866
Net cash generated from / (used in) financing activities		679,549	(284,617)
Net (decrease) / increase in cash and cash equivalents		(142,580)	204,230
Cash and cash equivalents at the beginning of the year		338,731	134,501
Cash and cash equivalents at the end of the year	20	196,151	338,731

The annexed notes from 1 to 64 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June, 2022

	Issued, subscribed and paid-up capital	Directors' loans	Reserves				Total
	Ordinary shares		Capital Reserves			Revenue Reserves	
			Surplus on revaluation of fixed assets	Balance arising upon merger	Share premium	Unappropriated profit	
Note	(Rupees in thousand)						
Balance as at July 01, 2020	847,000	-	972,734	-	330,000	1,904,070	4,053,804
Transaction with owners:							
Final cash dividend on ordinary shares @ Rs. 1 per share	-	-	-	-	-	(84,700)	(84,700)
Interim final cash dividend on ordinary shares @ Rs. 2 per share	-	-	-	-	-	(169,400)	(169,400)
	-	-	-	-	-	(254,100)	(254,100)
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	656,767	656,767
Remeasurement of defined benefit liability - net	-	-	-	-	-	(1,385)	(1,385)
Revaluation surplus for the year	-	-	419,308	-	-	-	419,308
	-	-	419,308	-	-	655,382	1,074,690
Directors' loan	-	219	-	-	-	-	219
Balance as at July 01, 2021	847,000	219	1,392,042	-	330,000	2,305,352	4,874,613
Transaction with owners:							
Issuance of bonus shares @ 18.06 %	153,000	-	-	-	(153,000)	-	-
Interim cash dividend on ordinary shares @ Rs. 1 per share	-	-	-	-	-	(100,000)	(100,000)
	153,000	-	-	-	(153,000)	(100,000)	(100,000)
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	414,420	414,420
Adjustment of goodwill upon merger	-	-	-	(6,445)	-	-	(6,445)
Remeasurements of defined benefit liability - net	-	-	-	-	-	(1,470)	(1,470)
	-	-	-	(6,445)	-	412,950	406,505
Directors' loan	-	(219)	-	-	-	-	(219)
Balance as at June 30, 2022	1,000,000	-	1,392,042	(6,445)	177,000	2,618,302	5,180,899

The annexed notes from 1 to 64 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2022

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

Ittehad Chemicals Limited Company was incorporated on September 28, 1991 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The Group 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 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 Chief Executive of subsidiary company is Ahmed Mustafa.

1.2 Basis of consolidation

These Consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company as at June 30, 2022 (together referred to as "the Group").

A Company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiary is consolidated from the date on which the Holding Company obtains control, and continue to be consolidated until the date when such control ceases. The effective date of consolidation was May 26, 2021.

The financial statements of the subsidiary is prepared for the same reporting period as the Holding/ parent Company, using consistent accounting policies.

All inter-company balances, transactions and unrealized gains and losses resulting from inter-company transactions and dividends are eliminated in full.

The assets, liabilities, income and expenses of subsidiary company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary company's shareholders' equity in the consolidated financial statements.

1.3 Investment in joint venture

During the year Group has entered into a partnership agreement dated April 21, 2022 with Mr. Abdul Ghaffar Cheema and Mrs. Samina Ghaffar to form a partnership firm named as "Ittehad Salt", to carry on the business of exploration, development, excavation, extraction, mining, marketing, sale and supply of salt. Group considered this arrangement as a joint venture (Note - 6.6). However no activity during the year took place.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The geographical locations and addresses of the Group's business units, including production facilities are as under:

2.1 Holding company

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

Regional office

Karachi
Faisalabad
Islamabad

Office address

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

2.2 Subsidiary company

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

3 BASIS OF PREPARATION**3.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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 from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits which are measured at present value, freehold land and investment property which are measured at fair value as referred in notes 6.1 and 6.4 respectively.

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the consolidated financial statements in subsequent years are disclosed in note 44.

3.3 Functional and presentation currency

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

4 CHANGE IN ACCOUNTING POLICY - ACCOUNTING FOR COMMON CONTROL TRANSACTIONS

During the year, the SECP has issued an accounting standard "Accounting for Common Control Transactions," which prescribes use of measurement principal of predecessor accounting for business combinations under common controls. Under the predecessor accounting measurement, at the date of common control transaction, there shall be no: a) fair value adjustment to the assets and liabilities of the transferred / transferring entity; or b) recognition of new assets and liabilities for the transferred / transferring entity. The Group, considering the above requirement, has applied the predecessor accounting method prospectively whereby the previously recognized Intangible Asset – Goodwill has now been adjusted by Rs. 6.445 million and a Group Restructuring Reserve named as "balance arising upon merger" has been created by the same amount within equity. The management has not applied this change in accounting policy retrospectively considering the insignificance of the amount involved."

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

5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Group's operations or are not expected to have significant impact on the consolidated financial statements other than certain additional disclosures.

Effective date
(annual periods
beginning on or after)

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
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Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
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5.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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Amendments to IAS 1 'Presentation of Consolidated Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
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Amendments to IAS 1 'Presentation of Consolidated Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
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Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
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Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
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Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
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Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
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Certain annual improvements have also been made to a number of IFRSs.

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

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

6 SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Property, plant and equipment

a) Owned assets

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

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 7. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

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

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax (if any), in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be first charged to any revaluation surplus against this asset and the remaining balance recognized in profit or loss.

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

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

b) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

6.2 Intangible assets

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

6.3 Goodwill

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

6.4 Investment property

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

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

Rental income from investment property is accounted for as described in note 6.22.

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

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

6.5 Leases Right of use assets

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as

those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

6.6 Investment

6.6.1 Investment in associates

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

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

6.6.2 Investments in subsidiary

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases. These consolidated financial statements include ICL and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

6.6.3 Acquisition - related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such measurement are recognized in profit or loss.

6.6.4 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

6.6.5 Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This means that amounts previously recognized in comprehensive income are reclassified to statement of profit or loss.

6.6.6 Investments in associated and jointly control entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the statement of profit or loss and comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

6.6.7 Investment in Joint Arrangements

The Group is a party to joint arrangement when there is contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interest in joint arrangements as either:

- Joint Ventures: where the Group has rights to only the net assets of the joint arrangement.
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangements.

In assessing the classification of interest in joint arrangements, the Group considers:

- The structure of the joint arrangement.
- The legal form of Joint arrangements structured through a separate vehicle.
- The contractual terms of the joint arrangement's agreement.
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in joint Ventures in the same manners as investment in Associates (i.e. using the equity method).

6.7 Stores, spares and loose tools

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

6.8 Stock-in-trade

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

Raw and packing materials

- Moving average cost

Raw and packing materials in transit

- Invoice value plus other expenses incurred thereon

Work in process

- Cost of material as above plus proportionate production overheads

Finished goods

- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Adequate provision is made for slow moving and obsolete items.

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

6.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Group is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.

6.10 Taxation**a) Current**

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

b) Deferred

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the consolidate statement of comprehensive income.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

6.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to consolidated statement of profit or loss in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

6.12 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

6.13 Provisions

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

6.14 Deferred grant

The deferred grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

6.15 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

6.16 Cash and cash equivalents

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

6.17 Dividend and appropriation to reserve

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

6.18 Financial instruments

6.18.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Group as at consolidated statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

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

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Group measures loss allowance at an amount equal to lifetime ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

6.18.2 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

6.18.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

6.18.4 Derecognition

The financial assets are de-recognized when the Group loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

6.19 Offsetting of financial assets and financial liabilities

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

6.20 Foreign currency transactions and translation

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

6.21 Employee benefits

The Group's employees benefits comprise of provident fund, gratuity scheme and compensated absences for eligible employees.

6.21.1 Staff retirement benefits**a) Defined contribution plan (Provident Fund)**

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

b) Defined contribution plan (Provident fund - officers and above)

The Group has planned to operates an approved provident fund scheme, effective from July 01, 2021, for officers and above. Equal monthly contributions are made, both by the Group and the employees to the fund at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation of job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred.

c) Defined benefit plan (Gratuity Fund)

The Group operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2022 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the consolidated statement of profit or loss account.

6.21.2 Compensated absences

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

6.22 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Group's activities as described below.

Revenue from contracts with customers**Sale of goods**

- Sale of goods is recognized when the Group has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Group to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers
- Return on deposits is accrued using effective interest rate.
- Rental income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

6.23 Related party transactions

Transactions and contracts with the related parties are based on the policy approved by the Board. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

6.24 Borrowing costs

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

6.25 Segment reporting

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

6.26 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

6.27 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

6.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6.29 Capital reserves - Share premium

This reserve can be utilized by the Group only for the purposes specified in section 81(3) of the Companies Act, 2017.

6.30 Balance arising upon merger

For the business combinations under the common control, the consideration paid over and above the carrying value of the assets and liabilities acquired is recognized as "balance arising upon merger".

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

Right of use assets

Note	2022	2021
	Rupees in thousand	
7.1	6,289,161	5,709,033
7.12	8,947	13,649
	<u>6,298,108</u>	<u>5,722,682</u>

7.1 Operating fixed assets

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

Description	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	Total
	(Rupees in thousand)								
Net carrying value basis year ended June 30, 2022									
Opening net book value (NBV)	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Additions / Transfer (at cost)	-	49,948	-	993,738	17,664	1,251	6,166	49,453	1,118,220
Disposals (NBV)	-	-	-	(23,364)	-	-	-	(4,322)	(27,686)
Depreciation charge	-	(23,076)	(70)	(461,990)	(6,721)	(448)	(3,901)	(14,200)	(510,406)
Closing net book value	1,592,895	248,840	628	4,296,427	50,061	4,387	18,536	77,387	6,289,161
Gross carrying value basis year ended June 30, 2022									
Cost	1,592,895	460,222	3,906	7,776,652	162,223	12,149	77,499	146,853	10,232,399
Accumulated depreciation	-	(211,382)	(3,278)	(3,480,225)	(112,162)	(7,762)	(58,963)	(69,466)	(3,943,238)
Net book value	1,592,895	248,840	628	4,296,427	50,061	4,387	18,536	77,387	6,289,161
Net carrying value basis year ended June 30, 2021									
Opening net book value (NBV)	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Additions (at cost)/ transfer (at cost)	419,308	20,796	-	186,049	1,169	240	5,262	14,466	647,290
Disposals / transfers (NBV)	-	(2,922)	-	(270,075)	-	(14)	(80)	(1,905)	(274,996)
Depreciation charge	-	(23,658)	(77)	(461,846)	(6,903)	(387)	(3,219)	(10,031)	(506,121)
Closing net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Gross carrying value basis year ended June 30, 2021									
Cost	1,592,895	410,275	3,906	6,861,819	144,558	10,898	71,331	112,851	9,208,533
Accumulated depreciation	-	(188,307)	(3,208)	(3,073,776)	(105,440)	(7,314)	(55,060)	(66,395)	(3,499,500)
Net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Depreciation rate % per annum	-	10	10	10 to 33	15	10	15 to 30	20	

7.2 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 have been held for establishment of head office and factory.

7.3 This includes transfer from capital work-in-progress amounting to Rs. 1,083.842 million (2021: Rs. 205.675 million).

7.4 Free hold land was revalued by independent valuers M/s. Harvestor Services (Private) Limited as at May 25, 2006, M/s. Dimen Associates (Private) Limited as at June 30, 2009, M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012, M/s. Unicorn International Surveyors as at June 30, 2015, M/s. Harvestor Services (Private) Limited as at June 30, 2018 and M/s Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 1392.42 million (2021: Rs. 1392.42 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.853 million (2021: Rs. 200.853 million).

