

1st Quarterly Report
September 30, **2022**



GROWING STRONGER MAKING IT HAPPEN



ITTEHAD CHEMICALS LIMITED

ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

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Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. 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.ittihadchemicals.com, E-mail: info@ittihadchemicals.com

FACTORY/PLANT

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

SHARES REGISTRAR

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

BANKERS

Banks - Conventional Side

Askari Bank Limited
Allied Bank Limited
Faysal Bank Limited
Habib Metro Bank Limited
MCB Bank Limited
National Bank of Pakistan
JS Bank Limited
Pak Libya Holding Co. (Pvt.) Ltd.
Pak Brunei Inv. Company Ltd.
The Bank of Punjab
United Bank Limited
Samba Bank Limited
Soneri Bank Limited

Banks - Islamic Window Operations

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

AUDITORS

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

LEGAL ADVISOR

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

DIRECTORS' REPORT

The Directors take pleasure in presenting the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2022.

During the quarter under review, the Company posted net sales revenue of Rupees 5,611 Million denoting an increase of 73% over the corresponding period of last year (2021: Rupees 3,249 Million). The cost of sales stood at Rupees 5,030 Million (2021: Rupees 2,998 Million) bringing gross profit to Rupees 581 Million (2021: Rupees 251 Million). The gross profit margin improved to 10% from 8% vis-à-vis corresponding period of last year during the period under review. The bottom line showed a net profit after tax amounting to Rupees 137 Million (2021: Loss of Rupees 9 Million) which yielded earning(s) per share Rupees 1.37 (2021: Loss per share Rupees 0.09).

Moving forward, the company is set to embark on a higher growth trajectory due to the accomplishment of its various ventures. As described in earlier reports, the capacity of the Company's state of the art LABSA / SLES Plant has increased from 24,000 M. Tons per annum to 70,000 M. Tons per annum and is contributing significantly to Company's turnover. The work on up-gradation of power plant engines to improve fuel / operational efficiency is also well underway. The Management is taking appropriate measures to achieve operational excellence. The wholly owned subsidiary i.e. Ittehad Salt Processing (Pvt.) Limited is effectively moving to acquire Mining Lease from the concerned Government Department.

The global economy is suffering from slow growth, higher inflation, and monetary tightening. The challenges like inflationary pressures, liquidity crunch, high-interest rates, increased energy costs along with the devaluation of the Pak rupee are adversely affecting the industry in the general and chemical industry in particular. Hence, there is an urgent need for prompt and effective remedial actions on the part of the Government to curb macroeconomic imbalances prevailing in the economy.

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

On behalf of the Board



Lahore
October 26, 2022

Abdul Sattar Khatri
Chief Executive Officer



Muhammad Siddiq Khatri
Chairman

ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹر 30 ستمبر 2022ء کو اختتام پذیر ہونے والی پہلی سہ ماہی کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

زیر جائزہ سہ ماہی کے دوران، کمپنی کی فروخت گزشتہ سال کے اسی عرصہ کے مقابلے میں 73% اضافے کے ساتھ 5,611 ملین روپے (2021:249,3 ملین روپے) رہی۔ فروخت کی لاگت 5,030 ملین روپے (2021:2,998 ملین روپے) رہی جس سے کمپنی کا خام منافع 581 ملین (2021:251 ملین روپے) بنتا ہے۔ زیر جائزہ مدت کے دوران خام منافع کا تناسب گزشتہ سال کے اسی عرصے کے مقابلے میں 8% فیصد سے بڑھ کر 10% فیصد ہو گیا۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 137 ملین روپے (2021:9 ملین روپے) کا نقصان کا منافع ظاہر کرتی ہے جس کے نتیجے میں فی حصص 1.37 روپے (2021: فی حصص نقصان 0.09 روپے) کا منافع ہوا۔