7.5 The forced sale value of free hold land was Rs. 1,353.960 million as at June 30, 2021.

7.6 The depreciation charge for the year has been allocated as follows:

	Note	2022 Rupees in thousand	2021 Rupees in thousand
Cost of sales	38	496,947	496,283
Selling and distribution expenses	39	1,926	2,289
General and administrative expenses	40	16,235	14,262
		<u>515,108</u>	<u>512,834</u>
	7.1	510,406	506,121
	7.12	<u>4,702</u>	<u>6,713</u>
		<u>515,108</u>	<u>512,834</u>

7.7 The depreciation break-up is as follows:

Operating fixed assets
Right of use of assets

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

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
(Rupees in thousand)							
Vehicles							
Suzuki Alto - AKT-459	607	327	280	550	270	Negotiation	Mr. Kafait Ullah
Toyota Land Cruiser LE-17-125	11,257	7,927	3,330	10,000	6,670	Negotiation	Haji Muhammad Rafue
Honda City LED-10-3373	1,036	906	130	800	670	Negotiation	Mr. Muhammad Kamran
Toyota Corolla LEC-12-7876	1,531	1,206	325	665	340	Negotiation	Mr. Syed Muhammad Shirazi
Suzuki Wagonr-BEQ-091	1,019	763	256	700	444	Negotiation	Mr. Jawaid
Electrolyzer # IEM I (P&M)	78,906	55,541	23,365	-	(23,365)	Scrap	
Total - 2022	<u>94,356</u>	<u>66,670</u>	<u>27,686</u>	<u>12,715</u>	<u>(14,971)</u>		
Total - 2020	<u>1,028,486</u>	<u>753,490</u>	<u>274,996</u>	<u>249,916</u>	<u>(25,080)</u>		

7.9 Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

7.10 Fair value measurement (revalued property, plant and equipment)

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

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

7.11 Valuation techniques used to derive level 2 fair values - Land

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

	Note	2022 — Rupees in thousand —	2021
7.12 Right of use assets			
The following is the statement of right-of-use assets:			
Building			
Year ended June 30,			
Net carry value basis			
Opening net book value (July 01,)		13,649	29,553
Disposals	7.13	-	(9,192)
Depreciation charge		(4,702)	(6,712)
Closing net book value		8,947	13,649
Gross carry value basis			
Cost		41,653	41,653
Accumulated depreciation		(32,706)	(28,004)
Net book value		8,947	13,649
Depreciation rate % per annum		10%	10%

7.13 In prior year Group has vacated two premises and accordingly disposal adjustment has been made in these financial statements.

8 CAPITAL WORK IN PROGRESS

This comprises of:		24,388	12,247
Building		357,918	243,548
Plant and machinery	8.2	13,846	161,372
Advances		396,152	417,167

	Advances	Building	Plant and machinery	Total
	Rupees in thousand			
8.1 Movement of carrying amount				
Year ended June 30, 2022				
Opening balance	161,372	12,247	243,547	417,166
Additions (at cost)	18,596	46,684	1,073,548	1,138,828
Adjustment	(63,499)	-	63,499	-
Adjustment	(76,000)	15,406	(15,406)	(76,000)
Transferred to operating fixed assets	(26,623)	(49,949)	(1,007,270)	(1,083,842)
Closing balance	13,846	24,388	357,918	396,152
Year ended June 30, 2021				
Opening balance	17,289	8,315	20,872	46,476
Additions (at cost)	159,733	23,508	393,124	576,365
Adjustment	(15,650)	(2,111)	17,761	-
Adjustment	-	3,332	(3,332)	-
Transferred to operating fixed assets	-	(20,797)	(184,878)	(205,675)
Closing balance	161,372	12,247	243,547	417,166

8.2 Advances include balances amounting to Rs. 1.639 million (2021: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This 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 year the amount has been returned to the Group based on the management decision not to pursue the matter.

8.3 Capital work in progress includes an amount of Rs. 38.332 million (June 30, 2021: Nil) against borrowing cost capitalised during the period.

	Note	2022 — Rupees in thousand —	2021
9 INTANGIBLE ASSETS			
Computer software and licences	9.1	1,440	-
Goodwill	9.2	252	6,697
		1,692	6,697
9.1 Computer software and licences			
Net carrying value as at 1 July 01			
Opening balance as on July 01,		-	-
Addition during the year		1,672	-
Amortization charge	40	(232)	-
Net book value as at June 30,		1,440	-
Gross carrying value as at 30 June			
Cost		24,214	22,542
Accumulated amortization		(22,774)	(22,542)
Net book value		1,440	-
Amortization % per annum		33.33%	33.33%
The amortization charge for the year has been allocated as follows:			
Administrative expenses	40	232	-

9.2 Goodwill

	Note	2022 — Rupees in thousand —	2021 —
Goodwill on acquisition of ISPL	9.3	252	252
Goodwill on merger	9.4	-	6,445
		<u>252</u>	<u>6,697</u>

9.2.1 This represents Rs. 0.252 million (2020: Rs. nil) excess of the amount paid over fair value of net assets of subsidiary company raised on acquisition of Ittehad Salt Processing (Private) Limited.

9.3 Goodwill on acquisition of ISPL

Consideration		
Fair value of already held investment	-	19
For further acquisition	-	81
	-	100
Less: Fair Value of net assets acquired at May 26, 2021	-	(152)
Good will	-	<u>252</u>

9.4 Goodwill on common control transactions

“During the year ended 30 June, 2013, the Honorable Lahore High Court approved the Scheme of Arrangement for merger / amalgamation of Chemi Chloride Industries Limited (CCIL), a wholly owned subsidiary, with the Group effective from October 03, 2012. Since the merger was between two companies under common control, International Financial Reporting Standard IFRS 3 - Business Combinations was not applicable. The management based on its judgement applied acquisition accounting method and recognized excess of the consideration paid over fair value of net assets of subsidiary company on the date of acquisition amounting to Rs. 6.445 million as Goodwill.

During the current year, the SECP has issued an accounting standard “Accounting for Common Control Transactions,” which prescribes use of measurement principal of predecessor accounting for business combinations under common controls. Under the predecessor accounting measurement, at the date of common control transaction, there shall be no: a) fair value adjustment to the assets and liabilities of the transferred / transferring entity; or b) recognition of new assets and liabilities for the transferred / transferring entity. The Group, considering the above requirement, has applied the predecessor accounting method prospectively whereby the previously recognized Intangible Asset – Goodwill has now been adjusted by Rs. 6.445 million and a “balance arising upon merger” has been created by the same amount within equity. The management has not applied this change in accounting policy retrospectively considering the insignificance of the amount involved.

10 INVESTMENT PROPERTY

Freehold land	10.1	<u>408,750</u>	<u>307,500</u>
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10.1 The movement in this account is as follows:

Opening balance	307,500	195,000
Fair value gain on revaluation shown in “income statement”	101,250	112,500
	<u>408,750</u>	<u>307,500</u>

10.2 Fair value measurement (Investment property)

This comprises commercial property that is freehold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2022 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

Fair value measurement of investment property is based on assumptions considered to be based on level 2 inputs.

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.

10.3 The forced sale value of investment property is Rs. 347.437 million (2021: Rs. 261.375 million).

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
11 LONG TERM INVESTMENTS			
Investment in related parties - unquoted			
Held at cost			
Chemi Visco Fiber Limited	11.1	-	-
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	11.2	-	-
		-	-
11.1 Chemi Visco Fiber Limited			
5,625,000 (2021: 5,625,000) fully paid ordinary shares	11.1.1	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%			
(2022: 7.91%) (Chief Executive : Mr. Usman Ghani)		-	-
11.1.1 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 consolidated financial statements of the entity indicate that the fair value of the net assets is negative.			
11.2 Ittehad Salt Processing (Private) Limited			
250,000 (2021: 10,000) fully paid ordinary shares	11.4	-	-
Relevant information:			
Percentage of investment in equity held 100%			
(2021: 100%) (Chief Executive : Mr. Ahmed Mustafa)			
Location: Pakistan			
11.3 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 Group 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 Group. The Group has subscribed to right issues for further share capital of the subsidiary amounting to Rs. 2.400 million during the year as approved by Board on December 22, 2021 under approval of the members on May 26, 2021.			
11.4 Investment in Ittehad Salt Processing (Private) Limited represents 250,000 (2021: 10,000) fully paid ordinary shares of Rs. 10 each. The Group 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 Group.			

12 LONG TERM DEPOSITS

	Note	2022 —Rupees in thousand—	2021
Long term deposit	12.1	53,258	51,007

12.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or mark-up and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Group. The impact of discounting is considered insignificant by the management.

13 STORES, SPARES AND LOOSE TOOLS

Stores			
in hand	13.1	86,628	61,140
in transit		512	-
		87,140	61,140
Spares:			
in hand	13.1	413,819	339,564
in transit		31,567	64,089
		445,386	403,653
		532,526	464,793
Less: Provision for obsolete stores and spares	13.2	36,959	21,838
		495,567	442,955

13.1 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.

13.2 Movement of provision for obsolete stores and spares			
Opening balance		21,837	8,708
Adjustment on account of write off during the year		(2,889)	(4,871)
Provision made during the year		18,011	18,000
		36,959	21,837

14 STOCK IN TRADE

Raw materials:			
in hand	38	1,018,757	358,577
in transit	14.1	404,602	251,324
		1,423,359	609,901
Packing materials			
in hand		24,011	22,788
in transit		-	-
Work in process	38	53,901	43,626
Finished goods	14.2 & 38	667,255	444,948
		2,168,526	1,121,263

14.1 This represents stock in transit which was still on the way from port at the year end.

14.2 The finished goods also includes stock in transit amounting to Rs. 6.36 million (2021: 25.19 million) which was still on the way to port at the year end.

14.3 Stock-in-trade up to a maximum amount of Rs. 2,168.526 million (2021: Rs.1,121.263 million) are under hypothecation of commercial banks as security against short term borrowings.

	Note	2022 — Rupees in thousand —	2021
15 TRADE DEBTS			
Unsecured			
Considered good - Foreign		306,196	90,342
Secured			
Considered doubtful	15.2	2,234	2,234
Less: Expected credit losses		2,234	2,234
		-	-
Unsecured			
Considered good - Local		1,481,272	1,077,534
Considered doubtful		60,234	55,242
		1,541,506	1,132,776
		1,847,702	1,223,118
Less: Expected credit losses	15.1	60,234	55,242
		1,787,468	1,167,876
15.1 Movement of expected credit losses (ECL) is as follows:			
Opening balance		57,476	72,476
Adjustment on account of:			
Doubtful debts written off		-	-
Recovery of losses		-	(15,000)
Expected credit losses		4,992	-
Net adjustment		4,992	(15,000)
Closing balance		62,468	57,476
15.2 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 Rs. 15 million in prior year 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.			
16 LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	16.1 & 2	19,390	19,575
Advance to supplies and services (Unsecured)			
Considered good	16.5	122,984	83,699
Considered doubtful		1,374	1,374
		124,358	85,073
Other advance	16.5	135,000	-
Against import		1,554	1,342
		280,302	105,990
Less: Provision for doubtful advances	16.6	1,374	1,374
		278,928	104,616
16.1 This includes advance to employees against salaries in accordance with the terms of their employment. These advances are unsecured, interest free and are deductible from their salaries.			
16.2 This includes advances provided to employees to meet business expenses. These advances do not carry any interest or mark-up.			
16.3 This includes advances amounting to Rs. 15.192 million (2021: Rs. 15.394 million) deposited to the Honourable Lahore High Court against various cases for gratuity of employees. The Group is expecting favourable outcome and therefore, considered good.			

16.4 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.

16.5 This represents payment against purchase of land measuring 1.39 acres located at Plot No. D-4 South Avenue S.I.T.E Karachi. Initial payment was Rs.155.00 million, however, during the year Rs. 20.00 million has been returned to the Group.

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
16.6 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
17 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)	17.1	19,400	25,108
Security deposits	17.2	950	1,625
Prepayments		7,017	7,145
		27,367	33,878

17.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

17.2 This includes security deposit against rented premises. These deposits do not carry any interest or mark-up and are recoverable within one year as the respective premises are vacated during the year.

18 TAX REFUNDS DUE FROM THE GOVERNMENT			
(Considered good)			
Income tax		383,160	503,724
Sales tax		146,269	25,476
		529,429	529,200
19 TAXATION - NET			
Advance income tax		478,501	233,704
Less: Provision for taxation	44	253,975	167,245
		224,526	66,459

20 CASH AND BANK BALANCES			
Cash in hand		463	977
Cheques in hand		-	213,462
Cash at banks			
Current accounts	20.1	177,507	63,913
Saving accounts	20.2	18,181	60,379
		195,688	124,292
		196,151	338,731

20.1 Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.

20.2 The balance in saving accounts carries mark up which ranges from 4.5% to 12.25% (2021: 3% to 5.5%) per annum.

			Note	2022 —Rupees in thousand—	2021
21 SHARE CAPITAL					
21.1 Authorized share capital					
	2022	2021			
	Number of ordinary shares of Rs. 10/- each				
	175,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,750,000	1,000,000
	25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
	<u>200,000,000</u>	<u>125,000,000</u>		<u>2,000,000</u>	<u>1,250,000</u>

21.1.1 The Group 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.

21.2 Issued, subscribed and paid up capital

	2021	2020			
	Number of ordinary shares of Rs. 10/- each				
	27,100,000	27,100,000	Fully paid in cash	271,000	271,000
	24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
	48,000,000	32,700,000	Fully paid bonus shares	480,000	327,000
	<u>100,000,000</u>	<u>84,700,000</u>		<u>1,000,000</u>	<u>847,000</u>
				Number of Shares	Rupees (thousand)
21.2.1 Movement of share capital is as follows:					
Opening balance				84,700,000	847,000
Shares issued during the year			21.2.3	15,300,000	153,000
Closing balance				<u>100,000,000</u>	<u>1,000,000</u>

21.2.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

21.2.3 The Board of Directors of the Group in its meeting held on October 27, 2021 accord approval to issue bonus shares in the proportion 18.063754 shares for every 100 shares held i.e 18.064%. These bonus shares have been issued from the share premium account.

22 RESERVES

Capital					
Share premium	22.1	177,000		330,000	
Revenue					
Un-appropriated profit		<u>2,618,302</u>		<u>2,305,352</u>	
		<u>2,795,302</u>		<u>2,635,352</u>	

22.1 This reserve can be utilized by the Group only for the purposes specified in section 81(3) of the Companies Act, 2017.

22.2 Movement of reserves have been reflected in the statement of changes in equity.

23 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2022 — Rupees in thousand —	2021
Opening balance		1,392,042	972,734
Revaluation surplus arising during the year	23.1	-	419,308
		<u>1,392,042</u>	<u>1,392,042</u>

23.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2021 by an independent valuer M/s. Harvester Services (Private) Limited on the basis of market value.

24 LOAN FROM DIRECTORS

Unsecured			
Directors			
Others (other than banking companies)			
Directors		930	210
Chief Executive		-	9
		<u>930</u>	<u>219</u>

24.1 Movement of loan is as follows:

Opening balance		219	-
Obtained during the year			
Mr. Sohaib Razzaq		720	210
Mr. Ahmad Mustafa		-	9
		<u>720</u>	<u>219</u>
Repaid during the year		(9)	-
Transferred to current liability	32	(930)	-
Closing balance		<u>-</u>	<u>219</u>

24.2 These represented unsecured interest free long term loans from directors of the Group to meet the working capital and long term requirements. These were payable on discretion of the Group. These were disclosed/ classified in accordance with TR -32 "Directors' Loan" clause 3.3 "Contractual Directors' loan that is interest free and repayable at the discretion of the Group, issued by the Institute of Chartered Accountants of Pakistan. During the year Mr. Ahmed Mustafa loan has been repaid and Mr. Sohaib Razzaq is no more a director so his loan is transferred to current liability.

25 LONG TERM FINANCING

Secured:			
Banking Companies			
MCB Bank Limited- SBP Refinance	25.1	48,205	142,613
Samba Bank Limited-TERF	25.2	71,866	-
Bank of Punjab (Labsa II)	25.3	274,771	-
		<u>394,842</u>	<u>142,613</u>
Other Financial Institutions			
Pak Libya Holding Company (Private) Limited	25.4	217,000	43,841
Pak Brunei Investment Company Limited	25.5	200,000	233,333
Pak Brunei Investment Co. Ltd (WWTP)	25.6	110,000	-
		<u>527,000</u>	<u>277,174</u>
		<u>921,842</u>	<u>419,787</u>
Less: Current portion shown under current liabilities	35	251,144	131,818
		<u>670,698</u>	<u>287,969</u>

- 25.1** 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 instalments 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%.

- 25.2** 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 instalments starting from 1 year (grace period) after initial draw down.

- 25.3** The Group has obtained this loan to the extent of Rs. 313.717 million. The SBP has approved Rs. 246.144 million under Temporary Economic Refinance Facility (TERF). So, the remaining amount of Rs.67.573 million is treated as demand finance. This finance is secured against the 1st pari passu charge of Rs. 400 million over fixed assets of the Group. These carry mark up at SBP rate 4% plus 1% spread of Bank per annum under TERF and for the remaining amount carry 6 month KIBOR plus 1.5% per annum. The loan is repayable in Ten (10) equal semi- annual instalments having grace period of Six months after the disbursement date.

- 25.4** 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 instalments starting from 15th month from the first drawdown.

- 25.5** 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.

- 25.6** 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 instalment falling due at the end of 15th month from the disbursement date.

26 LONG TERM DIMINISHING MUSHARAKA

Secured;

Banking Companies

The Bank of Punjab - TAQWA (IEM -3)

The Bank of Punjab - TAQWA (LABSA)

Al-Baraka Bank (Pakistan) Limited

Less: Current portion shown under current liabilities

Note	2022 — Rupees in thousand —	2021
26.1	437,500	612,500
26.2	313,321	418,450
26.3	213,750	320,625
	964,571	1,351,575
35	387,005	387,005
	577,566	964,570

- 26.1** 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 instalments with the one year grace period commencing from February 2020.
- 26.2** 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.
- 26.3** 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 year, Rs. 106.875 million was repaid.

	Note	2022 — Rupees in thousand —	2021 —
27 LEASE LIABILITIES			
Against right-of-use assets			
Lease liabilities		25,419	50,562
Payments / adjustments during the year		(7,312)	(25,143)
		18,107	25,419
Less: Current portion		(8,807)	(7,520)
		9,300	17,899
27.1 Maturity analysis-contractual undiscounted cash flow			
Less than one year		(9,997)	(9,343)
One to five year		(9,194)	(19,443)
Total undiscounted lease liability		(19,191)	(28,786)
27.2 When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate which is 8% per annum.			
27.3 The above liabilities were obligations under leases with various lessors for lease of buildings.			
28 DEFERRED LIABILITIES			
Deferred taxation	28.1	519,144	360,786
Provision for gratuity	28.3	102,645	87,515
		621,789	448,301

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
28.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		614,756	507,749
Deductible temporary differences			
Provision for gratuity		(32,552)	(39,539)
Provision for doubtful debts		(20,614)	(16,668)
Provision for WPPF		(12,372)	(13,086)
Provision for obsolete stores		(11,721)	(6,075)
Lease liability		(5,742)	(7,071)
Tax credits		(12,611)	(64,524)
		<u>519,144</u>	<u>360,786</u>
28.2	The gross movement in the deferred tax liability during the year is as follow:		
Balance as at July 1,		360,786	222,414
Charge to profit and loss account		159,041	138,906
Credit in other comprehensive income		(683)	(534)
		<u>519,144</u>	<u>360,786</u>

28.3 Provision for gratuity**a) General description**

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

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2022 using the Projected Unit Credit method.

The Group faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

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

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2022 Percentage	2021 Percentage Per annum
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	13.25	10
Expected rate of increase in salary	12.25	9
c) Reconciliation of payable to defined benefit plan		
Present value of obligation and liability recognized in balance sheet	102,645	87,515
d) Movement of the liability recognized in the statement of financial position		
Opening net liability	87,515	142,380
Charge for the year	18,168	26,380
Gains and losses arising on Plan settlements	-	5,896
Benefits due but not paid	-	(54,618)
Remeasurement chargeable to other comprehensive income	2,153	1,919
Contribution paid to outgoing employees	(5,191)	(34,442)
Closing net liability	102,645	87,515
e) Charge for the year		
Current service cost	9,676	18,063
Interest cost	8,492	8,317
Gains and losses arising on plan settlements	-	5,896
Charge for the year	18,168	32,276
f)		
The expected charge in respect of defined benefit plan for the year ending June 30, 2023 will be 24.03 million.		
g) Sensitivity analysis		
The impact of 1% change in following variables on defined benefit obligation is as follows:		
	Increase in assumption	Decrease in assumption
2022		
Discount rate	95,495	110,663
Salary increase	110,813	95,236
2021		
Discount rate	80,222	95,843
Salary increase	95,924	80,023
h) Maturity profile		
Time in year		
1	7,202	4,020
2	11,235	7,590
3	8,092	4,543
4	8,243	4,579
5-11 onwards	885,041	852,455
The average duration of the defined benefit obligation is 7 years.		

	Note	2022 — Rupees in thousand —	2021 —
i) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		2,153	1,919
Tax impact at 33% (2021: 29%) - net of export %age		(683)	(534)
		<u>1,470</u>	<u>1,385</u>
j) During the year, the Group has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Group has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per current policy.			

29 DEFERRED GRANT

Deferred Grant		49,791	5,115
Current portion of grant		(19,697)	(4,077)
		<u>30,094</u>	<u>1,038</u>

29.1 '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 25.1, 25.2 and 25.3. 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:

29.2 Following is the movement in government grant during the year:

Opening balance as at July 01	5,115	5,935
Addition during the period	61,526	4,415
Amortized during the period	(16,850)	(5,235)
Closing balance	<u>49,791</u>	<u>5,115</u>

29.3 Group received term finance facility under Refinancing / Temporary Economic Refinance Facility Scheme of the State Bank/ of Pakistan from different banks. ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Group recognized the Deferred Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

30 GIDC PAYABLE

GIDC payable		62,775	251,097
Less: Current portion shown under current liability	30.1	<u>62,775</u>	<u>174,085</u>
		<u>-</u>	<u>77,012</u>

30.1 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 till June 30, 2021 and balance provision of GIDC as at the reporting date is Rs. 619.344 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 Honourable Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Honourable 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 Group based on the advice of its legal expert as per their view it will not be collected as per GIDC Act, 2015.

	Note	2022 — Rupees in thousand —	2021
31 TRADE AND OTHER PAYABLES			
Trade creditors		935,564	407,719
Accrued liabilities	30.1 & 30.3	1,932,601	1,220,567
Advances from customers		265,015	74,108
Security deposits	31.2	-	62,824
Retention money		5,331	6,902
Income tax deducted at source		-	-
Income tax deducted at source		15,577	-
Workers' Profit Participation Fund	31.4	39,013	47,035
Workers' Welfare Fund	31.5	16,322	28,018
Other liabilities		22,543	55,675
		<u>3,231,966</u>	<u>1,902,848</u>

31.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 27.774 million (2021: Rs. 8.139 million).