آگے بڑھتے ہوئے، کمپنی نے اپنے مختلف منصوبوں کی تکمیل کی وجہ سے اعلیٰ نمو کے راستے پر گامزن ہونے کا آغاز کیا ہے۔ جیسا کہ پہلے کی رپورٹوں میں بیان کیا گیا ہے، کمپنی کے جدید ترین LABSA/SLES پلانٹ کی صلاحیت 24,000 ٹن سالانہ سے بڑھا کر 70,000 ٹن سالانہ کر دی گئی ہے اور کمپنی کے کاروبار میں نمایاں کردار ادا کر رہا ہے۔ ایندھن / آپریشنل کارکردگی کو بہتر بنانے کے لیے پاور پلانٹ انجنوں کی اپ گریڈیشن پر کام بھی تیزی سے جاری ہے۔ انتظامیہ بہترین آپریشنل کارکردگی حاصل کرنے کے لیے مناسب اقدامات کر رہی ہے۔ مکمل ملکیتی ذیلی کمپنی یعنی اتحاد سالٹ پروسیسنگ (پرائیویٹ) لمیٹڈ متعلقہ سرکاری محکمے سے کان کنی لیز حاصل کرنے کے لیے مؤثر طریقے سے آگے بڑھ رہی ہے۔

عالمی معیشت سست شرح نمو، بلند افراط زر اور مالیاتی سختی سے دوچار ہے۔ افراط زر کے دباؤ، لیکویڈٹی کی کمی، بلند شرح سود، پاکستانی روپے کی قدر میں کمی کے ساتھ توانائی کی لاگت میں اضافے جیسے چیلنجز بالعموم صنعت اور بالخصوص کیمیائی صنعت کو بُری طرح متاثر کر رہے ہیں۔ لہذا معیشت میں موجود میکرو اکنامک عدم توازن کو روکنے کے لیے حکومت کی جانب سے فوری مؤثر اصلاحی اقدامات کی اشد ضرورت ہے۔

بورڈ قابل قدر حصص داران سپلائرز، 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 ایگزیکٹو آفیسر



محمد صدیق کھتری

چیئر مین

لاہور

26 اکتوبر 2022ء

Condensed Interim Statement of Financial Position as at September 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	6,329,993	6,298,108
Operating fixed assets	8	466,529	396,152
Capital work in progress		6,796,522	6,694,260
Intangible assets		1,300	1,440
Investment properties		408,750	408,750
Long term investments		2,500	2,500
Long term deposits		51,758	51,758
		7,260,830	7,158,708
CURRENT ASSETS			
Stores, spares and loose tools		512,690	495,567
Stock in trade		2,619,775	2,168,526
Trade debts		2,090,695	1,787,468
Loans and advances		116,126	278,928
Trade deposits and short term prepayments		31,865	27,367
Tax refunds due from Government		606,169	529,429
Taxation - net		370,755	224,526
Short Term Investments		11,500	-
Cash and bank balances		95,323	194,542
		6,454,898	5,706,353
		13,715,728	12,865,061
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	2,000,000	2,000,000
Issued, subscribed and paid up capital	9.2	1,000,000	1,000,000
Share premium		177,000	177,000
Merger Reserve		(6,445)	(6,445)
Unappropriated profit		2,755,351	2,618,421
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		5,317,948	5,181,018
NON CURRENT LIABILITIES			
Long term financing	10	642,631	670,698
Long term diminishing musharaka	11	490,066	577,566
Lease liabilities		7,278	9,300
Deferred liabilities		562,250	621,789
Deferred grant		30,094	30,094
		1,732,319	1,909,447
CURRENT LIABILITIES			
Trade and other payables		3,460,774	3,231,916
Unclaimed dividend		2,308	2,308
Mark-up accrued		112,316	82,866
Short term borrowings		2,425,229	1,790,853
Current portion of long term liabilities		664,834	666,653
		6,665,461	5,774,596
CONTINGENCIES AND COMMITMENTS			
	12	-	-
TOTAL EQUITY AND LIABILITIES			
		13,715,728	12,865,061

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit or Loss Account (Un-audited)
for the quarter ended September 30, 2022