31.2 This amount represented security deposits received from vendors and dealers for goods/ services. This has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017.

31.3 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 filed 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 Group has made a provision amounting Rs. 368.266 million on prudence basis since February 2018.

31.4 Workers' Profit Participation Fund

Balance as at July 01,		47,035	2,875
Interest at prescribed rate		2,825	47
Less: Amount paid to fund		46,591	1,080
		<u>3,269</u>	<u>1,842</u>
Current year's allocation at 5%	41	35,744	45,193
		<u>39,013</u>	<u>47,035</u>

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

	Note	2022 — Rupees in thousand —	2021 —
31.5 Workers' Welfare Fund			
Balance as at July 01		28,018	3,983
Current year's allocation at 2%	41	16,322	24,035
Less : Amount paid		(28,018)	-
		<u>16,322</u>	<u>28,018</u>

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

32 LOAN FROM RELATED PARTY

Sohaib Razzaq - Ex Director	32.2	<u>930</u>	<u>-</u>
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32.1 The amount represents interest free general purpose loan in accordance with the Group's policy and is repayable within next 12 months.

32.2 During the year Mr. Sohaib Razzaq has transferred all his shares to Ittehad Chemicals Limited (Holding Company) and he is no more a related party to the Company.

33 MARK UP ACCRUED

Secured;			
Long term financing		20,953	8,358
Long term diminishing musharaka		22,172	21,975
Short term borrowings		39,741	8,285
		<u>82,866</u>	<u>38,618</u>

34 SHORT TERM BORROWINGS

Secured;			
Banking companies			
Running finances			
MCB Bank Limited	34.1	118,118	102,877
Askari Bank Limited	34.1	-	67,504
The Bank of Punjab	34.1	192,931	107,801
Samba Bank Limited	34.1	342,310	351,383
Habib Metro Bank Limited	34.1	130,985	156,875
Soneri Bank Limited	34.1	81,567	
		<u>865,911</u>	<u>786,440</u>
Term finance			
Askari Bank Limited	34.2	150,000	100,000
Bank Al-Falah Limited	34.2	275,000	175,000
Pak Brunei Investment Company Limited	34.2	200,000	100,000
Faysal Bank Ltd (Istisna)	34.2	299,942	-
		<u>924,942</u>	<u>375,000</u>
		<u>1,790,853</u>	<u>1,161,440</u>

34.1 Short term running finance facilities from various banks aggregated to Rs. 1,570 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.

34.2 Term finance facilities from various banks aggregated to Rs. 1,125 million (2021: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.00 % per annum (2021: matching KIBOR plus 0.70% to 1.50% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Group.

34.3 Financing/credit facilities available

At the reporting date, the following financing facilities had been negotiated and were available.

Aggregate facilities for opening of letters of credit and short term loan amounting to Rs. 5,215 million (2021: Rs. 2,125 million) are available to the Group.

	Note	2022 — Rupees in thousand —	2021
35 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	25	251,144	131,818
Long term diminishing musharaka	26	387,005	387,005
Liabilities against assets subject to finance lease	27	8,807	7,520
Deferred grant	29	19,697	4,077
		<u>666,653</u>	<u>530,420</u>

36 CONTINGENCIES AND COMMITMENTS

36.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Group filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Group. The Group 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 Group expects a favourable outcome of the proceedings. However, if the case is decided against the Group, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2021: Rs. 54.510 million).
- b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Group challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Group 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 Group 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 Group. Thereafter the CIR has filed appeal before ATIR. The Group 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 Group, it may result in tax payable of Rs. 4.080 million (June 30, 2021: Rs. 4.080 million).
- c) The Group is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Group would be required to pay an amount of Rs. 12.797 million (June 30, 2021: Rs. 12.077 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Group. 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 Group 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 Group has challenged the demand of Rs. 1.20 million in ATIR. The Group expects

a favorable outcome of the proceedings. However, if the case is decided against the Group, it may result in tax payable of Rs. 1.20 million (June 30, 2021: 1.20 million).

- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Group 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 Group it may result in a contingent deductible allowance of Rs. 63.20 million (2021: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Group 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 Group'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 Group, it may result in tax payable of Rs. 25.50 million (2021: 25.50 million).
- g) Letters of guarantee outstanding as at June 30, 2022 were Rs. 470.908 million (2021: Rs. 347.693 million).

36.2 Commitments

Commitments as on June 30, 2022 were as follows:

- a) Against letters of credit amounting to Rs. 1,427.79 million (2021: Rs. 1,711.130 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (2021 : Rs. 1.639 million).
- c) Commitment for lease payment has been made under the relevant note.

37 SALES

	Note	2022 —Rupees in thousand—	2021
Sales			
Manufacturing	37.1	18,362,562	13,127,733
Trading		17,498	5,410
		18,380,060	13,133,143
Less: Sales tax		2,513,891	1,848,622
Commission to selling agents		184,797	160,728
		2,698,688	2,009,350
		15,681,372	11,123,793

37.1 This amount includes export sales amounting to Rs. 780.788 million (2021: Rs. 512.619 million).

37.2 Country wise export sales is as follows:

Afghanistan	37,845	36,648
France	81,065	-
Saudia Arabia	7,364	-
United Arab Emirates	558,032	201,755
Uzbekistan	24,841	-
Vietnam	14,109	-
Oman	10,202	274,216
China	47,330	-
	780,788	512,619

38 COST OF SALES

	Note	2022 —Rupees in thousand—	2021
Raw materials consumed			
Opening stock		609,901	238,476
Purchases		6,659,571	3,969,104
		7,269,472	4,207,580
Closing stock	14	(1,423,359)	(609,901)
		5,846,113	3,597,679
Stores, spares and consumables		315,854	236,400
Packing materials consumed		167,087	168,026
Salaries, wages and other benefits	38.1	596,414	530,538
Fuel and power		6,301,888	4,169,077
Repair and maintenance		46,576	43,916
Rent, rates and taxes		9,304	379
Insurance		14,373	13,991
Depreciation	7.6	496,947	496,283
Vehicle running expenses		17,070	13,316
Telephone, telex and postage		1,033	938
Printing and stationery		303	293
Provision for slow moving stores and spares	13.2	18,011	18,000
Other expenses		3,430	1,741
		13,834,403	9,290,577
Work in process			
Opening		43,626	38,912
Closing	14	(53,901)	(43,626)
		(10,275)	(4,714)
Cost of goods manufactured		13,824,128	9,285,863
Cost of stores traded		14,774	4,878
Finished goods			
Opening		444,948	392,491
Closing	14	(667,255)	(444,948)
		(222,307)	(52,457)
		13,616,595	9,238,284

38.1 This amount includes Rs. 25.464 million (2020: Rs. 26.76 million) in respect of employees' retirement benefits.

39 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	39.1	41,145	34,620
Travelling and conveyance		1,073	572
Vehicle running expenses		3,225	1,975
Advertisement		815	74
Telephone, telex and postage		1,210	1,130
Marketing service charges		76,481	53,936
Freight		667,956	472,463
Rent, rates and taxes		1,248	509
Printing and stationery		744	566
Fee and subscription		112	102
Fuel and power		2,960	2,270
Repair and maintenance		1,780	1,617
Insurance		5,225	4,378
Depreciation	7.6	1,927	2,289
		805,901	576,501

39.1 This amount includes Rs. 1.639 million (2021: Rs. 2.147 million) in respect of employees' retirement benefits.

		2022	2021
	Note	— Rupees in thousand —	
40 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	40.1	139,477	128,107
Traveling and conveyance		14,932	7,038
Vehicle running expenses		11,348	9,061
Telephone, telex and postage		3,067	3,123
Rent, rates and taxes		7,387	2,586
Printing and stationery		1,112	915
Fee and subscription		9,422	3,688
Legal and professional charges		9,804	9,450
Fuel and power		6,228	4,858
Provision for doubtful debts and advances		4,992	-
Amortization of intangible asset		232	
Repair and maintenance		3,574	2,833
Depreciation	7.6	16,235	14,262
Bad debts written off		-	1,021
Donations	40.2	13,448	9,522
Other expenses		3,927	4,119
		<u>245,185</u>	<u>200,583</u>

40.1 This amount includes Rs. 3.499 million (2021: Rs. 3.91 million) in respect of employees' retirement benefits.

40.2 Donations

The Company has paid donations to donees as mentioned below exceeding Rs. 0.500 million.

Rana Al-habib Memorial Hospital Foundation	600	600
Dastkari School KSK	1,603	1,380
Kiran Foundation	130	600
Akhuwat Foundation	500	500
Baitusslam welfare trust	500	-
Indus hospital	500	-
Cuchi Khatri Jamat Khana	500	-
	<u>4,333</u>	<u>3,080</u>

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

Donation amounting to Rs. 0.130 million (2021: Rs. 0.600 million) paid to Kiran Foundation (Ex Kiran Ibtadai School). Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Group is the patron of the school and Mr. Waqas Siddiq Khatri, an executive director of the company, is also the member of the Board of Trustees.

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

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
41 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Audit fee		950	900
Half yearly review fee		250	250
Tax and certification charges		102	50
Out of pocket expenses		241	167
		<u>1,543</u>	<u>1,367</u>
Loss on sale of fixed assets		-	11,433
Loss on scrap of fixed assets		23,364	13,645
Workers' profit participation fund	31.4	35,743	45,193
Workers welfare fund	31.5	16,322	24,035
Foreign exchange loss		4,107	12,038
		<u>81,079</u>	<u>107,711</u>
42 OTHER INCOME			
Income from financial assets			
Gain on foreign exchange		-	-
Return on saving accounts		1,136	5,805
Parties written back		285	-
Income from non- financial assets			
Gain on sale of fixed assets		8,393	-
Gain on sale of leased assets (disposal)		-	7,489
Gain on discounting of GIDC payable		-	25,486
Sale of scrap		23,680	33,276
Insurance claim net		9,707	-
Govt Grant		16,850	5,235
Recovery of doubtful debts	15.1	-	15,000
		<u>58,630</u>	<u>86,486</u>
		<u>60,051</u>	<u>92,291</u>
43 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		52,179	33,294
Long term diminishing musharaka		122,036	127,429
Interest on lease finance		1,922	3,282
Short term borrowings		120,023	40,296
Worker's profit participation fund		2,825	48
		<u>298,985</u>	<u>204,349</u>
Bank charges and commission		15,670	12,002
Unwinding of discount on GIDC payment		15,327	9,044
		<u>329,982</u>	<u>225,395</u>
44 TAXATION			
Current		195,239	170,740
Super tax	44.2	63,507	-
Prior year		(68,277)	13,697
Deferred tax		159,042	138,906
		<u>349,511</u>	<u>323,343</u>

44.1 The tax charge represents minimum tax (2021: Normal) under the income Tax Ordinance, 2001, so numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented for current year, however, comparative year reconciliation is as follows:

44.2 This represents super tax @ 10% on the taxable income for the tax year 2022 imposed through Finance Act, 2022.

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
44.3 Relationship between Tax Expense and Accounting Profit			
Accounting profit		-	980,110
Applicable tax rate 29% (2021 : 29%)		0%	29%
Tax at the applicable rate of 29% (2021 : 29%)		-	284,232
Tax effect of inadmissible expenses/ losses		-	242,215
Tax effect of admissible expenses		-	(180,872)
Income taxed at different rates		-	7,867
Prior years adjustment		-	13,697
Tax effect of losses and other allowances		-	(182,703)
Effect of temporary difference		-	138,907
Tax charge for the year		-	323,343

44.4 The rate of tax has been fixed at 29% for Tax Year 2022 and onwards by taxation authorities.

44.5 Comparison of tax provision against tax assessments

Years	Excess/ (Short)	Tax provision	Tax assessment/ tax return
		Rupees in thousand	
2020-21	68,417	170,740	102,323
2019-20	1,446	1,446	-

44.6 As at June 30, 2022, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

45 ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's main accounting policies affecting its result of operations and financial conditions are set out in note 6. Judgments and assumptions have been required by the management in applying the Group's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes

The Group takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 6.10 to these consolidated financial statements.

b) Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 27.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Group. Further, the Group reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 7 to these consolidated financial statements, the Group has revalued its free hold land as on June 30, 2022.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding effect on amounts recognized in profit and loss account as provision / reversal.

e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) Expected credit losses

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of expected credit loss is recognized.

g) Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

46 DEFINED CONTRIBUTION PLAN

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

The Trustees have intimated that the size of the Fund at year end was Rs. 7. 218 million (2021: Rs. 8.795 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2022, investment out of the Fund have been made in accordance with provision of the Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

The cost / fair value of the investments was Rs. 6.120 million (2021: Rs. 7.129 million) at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
2022		
Deposit in scheduled banks	6,120	100
2021		
Deposit in scheduled banks	7,129	100

46.2 During the year, the Group has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Group and the employees contribution to the provident fund will be at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation of job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred. During the year contribution (employee and employer) amounting to Rs. 21.973 million has been made. Separate bank account is maintained to deposit said contribution.

47 EARNINGS PER SHARE - BASIC AND DILUTED

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

Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
Profit after taxation - (Rupees in thousand)	414,539	656,767
Weighted average number of ordinary shares - (in thousand)	100,000	100,000
Earnings per share - (Rupees)	4.14	6.57

47.1 The earning per share of prior year has restated due to issue of bonus shares during the year.

48 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		
	Financing	Equity reserves	Total
	———— Rupees in thousand ————		
Balance as at July 1, 2021	3,400,280	5,303	3,405,583
Borrowings from Banking Companies (short and long)	1,307,959	-	1,307,959
Repayment of financing	(139,130)	-	(139,130)
Repayments of long term diminishing musharaka	(387,005)	-	(387,005)
Dividend on ordinary shares	-	100,000	100,000
Payment of dividend	-	(102,995)	(102,995)
Balance as at June 30, 2022	4,182,104	2,308	4,184,412

	Note	2022 — Rupees in thousand —	2021 —
49 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		763,931	980,110
Adjustments for items not involving movement of funds:			
Depreciation	7.6	515,108	512,833
Amortization of intangible assets	9.1	232	-
Provision for staff retirement gratuity	28	18,168	32,276
Loss on sale of fixed assets	7.8	14,971	25,078
Gain on disposal of leased assets	7.12	-	(7,489)
Gain on revaluation of investment property	10.1	(101,250)	(112,500)
Foreign exchange gain	41	4,107	12,038
Provision for / (recovery of) doubtful debts	15	4,992	(25,486)
Bad debts written off	40	-	1,021
Provision for obsolete stores and spares	38	18,011	18,000
Financial charges	43	313,127	225,395
Net cash flow before working capital changes		<u>1,551,397</u>	<u>1,661,276</u>

50 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors, as associated person 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 except for those which are specifically disclosed elsewhere:

50.1 Transactions with related parties

Relation with the Company	Nature of transaction		
Other related party			
Chemi Multifabrics Limited	Marketing service charges	75,475	53,936
Chemi Viscofiber Limited	Purchase of Misc. Stores Items	7,435	-
Subsidiary			
Ittehad Salt Processing (Private) Limited	Investment made	2,400	81
	Loan - Given	780	-
	Loan - repaid	(780)	-
Mr. Wasiq Saddique Khatri (Director's son)	Disposal of fixed assets (NBV)	-	650
Staff retirement fund	Contribution to staff retirement	584	541
Directors and employees	Remuneration to directors and key management personnel	110,311	90,615
Key management personnel	Loans & advances	10,010	-
	Payment of loans & advances	(10,010)	-

50.2 Basis of relationship with the company

Name of related party	Relationship	Basis of Association
Chemi Viscofiber Limited	Other related party	Shareholding
Chemi Multifabrics Limited	Other related party	N/A
Ittehad Salt Processing (Private) Limited	Subsidiary	Wholly owned subsidiary
Chemi Dyestuffs Industries (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

	Note	2022 — Rupees in thousand —	2021
50.3 Year end balance			
Chemi Multifabrics Limited (Payable)		27,774	8,139
Chemi Viscofiber Limited		1,539	-

50.4 The details of compensation paid to key management personnel are shown under the heading of “Remuneration of Chief Executive, Directors and Executive (note 54)”. There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

50.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

51 FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

51.1 Credit risk

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

Long term deposits	53,258	51,007
Long term investments	2,500	-
Trade debts - net of provision	1,787,468	1,167,876
Loans and advances - net of provision	19,390	19,575
Trade deposits	19,400	25,108
Bank balances	195,688	337,754
	<u>2,077,704</u>	<u>1,601,320</u>

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

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

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

	Note	2022 — Rupees in thousand —	2021 — Rupees in thousand —
Export		306,196	90,342
Domestic		1,481,272	1,077,534
		<u>1,787,468</u>	<u>1,167,876</u>

Trade receivables by geographical split is as follows:

Country	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
	Rupees in thousand			2022	2021
Afghanistan	-	37,845	37,845	-	-
China	-	47,330	47,330	4	18,928
United Arab Emirates	-	558,032	558,032	221,155	-
France	-	81,065	81,065	85,037	-
Oman	-	10,202	10,202	-	71,414
Saudi Arabia	-	7,364	7,364	-	-
Uzbekistan	-	24,841	24,841	-	-
Vietnam	-	14,109	14,109	-	-
Total	-	780,788	780,788	306,196	90,342

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

Dealers	364,062	253,046
End-user customers	1,423,406	914,830
	<u>1,787,468</u>	<u>1,167,876</u>
The aging of trade receivable at the reporting date is:		
Not past due	1,538,038	944,968
Past due 1-30 days	199,018	141,877
Past due 30-150 days	50,412	81,031
	<u>1,787,468</u>	<u>1,167,876</u>

The Group's most significant customers, are dealers from whom the receivable was Rs. 364.062 million (2021: Rs. 253.046 million) and foreign debtors amounting to Rs. 306.196 million (2021: Rs. 90.342 million) of the total carrying amount as at 30 June 2022.

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

On the prudence basis an amount of Rs. 4.992 million (2021: Nil million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 64.701 million (2021: Rs.57.476) has been provided for as doubtful debts as fully explained on note 15.1.

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

Cash and bank balances

The Group held cash and cash equivalents amounting to Rs. 194.542 million. These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Group considers its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures

Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries and deposits with government entities. The Group has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

	Rating Agency	Ratings Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-falah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
SAMBA Bank	JCR-VIS	A1-	AA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA
Pak Brunie Investment Company Limited	JCR-VIS	A-1+	AA+

51.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees in thousand					
2022						
Financial liabilities						
Long term financing	921,842	1,154,668	186,417	160,886	308,716	498,649
Long term diminishing musharaka	964,571	1,148,628	253,785	241,714	447,210	205,919
Lease liabilities	18,107	19,191	9,997	-	9,194	-
Trade and other payables	2,896,039	2,896,039	2,896,039	-	-	-
Mark-up accrued	82,866	82,867	82,867	-	-	-
Short term borrowing	1,790,853	1,861,536	1,861,536	-	-	-
	<u>6,674,278</u>	<u>7,162,929</u>	<u>5,290,641</u>	<u>402,600</u>	<u>765,120</u>	<u>704,568</u>
2021						
Financial liabilities						
Long term financing	419,787	494,272	63,540	96,135	148,950	185,647
Long term diminishing musharaka	1,351,575	1,590,086	252,623	244,167	462,962	630,334
Lease liabilities	25,419	28,786	9,343	-	19,443	-
Trade and other payables	1,927,705	1,927,705	1,927,705	-	-	-
Mark-up accrued	38,618	38,618	38,618	-	-	-
Short term borrowing	1,161,440	1,186,230	1,186,230	-	-	-
	<u>4,924,544</u>	<u>5,265,697</u>	<u>3,478,059</u>	<u>340,302</u>	<u>631,355</u>	<u>815,981</u>

51.3 Market risk

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

a) Currency risk

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

	Note	2022 — Rupees in thousand —	2021
Trade debts		306,196	90,342
Gross balance sheet exposure		306,196	90,342
Outstanding letters of credit	36.2	(1,427,795)	(1,711,130)
Net exposure		<u>(1,121,599)</u>	<u>(1,620,788)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
USD to PKR	182.15	163.53	206.00	158.30

Sensitivity analysis

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

	Note	2022 — Rupees in thousand —	2021
Effect on profit or loss			
Loss		30,620	9,034

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

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

	Effective rates	Carrying amount 2022 — Rupees in thousand —	2021
Financial liabilities			
Variable rate instruments:			
Long term loans	8.77%	971,634	424,902
Long term diminishing musharaka	10.97%	964,571	1,351,575
Short term borrowings	10.09%	1,790,853	1,161,440
		3,727,058	2,937,917

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit and loss 100 bp increase	100 bp decrease
As at June 30, 2022		
Cash flow sensitivity - Variable rate financial liabilities	(37,271)	37,271
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities	(29,379)	29,379

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

51.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

52 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

53 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 June 30, 2022 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.

54 FINANCIAL INSTRUMENTS BY CATEGORY

2022							
Note	Carrying amount			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total

Rupees in thousand

On-Balance sheet financial instruments

As at June 30, 2022

Financial assets at amortised cost

Long-term deposits	12	53,258	-	53,258	-	-	-	-
Long-term investments		2,500	-	2,500	-	-	-	-
Trade debts - net of provisions	15	1,787,468	-	1,787,468	-	-	-	-
Loans and advances	16	19,390	-	19,390	-	-	-	-
Trade deposits	17	19,400	-	19,400	-	-	-	-
Cash and bank balances	20	196,151	-	196,151	-	-	-	-
		2,078,167	-	2,078,167	-	-	-	-

Financial liabilities at amortised cost

Long term financing	25	-	921,842	921,842	-	-	-	-
Long term diminishing musharaka	26	-	964,571	964,571	-	-	-	-
Lease liabilities	27	-	18,107	18,107	-	-	-	-
Gratuity	28	-	102,645	102,645	-	-	-	-
GIDC payable	30	-	-	-	-	-	-	-
Trade and other payables	31	-	2,896,039	2,896,039	-	-	-	-
Mark-up accrued	33	-	82,867	82,867	-	-	-	-
Short-term borrowings	34	-	1,790,853	1,790,853	-	-	-	-
		-	6,776,924	6,776,924	-	-	-	-

2021							
Note	New carrying amount under IFRS 9			Fair value			
	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total

Rupees in thousand

On-Balance sheet financial instruments

As at June 30, 2021

Financial assets at amortised cost

Long term Investment	11	-	-	-	-	-	-	-
Long-term deposits	12	51,007	-	51,007	-	-	-	-
Trade debts - net of provisions	15	1,167,876	-	1,167,876	-	-	-	-
Loans and advances	16	19,575	-	19,575	-	-	-	-
Trade deposits	17	25,108	-	25,108	-	-	-	-
Cash and bank balances	20	338,731	-	338,731	-	-	-	-
		1,602,297	-	1,602,297	-	-	-	-

Financial liabilities at amortised cost

Long term financing	25	-	419,787	419,787	-	-	-	-
Long term diminishing musharaka	26	-	1,351,575	1,351,575	-	-	-	-
Lease liabilities	27	-	25,419	25,419	-	-	-	-
Gratuity		-	87,515	87,515	-	-	-	-
GIDC payable	30		77,012	77,012				
Trade and other payables	31	-	1,927,705	1,927,705	-	-	-	-
Mark-up accrued	33	-	38,618	38,618	-	-	-	-
Short-term borrowings	34	-	1,161,440	1,161,440	-	-	-	-
		-	5,089,071	5,089,071	-	-	-	-

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

54.2 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.

55 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	Rupees in thousand					
Managerial remuneration	5,520	4,913	5,160	4,033	106,601	92,649
House rent allowance	2,484	2,211	2,322	1,815	47,970	41,692
Medical expenses	276	246	258	202	5,330	4,632
Bonus (performance)	690	690	710	580	23,820	11,669
	8,970	8,060	8,450	6,630	183,721	150,642
Number of persons	1	1	1	1	62	57

55.1 The Group also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobiles phones in accordance with their terms of employment.

55.2 Aggregate amount charged in these consolidated financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 1.560 million (2021: Rs. 1.20). The Directors fees for attending Board, HR&R Committee and Audit Committee meetings were paid as prescribed in Articles of Association.

55.3 Remuneration to Non-Executive Director relates to amount paid to attend meetings.

56 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2022	2021	2022	2021	
Caustic Soda Liquid	150,000	150,000	100,175	95,795	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	5,330	5,569	
LABSA / SLES	70,000	24,000	22,165	18,899	
Liquid Chlorine	13,200	13,200	8,911	7,943	
Hydrochloric Acid	250,000	250,000	222,176	215,297	
Sodium Hypochlorite	49,500	49,500	30,388	25,125	
Zinc Sulphate	600	600	89	90	
Sodium Sulphate (anhydrous)	4,000	4,000	2,090	1,532	
Calcium Chloride Prills	30,000	30,000	12,744	19,138	
Humic Acid	120	120	-	22	

57 NUMBER OF EMPLOYEES

Number of employees at June 30,

Permanent

Head office

Factory

Contractual

Head office

Factory

Average number of employees during the year

Permanent

Head office

Factory

Contractual

Head office

Factory

2022

2021

76

74

409

411

2

2

130

134

75

73

410

424

2

3

132

136

58 CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

The proportion of debt to equity at the year end was:

Total Borrowings (notes 24, 25, and 32)

Less: Balances with banks (note 19)

Net debt

Total equity

Total capital

Gearing ratio

Note	2022	2021
	— Rupees in thousand —	
	3,705,770	2,932,802
	196,151	338,731
	3,509,619	2,594,071
	5,180,899	4,874,613
	8,690,518	7,468,684
	0.40	0.35

59 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the year except the gain on sale of fixed assets amounting to Rs.1.989 million is net-off with loss on sale of fixed assets amounting to Rs.13.422 million for appropriate presentation.

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

60.1 All significant transactions and events that have affected the Group's financial position and performance during the year have been adequately disclosed in the notes to these consolidated financial statements.

61 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on September 21, 2022 has not recommended any cash dividend (June 30, 2021: Nil).

62 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

		2022	2021
		—Rupees in thousand—	
Description	Explanation		
Loan and advance obtained	Interest bearing	1,539,513	1,526,575
Shariah bank deposit		-	-
Segment revenue (shariah compliant business)		-	-
Bank balance as at June 30,	Placed under shariah permissible	21,976	87,252
Income on bank deposit		997	992
Mark up paid on Islamic mode of Financing		153,319	162,471
Gain / (loss) or dividend income		-	-
Exchange gain		-	-
Relationship with banks having Islamic windows	Bank Name	Nature of transaction	
	Al- Baraka Bank (Pakistan) Limited	Long term diminishing musharaka, short term borrowings and current A/C	
	The Bank of Punjab		
	Dubai Islamic Bank (Pakistan) Limited		
	Bank Alfalah Limited - Islamic		
	Meezan Bank Limited		

Profit earned or interest paid on any conventional loan or advance has been disclosed in the relevant note to these consolidated financial statements.

63 DATE OF AUTHORIZATION OF ISSUE


These consolidated financial statements were authorized for issue on 21 September 2022 by the Board of Directors of the Group.

62 GENERAL

Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.



Chief Executive



Director



Chief Financial Officer

Pattern of Shareholding

as at 30 June 2022

Number of Shareholders	Shareholding From	To	Total Shares Held	Percentage of Total Capital
224	1 -	100	5,947	0.01
158	101 -	500	45,829	0.05
199	501 -	1000	139,266	0.14
429	1001 -	5000	953,969	0.95
126	5001 -	10000	889,411	0.89
59	10001 -	15000	718,768	0.72
29	15001 -	20000	526,655	0.53
15	20001 -	25000	349,211	0.35
12	25001 -	30000	330,732	0.33
6	30001 -	35000	193,845	0.19
4	35001 -	40000	151,199	0.15
4	40001 -	45000	171,143	0.17
5	45001 -	50000	237,824	0.24
7	50001 -	55000	362,676	0.36
3	55001 -	60000	173,077	0.17
1	60001 -	65000	64,935	0.06
1	65001 -	70000	65,255	0.07
4	70001 -	75000	294,643	0.29
3	80001 -	85000	248,204	0.25
2	85001 -	90000	176,325	0.18
1	90001 -	95000	94,451	0.09
2	95001 -	100000	199,997	0.20
3	100001 -	105000	306,981	0.31
2	105001 -	110000	212,862	0.21
2	110001 -	115000	220,550	0.22
3	115001 -	120000	355,488	0.36
2	135001 -	140000	280,000	0.28
2	140001 -	145000	286,641	0.29
2	145001 -	150000	296,500	0.30
1	155001 -	160000	158,886	0.16
1	160001 -	165000	160,929	0.16
2	165001 -	170000	336,480	0.34
1	175001 -	180000	175,952	0.18
1	190001 -	195000	190,095	0.19
2	210001 -	215000	420,155	0.42
1	220001 -	225000	221,369	0.22
1	225001 -	230000	230,000	0.23
1	235001 -	240000	236,127	0.24
1	240001 -	245000	243,755	0.24
1	260001 -	265000	261,766	0.26
1	275001 -	280000	275,678	0.28
1	290001 -	295000	290,827	0.29
1	335001 -	340000	336,481	0.34
1	345001 -	350000	350,000	0.35
1	385001 -	390000	385,512	0.39
1	405001 -	410000	405,999	0.41
1	415001 -	420000	416,572	0.42
1	440001 -	445000	442,207	0.44
1	485001 -	490000	489,997	0.49
1	515001 -	520000	516,880	0.52
2	590001 -	595000	1,180,636	1.18
2	595001 -	600000	1,198,170	1.20

Pattern of Shareholding

as at 30 June 2022

Number of Shareholders	Shareholding From	To	Total Shares Held	Percentage of Total Capital
1	680001 -	685000	680,552	0.68
1	685001 -	690000	685,950	0.69
1	690001 -	695000	694,442	0.69
1	720001 -	725000	724,997	0.72
1	730001 -	735000	733,750	0.73
2	800001 -	805000	1,608,378	1.61
1	965001 -	970000	968,983	0.97
1	970001 -	975000	971,100	0.97
1	1000001 -	1005000	1,003,383	1.00
1	1030001 -	1035000	1,033,046	1.03
1	1055001 -	1060000	1,056,113	1.06
1	1120001 -	1125000	1,120,047	1.12
1	1180001 -	1185000	1,183,383	1.18
1	1315001 -	1320000	1,318,984	1.32
1	1370001 -	1375000	1,371,924	1.37
1	1485001 -	1490000	1,488,591	1.49
1	1540001 -	1545000	1,540,773	1.54
1	1550001 -	1555000	1,553,845	1.55
1	1565001 -	1570000	1,567,220	1.57
1	1610001 -	1615000	1,612,807	1.61
1	1775001 -	1780000	1,779,220	1.78
1	2035001 -	2040000	2,035,877	2.04
2	2420001 -	2425000	4,844,989	4.84
1	3715001 -	3720000	3,716,260	3.72
1	3735001 -	3740000	3,738,552	3.74
1	3800001 -	3805000	3,801,329	3.80
1	4785001 -	4790000	4,787,997	4.79
1	5095001 -	5100000	5,095,107	5.10
1	5225001 -	5230000	5,226,050	5.23
1	5495001 -	5500000	5,495,997	5.50
1	6075001 -	6080000	6,075,500	6.08
1	13205001 -	13210000	13,207,997	13.21
1,371			100,000,000	100.00

Pattern of Shareholding

as at 30 June 2022

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	21,334,961	21.3350%
Associated Companies, undertakings and related parties	0	0.0000%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions	0	0.0000%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	110,043	0.1100%
Share holders holding 10% or more (Already included in above Categories)	13,451,752	13.4518%
General Public		
a- Local	67,351,485	67.3515%
b- Foreign	19,091	0.0191%
Others (to be specified)		
1 - Joint Stock Companies	10,999,901	10.9999%
2 - Pension Funds	177,200	0.1772%
3 - Foreign Companies	0	0.0000%
4 - Others	7,319	0.0073%
Grand Total	100,000,000	100.0000%

Pattern of Shareholding

as at 30 June 2022

Additional Information

Categories of Shareholders

Sr. No.	Name	No. of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	MR. MUHAMMAD SIDDIQUE KHATRI	13,451,752	13.4518
2	MR. ABDUL SATTAR KHATRI	1,779,220	1.7792
3	MR. WAQAS SIDDIQ KHATRI	733,750	0.7338
4	MRS. FARHANA ABDUL SATTAR KHATRI	1,120,047	1.1200
5	MR. ABDULLAH MUSTAFA	3,738,552	3.7386
6	MR. PERVAIZ AHMED KHAN	997	0.0010
7	MR. PERVEZ ISMAIL	649	0.0006
8	MRS. SABINA	509,994	0.5100
Associated Companies, undertakings and related parties		-	-
NIT and ICP		-	-
Banks Development Financial Institutions, Non Banking Financial Institutions		-	-
Insurance Companies			
Modarbas and Mutual Funds			
1	B.R.R. GUARDIAN MODARABA	110,043	0.1100
Share holders holding 10% or more (Already included in above categories)			
1	MR. MUHAMMAD SIDDIQUE KHATRI	13,451,752	13.4518
General Public			
a.	Local	67,351,485	67.3515
b.	Foreign	19,091	0.0191
Joint Stock Companies			
1	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD.	350,000	0.3500
2	TOPLINE SECURITIES LIMITED - MF	146,500	0.1465
3	ASDA SECURITIES (PVT.) LTD.	17,709	0.0177
4	MRA SECURITIES LIMITED - MF	15,000	0.0150
5	PEARL SECURITIES LIMITED - MF	14,000	0.0140
6	SOFCOM (PRIVATE) LIMITED	2,951	0.0030
7	VALIKA TRADING HOUSE (PRIVATE) LIMITED	1,180	0.0012
8	B & B SECURITIES (PRIVATE) LIMITED	209	0.0002
9	VALIKA ART FABRICS LIMITED	1,180	0.0012
10	VALIKA PROPERTIES PRIVATE LIMITED	1,180	0.0012
11	MAPLE LEAF CAPITAL LIMITED	1	0.0000
12	AZEE SECURITIES (PRIVATE) LIMITED	1	0.0000
13	NETWORTH SECURITIES LIMITED	11,663	0.0117
14	MARINE SERVICES (PVT.) LIMITED	19,480	0.0195
15	NH SECURITIES (PVT) LIMITED.	3,997	0.0040
16	NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LTD.	30,859	0.0309
17	M/S. JHELM SILK MILLS (PVT)	4,787,997	4.7880
18	M/S. CHEMITEX INDUSTRIES LTD.	5,495,997	5.4960
19	SITARA CHEMICAL INDUSTRIES LTD.	99,997	0.1000

Pattern of Shareholding

as at 30 June 2022

Sr. No.	Name	No. of Shares Held	Percentage
Pension Funds			
1	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	70,005	0.0700
2	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	106,605	0.1066
3	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	590	0.0006
Others			
1	TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPOLYEES P. FUND	6,729	0.0067
2	TRUSTEE PAKISTAN PETROLEUM JUNIOR PROVIDENT FUND	590	0.0006
Grand Total:		100,000,000	100.0000

Proxy Form

I/We _____ of _____ being member of **ITTEHAD CHEMICALS LIMITED** and holder of _____ Ordinary Shares as per Registered Folio / CDC Participant ID. No & CDC Account No. _____ hereby appoint Mr./Mrs./Miss. _____ of _____ or failing him/her Mr./Mrs./Miss. _____ of _____ who is also a member of the **ITTEHAD CHEMICALS LIMITED** vide Registered Folio / CDC Participant I.D. No. _____ as my proxy to vote for me and on my behalf at the 31st Annual General Meeting of the Company to be held on Thursday, October 27, 2022 at 11.00 am at the registered office and any adjournment thereof.

Signed this _____ day of _____ 2022.

Revenue
Stamp(s) of
Rupees Fifty

Signature

(As registered with the company)

WITNESS: 1

Signature _____

Name _____

Address _____

CNIC or

Passport # _____

WITNESS: 2

Signature _____

Name _____

Address _____

CNIC or

Passport # _____

NOTES:

- This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.
- No person shall act as Proxy unless he/she himself/herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.

AFFIX
CORRECT
POSTAGE

Registered / Head Office:

39-Empress Road, Lahore-Pakistan.

Tel: +92 42 3630 6586-88

Fax: +92 42 3636 5697

پراکسی فارم

میں / ہم ----- بحیثیت ممبر اتحاد کیمیکلز
لمیٹڈ اور حامل ----- عمومی حصص بمطابق رجسٹرڈ فولیو / سی ڈی سی پارٹیسپینٹ شناختی نمبر اور سی ڈی سی اکاؤنٹ
نمبر ----- بذریعہ تحریر بلڈ محترم / محترمہ ----- کو یا ان کی غیر
حاضری کی صورت میں محترم / محترمہ ----- کو جو بحوالہ رجسٹرڈ فولیو / سی ڈی سی پارٹیسپینٹ
شناختی نمبر ----- اتحاد کیمیکلز لمیٹڈ کے / کی ممبر بھی ہیں، اپنا پراکسی مقرر
کرتا / کرتی / کرتے ہیں تاکہ وہ میرے / ہمارے لئے اور میری / ہماری طرف سے کمپنی کے 31 ویں سالانہ اجلاس عام میں ووٹ ڈال
سکیں جو 27 اکتوبر 2022ء بروز جمعرات کو صبح 11:00 بجے رجسٹرڈ آفس میں یا اس کے کسی بھی التوا کی صورت میں منعقد ہوگا۔

تاریخ دستخط: -----	پچاس روپے کے رسیدی ٹکٹس
--------------------	-------------------------

دستخط

(جو کمپنی کے پاس رجسٹرڈ ہیں)

<u>گواہ نمبر 1</u> دستخط ----- نام ----- پتہ ----- قومی شناختی کارڈ یا پاسپورٹ نمبر -----	<u>گواہ نمبر 2</u> دستخط ----- نام ----- پتہ ----- قومی شناختی کارڈ یا پاسپورٹ نمبر -----
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نوٹ:

- ☆ یہ پراکسی فارم، باقاعدہ پر شدہ اور دستخط شدہ حالت میں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً پہنچ جانا چاہئے۔
- ☆ کوئی شخص بطور پراکسی کام نہیں کرے گا اگر وہ خود کمپنی کا شیئر ہولڈر نہ ہو سوائے اس کے کہ کوئی کمپنی کسی ایسے شخص کو اپنا نمائندہ مقرر کر دے جو شیئر ہولڈر نہ ہو۔

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لمیٹڈ بھی متعلقہ سرکاری محکمے سے مائننگ لیز حاصل کرنے کے عمل میں ہے۔ زیادہ مارک اپ ریٹ، ایندھن کی اونچی قیمت، پاکستانی روپے کی قدر میں کمی اور کمزور معیشت اس صنعت کے لیے چیلنجز ہیں۔

اظہارِ تشکر

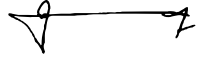
بورڈ قابل قدر حصص داران، صارفین، بینکوں اور سرکاری محکموں کی جانب سے ان کے اعتماد، مسلسل تعاون اور سرپرستی پر شکر گزار ہے اور کمپنی کے تمام ملازمین کا ان کے تعاون، لگن اور محنت کے لیے شکریہ ادا کرتا ہے۔

منجانب بورڈ



عبدالستار کھتری

چیف اگزیکٹو



محمد صدیق کھتری

چیئرمین

لاہور

21 ستمبر 2022ء

- ix. پراویڈنٹ فنڈ کی انویسٹمنٹ کی ویلیو 30 جون 2022ء کے مطابق اکاؤنٹس کی بنیاد پر مالی بیانات کے نوٹ نمبر 44 میں دی گئی ہے۔
- x. ضابطہ میں بیان شدہ تمام معلومات سٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بروقت فراہم کی گئی ہیں۔
- xi. متعلقہ پارٹی ٹرانزیکشن کے حوالے سے تمام ضروریات کے مطابق کمپنی نے عملدرآمد کیا ہے۔
- xii. کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری ان کی بیگمات اور ان کے بچوں کی جانب سے کمپنی کے شیئرز میں سال کے دوران کی گئی ٹریڈنگ (اگر کوئی ہے) اور شیئرز کی تعداد کے متعلق کسی قسم کی معلومات منسلک ہیں۔

صحت، تحفظ اور ماحولیات

ہم اپنے ملازمین کو کام کرنے کے لیے صحت مند اور محفوظ ماحول فراہم کرنے کے لیے کوشاں ہیں۔ کمپنی تمام قابل اطلاق قوانین اور حکومتی ضوابط پر عمل کرنے کے علاوہ کمپنی نے اپنا معیار بھی متعین کر رکھا ہے۔ ہم فعال طور پر حادثات کا باعث بننے والے عوامل کو ختم کرنے، ماحولیاتی آلودگی کو کم کرنے، فضلے میں کمی، توانائی کی بچت، حفاظتی آگاہی ٹریننگ، ایمرجنسی کے حوالے سے تیاری اور ماحولیاتی اثرات جو کہ ارد گرد آبادیوں پر اثر انداز ہو سکتے ہیں کو کم کرنے کے لیے ہر وقت کوشاں ہیں۔ کمپنی کو الٹی مینجمنٹ سسٹم آئی ایس او 45001:2018، کو الٹی مینجمنٹ سسٹم (QMS) آئی ایس او 9001:2015، انوائزمنٹ مینجمنٹ سسٹم (EMS) آئی ایس او 14001:2015 اور ACTS-Al-Waiz سرٹیفیکیشن اور ٹریننگ سروسز (پرائیویٹ) لمیٹڈ کے حلال فوڈ مینجمنٹ سسٹم PS 3733:2019 سے بھی نواز گیا ہے۔

کاروباری سماجی ذمہ داری

صحت، تعلیم اور معاشرے کی بہتری ہمارے بنیادی کاروباری سماجی پروگرام کا حصہ ہے۔ اس سلسلے میں اتحاد کیمیکلز لمیٹڈ صحت، تعلیم اور سماجی بہتری کے لیے کام کرنے والی مختلف تنظیموں کی مالی امداد بھی کر رہی ہے۔ زیر جائزہ سال کے دوران کمپنی نے مختلف فلاحی تنظیموں کو 13,448,000 روپے دیے ہیں۔

بیرونی آڈیٹرز

موجودہ آڈیٹرز BDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے، ریٹائر اور اہل ہونے کی بنا پر سال 2022-23 کے لیے خود کو دوبارہ تعیناتی کے لیے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے BDO ابراہیم اینڈ کمپنی کی دوبارہ تعیناتی کے لیے آنے والے سالانہ اجلاس میں ممبران کی اجازت کے بعد آئندہ سال کے لیے منظوری دے دی ہے۔ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کی جانب سے کو الٹی کنٹرول ریویو کے تحت بیرونی آڈیٹرز کو تسلی بخش درجہ بندی دی گئی ہے۔

شیئر ہولڈنگ کی فہرست

30 جون 2022ء کو شیئر ہولڈنگ کی فہرست ساتھ منسلک ہے۔

مستقبل کا نقطہ نظر

آپ کی کمپنی کی مینجمنٹ حصص یافتگان کی قدر بڑھانے کے لیے کوشاں ہے۔ اللہ تعالیٰ کے فضل و کرم سے، کمپنی کے جدید ترین توسیعی LABSA/SLES پلانٹ نے 12 مئی 2022ء کو اپنی تجارتی سرگرمیوں کا آغاز کر دیا ہے اور کمپنی کے منافع میں اپنا حصہ ڈالے گا۔ مزید برآں، صلاحیت بڑھانے اور ایندھن کی کارکردگی کو بہتر بنانے کے لیے پاور پلانٹ کے انجنوں کی اپ گریڈیشن کا کام آنے والے مہینوں میں مکمل کر لیا جائے گا۔ مکمل ملکیتی ماتحت ادارہ یعنی اتحاد سہا لٹ پروسیڈنگ (پرائیویٹ)

بورڈ کمیٹیوں کے ممبران کے نام بھی ”کارپوریٹ انفارمیشن“ کے عنوان کے تحت ظاہر کیے جاتے ہیں جو کہ CCG کی شق نمبر 34 کے تحت ضروری ہے۔

ڈائریکٹرز کا معاوضہ

کمپنی نان الگزیکٹو ڈائریکٹرز / انڈیپنڈنٹ ڈائریکٹرز کو کسی قسم کا معاوضہ ادا نہیں کرتی۔ تاہم بورڈ نے بورڈ اور اس کی کمیٹیوں کی ہر میٹنگ میں شامل ہونے کی فیس 30,000 روپے مقرر کی ہے اور میٹنگ کے علاوہ ہونے والے سفری اور دیگر اخراجات صرف نان الگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو ادا کیے جاتے ہیں۔

ڈائریکٹرز کے تربیتی پروگرام

اس وقت سات (07) میں سے چھ (06) بورڈ ممبران نے ڈائریکٹرز کے تربیتی پروگرام کے لیے SECP کے منظور شدہ اداروں کی طرف سے پیش کردہ سرٹیفکیشن حاصل کر لی ہے۔ کمپنی سہولت کے مطابق بقیہ ایک (01) بورڈ ممبر کے لیے ڈائریکٹرز کے تربیتی پروگرام کا انتظام کرے گی۔

ضابطہ اخلاق / Code of Conduct

کمپنی کے تمام ملازمین سے بہترین اخلاقی اور قانونی معاملات کے عکاس رویوں کی توقع کی جاتی ہے چاہے وہ کسی بھی شعبے کے ملازمین ہوں۔ تاہم کمپنی نے مخصوص معیار اور ذمہ داریوں کا تعین کیا ہے۔ ضابطہ اخلاق کمپنی کے تمام ملازمین میں تقسیم کیا گیا ہے اور کمپنی کی ویب سائٹ پر بھی دیا گیا ہے۔

کوڈ آف کارپوریٹ گورننس کے ضابطہ کی تعمیل

بورڈ نے کارپوریٹ گورننس کے بہترین طریقوں پر عملدرآمد کو ہمیشہ یقینی بنایا ہے۔ اسی حوالے سے ایک بیان بھی منسلک کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کے بارے میں بیانات مندرجہ ذیل ہیں:

- i. مالیاتی گوشوارے اور تیار کیے گئے نوٹس کمپنیز ایکٹ 2017 کے عین مطابق تیار کیے گئے ہیں۔ یہ گوشوارے کمپنی کے معاملات کی شفاف حالت اسکے آپریشن کے نتائج، کیش فلو اور سرمایہ میں تبدیلیوں کو ظاہر کرتی ہے۔
- ii. کمپنی کے اکاؤنٹس کی بقاعدہ کتب بنائی گئیں ہیں۔
- iii. مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مد نظر رکھا گیا ہے اور اکاؤنٹنگ کے اندازے مناسب اور دانشمندانہ فیصلوں پر کیے گئے ہیں۔
- iv. مالی گوشواروں کی تیاری میں انٹرنیشنل مالیاتی رپورٹنگ معیار جو کہ پاکستان میں بھی لاگو ہے کی پیروی کی جاتی ہے اور وہاں سے کسی بھی قسم کی کمی بیشی کی صورت میں مناسب طور پر وضاحت کی جاتی ہے۔
- v. انٹرئل کنٹرول کا بہترین نظام ہے اور مناسب انداز میں لاگو اور ماٹیر کیا جاتا ہے۔
- vi. کمپنی کی صلاحیت کو جاری رکھنے کے حوالے سے کسی بھی قسم کے شک و شبہات نہیں ہیں۔
- vii. گزشتہ چھ سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار منسلک ہیں۔
- viii. ٹیکس اور لیویز کے بقایا جات کے متعلق معلومات اکاؤنٹس کے نوٹس میں دی گئی ہیں۔

نقد منافع / بونس شیئرز

30 جون 2022ء کو ختم ہونے والے مالی سال کے دوران بورڈ آف ڈائریکٹرز پہلے ہی ایک (01) روپے فی حصص یعنی 10% کے حساب سے عبوری نقد منافع کا اعلان اور ادائیگی کر چکے ہیں اور 18.063754% فیصد سے 15.30 ملین عبوری بونس شیئرز جاری کر چکے ہیں۔ تاہم بورڈ نے موجودہ چیلنجوں کو مد نظر رکھتے ہوئے اور مالی ذمہ داریوں کو پورا کرنے کے لیے کسی بھی حتمی منافع / بونس شیئرز کی سفارش نہیں کی ہے۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (سابقہ JCR-VIS) کریڈٹ ریٹنگ کمپنی لمیٹڈ

جیسا کہ 25 فروری 2022ء کو اعلان کیا گیا تھا، VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) نے اتحاد کیمیکلز لمیٹڈ (ICL) کی درجہ بندی کی 'A-2/A-' (سنگل A مائنس / A-2) پر مثبت آؤٹ لک کے ساتھ دوبارہ تصدیق کی ہے۔ 'A مائنس' کی درمیانی سے طویل مدتی درجہ بندی مناسب تحفظ کے عوامل کے ساتھ اچھے کریڈٹ معیار کی نشاندہی کرتی ہے۔ مزید برآں، معیشت میں ممکنہ تبدیلیوں کے ساتھ خطرے کے عوامل مختلف ہو سکتے ہیں۔ 'A-2' کی قلیل مدتی درجہ بندی درست لیکویڈٹی اور کمپنی کے بنیادی اصولوں کے ساتھ یقینی بروقت ادائیگیوں کی نشاندہی کرتی ہے۔

کارپوریٹ بریفنگ سیشن (سی بی ایس)

پاکستان سٹاک ایکسچینج کے قانون کے مطابق، تمام لسٹڈ کمپنیوں کے لیے مالی سال کے دوران اسٹیک ہولڈرز کے لیے کم از کم ایک کارپوریٹ بریفنگ سیشن (سی بی ایس) کا انعقاد لازمی ہے۔ زیر نظر سال کے دوران، کمپنی نے 15 جون 2022ء کو اپنے رجسٹرڈ آفس میں ویڈیو لنک کی سہولت کے ذریعے ایک CBS کا اہتمام کیا جس میں کمپنی کی حکمت عملی، مالی پوزیشن، آپریشنز اور کارکردگی کو اجاگر کیا گیا۔ بورڈ تمام اسٹیک ہولڈرز کے ساتھ مضبوط تعلقات قائم کرنے کی اہمیت کو تسلیم کرتا ہے۔ کارپوریٹ بریفنگز مواصلاتی سیشنز ہوتے ہیں اور مینجمنٹ کو اسٹیک ہولڈرز، مجموعی کارکردگی اور کمپنی کے مستقبل کے نقطہ نظر سے آگاہ کرنے کا موقع فراہم کرتے ہیں۔

بورڈ اور اس کی کمیٹیوں کا اجلاس اور حاضری

لسٹڈ کمپنیز کے کوڈ آف کارپوریٹ گورننس کی شق 34(2)(i,ii,iii) کے مطابق فہرستی بورڈ کی ساخت اس رپورٹ سے منسلک سیٹمنٹ آف کلائمٹس میں درج ہے۔ سال کے دوران، سات (07) بورڈ کے اجلاس، پانچ (05) آؤٹ کمیٹی اجلاس، دو (02) HR&R کمیٹی اجلاس اور ایک (01) رسک مینجمنٹ کمیٹی کے اجلاس منعقد ہوئے۔ بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضری درج ذیل ہے:

اجلاسوں میں شرکت کی تعداد				ڈائریکٹر کا نام
بورڈ آف ڈائریکٹر	آؤٹ کمیٹی	ایچ آر اینڈ آر کمیٹی	رسک مینجمنٹ کمیٹی	
N/A	N/A	1	7	جناب محمد صدیق کھتری
N/A	N/A	1	7	جناب عبدالستار کھتری
N/A	2	1	7	جنات وقاص صدیق کھتری
5	2	N/A	7	جناب عبداللہ مصطفیٰ
N/A	N/A	N/A	7	محترمہ فرحانہ عبدالستار کھتری
5	2	N/A	7	جناب پرویز احمد خان
5	N/A	N/A	7	جناب پرویز اسماعیل

مالی جھلکیاں

30 جون 2021ء اور 2022ء کو ختم ہونے والے سال کے لیے تقابلی مالیاتی نتائج مندرجہ ذیل ہیں۔

2022ء	2021ء	"000" روپے
15,681,372	11,123,793	مجموعی فروخت
2,064,777	1,885,509	مجموعی منافع
992,781	1,093,005	آپریٹنگ منافع
764,049	980,110	ٹیکس سے پہلے منافع
414,539	656,767	ٹیکس کے بعد منافع
4.15	6.57	فی حصص کمائی - دوبارہ بیان کردہ (روپے)

منافع اور تخصیص

2022ء	2021ء	"000" روپے
413,069	655,382	کل آمدنی برائے سال
2,305,352	1,904,070	بشمول آگے لایا گیا غیر تخصیص منافع
-	-	برقرار آمدنی میں تبدیلی - صافی (IFRS 16)
2,718,421	2,559,452	تخصیص کے لیے دستیاب منافع
(84,700)	-	مالی سال 2019-20 کیلئے حتمی نقد منافع 10% کی شرح سے ادا کیا گیا۔
(100,000)	(169,400)	مالی سال 2021-22ء کیلئے عبوری نقد منافع 10% کی شرح سے ادا کیا گیا۔
2,618,421	2,305,352	تخصیص کے لیے دستیاب منافع

نوٹ:

کمپنی نے مالی سال 2021-22ء کے دوران شیئر پر یکم اکاؤنٹ سے بونس شیئرز جاری کیے ہیں۔

ڈائریکٹر رپورٹ

کمپنی کے ڈائریکٹر سالانہ رپورٹ بمعہ 30 جون 2022 کو ختم ہونے والے مالی سال کے پڑتال شدہ مالی گوشوارے اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

معیشت کا جائزہ

پاکستان کی معیشت ادائیگیوں کے توازن، پاکستانی کرنسی کی قدر میں زبردست کمی، بڑے مالیاتی اور کرنٹ اکاؤنٹ خسارے اور سیاسی اتار چڑھاؤ جیسے متعدد معاشی چیلنجوں سے گزر رہی ہے۔ اس کے علاوہ، مون سون کی غیر معمولی شدید بارشوں کی وجہ سے آنے والے حالیہ سیلاب نے متعدد شہروں میں اقتصادی سرگرمیوں کو متاثر کیا ہے، جس سے بحران مزید شدت اختیار کر سکتا ہے۔ یہ تمام عوامل صارفین کی قابل استعمال آمدنی پر بہت زیادہ باؤ ڈال رہے ہیں جس سے کھپت پر منفی اثر پڑ سکتا ہے۔ بیرونی محاذ پر، علاقائی سطح پر مسابقتی توانائی ٹیرف کی شرح، ایکسپورٹ فیسیلیٹیشن اسکیم 2021، کوریج میں اضافے سمیت فراہم کردہ پالیسی سپورٹ کی وجہ سے برآمدات میں نمایاں اضافہ ہوا۔ مالی سال 2022ء میں حقیقی GDP کی شرح نمو 5.97 فیصد رہی۔ تاہم بنیادی معاشی عدم توازن اور متعلقہ ملکی اور بین الاقوامی خطرات نے بہتری کو متاثر کیا ہے۔

مالی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے، کمپنی کی فروخت نے بنیادی طور پر LABSA کی فروخت میں توسیع کی وجہ سے قابل قدر شرح سے نمایاں اضافہ کیا ہے۔ زیر جائزہ سال کے دوران، کمپنی کی 41 فیصد اضافے کے ساتھ 15,681 ملین روپے کی خالص فروخت آمدنی (2021: 11,124 ملین روپے) رہی۔ فروخت کی لاگت 13,617 ملین روپے رہی (2021: 9,238 ملین روپے) جس سے خام منافع 2,065 ملین روپے (2021: 1,886 ملین روپے) تک پہنچ گیا۔ سالانہ خام منافع کلار جن پچھلے سال کی اسی مدت کے مقابلے میں 17 فیصد سے کم ہو کر 13 فیصد ہو گیا۔ سرمایہ کاری کی املاک پر 101 ملین روپے کا فائدہ اٹھانے کے بعد جس کی تفصیل پڑتال شدہ مالیاتی حسابات کے نوٹ نمبر 10 میں دی گئی ہے۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 415 ملین روپے (2021: 657 ملین روپے) کا خالص منافع دکھاتی ہے جس سے فی حصص 4.15 روپے (2021: 6.57 روپے فی حصص) آمدنی ہوئی۔ حکومت کی طرف سے سپر ٹیکس کے نفاذ توانائی اور مالیاتی لاگت اور افراط زر کے دباؤ نے کمپنی کے منافع کو کم کر دیا ہے۔

زیر جائزہ سال کے دوران، کمپنی نے شیئر پر بیمہ اکاؤنٹ سے 10 روپے فی کس کے 1 کروڑ 53 لاکھ (1.53 ملین) بونس شیئرز کا اجراء کیا، اس لیے پچھلے سال کی فی حصص آمدنی کو اس کے مطابق دوبارہ بیان کیا گیا ہے۔

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