	Note	Quarter ended September 30, 2022 (Rupees in thousand)	2021 (Rupees in thousand)
Sales - net		5,611,569	3,249,335
Cost of sales	13	(5,030,183)	(2,998,206)
Gross profit		581,386	251,129
Selling and distribution expenses		(300,105)	(154,919)
General and administrative expenses		(66,240)	(53,971)
Other operating expenses		(11,568)	(325)
Other operating income		82,862	18,636
		(295,051)	(190,579)
Operating profit		286,335	60,550
Financial charges		(136,965)	(60,899)
Profit before taxation		149,370	(349)
Taxation		(12,440)	(8,211)
Profit after taxation		136,930	(8,560)
Restated Earnings per share - basic and diluted (Rupee)	14	1.37	Restated (0.09)

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


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter ended September 30, 2022

	Quarter ended September 30, 2022	2021
	(Rupees in thousand)	
Profit/(Loss) for the period	136,930	(8,560)
Other comprehensive income	-	-
Total comprehensive income for the period	136,930	(8,560)

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


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2022

	Quarter ended September 30,	
	2022	2021
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	149,370	(349)
Adjustments for items not involving movement of funds:		
Depreciation	150,665	119,321
Amortization of intangible assets	139	-
Provision for gratuity	6,007	4,557
Loss / (Gain) on sale of fixed assets	(325)	-
Loss / (gain) on foreign exchange	(74,272)	(8,526)
Provision for obsolete stores	4,500	4,500
Financial charges	136,965	60,899
Net cash flow before working capital changes	373,049	180,402
Decrease / (increase) in current assets		
Stores, spares and loose tools	(21,623)	1,206
Stock in trade	(451,249)	63,148
Trade debts	(228,955)	(59,739)
Loans and advances	162,802	217,629
Trade deposits and short term prepayments	(4,498)	9,177
Tax refunds due from the Government	(76,740)	12,963
	(620,263)	244,384
Increase / (decrease) in current liabilities		
Trade and other payables	228,858	246,238
Cash generated from operations	(18,356)	671,024
Income taxes paid	(222,723)	(64,463)
Gratuity paid	(1,492)	(251)
Financial charges paid	(111,642)	(52,398)
Net cash inflow from operating activities	(354,213)	553,912
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(28,433)	(9,736)
Additions to capital work in progress	(220,391)	(445,614)
Proceeds from sale of operating fixed assets	350	-
Long term deposits	-	(691)
Net cash (outflow) from investing activities	(248,474)	(456,041)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	30,808	254,832
Repayment of long term financing	(60,695)	(24,621)
Repayment of long term diminishing musharaka	(87,500)	(87,500)
Repayment of lease liabilities	(2,021)	(1,720)
Dividend Paid	-	(1,806)
Short term borrowings	634,376	(264,603)
Net cash inflow / (outflow) from financing activities	514,968	(125,418)
Net increase in cash and cash equivalents	(87,719)	(27,547)
Cash and cash equivalents at the beginning of the period	194,542	338,635
Cash and cash equivalents at the end of the period	106,823	311,088

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2022

	Issued, subscribed and paid-up capital	Reserves			Total	
		Capital		Revenue		
		Surplus on revaluation of fixed assets	Balance arising upon Merger	Share premium		Unappropriated profit
----- (Rupees in thousand) -----						
Balance as at July 01, 2021	847,000	1,392,042	-	330,000	2,305,352	4,874,394
Total Comprehensive income for the period	-	-	-	-	(8,560)	(8,560)
Balance as at September 30, 2021	847,000	1,392,042	-	330,000	2,296,792	4,865,834
Transitions with Owners:						
Issuance of Bonus Shares @18.06%	153,000	-	-	(153,000)	-	-
Interim cash dividend 2022: Re. 1 per share	-	-	-	-	(100,000)	(100,000)
	153,000	-	-	(153,000)	(100,000)	(100,000)
Total Comprehensive income for the period						
Profit for the period	-	-	-	-	423,099	423,099
Re-measurement of defined benefit liability - net	-	-	-	-	(1,470)	(1,470)
Adjustment of goodwill upon merger	-	-	(6,445)	-	-	(6,445)
	-	-	(6,445)	-	421,629	415,184
Balance as at June 30, 2022	1,000,000	1,392,042	(6,445)	177,000	2,618,421	5,181,018
Total Comprehensive income for the period	-	-	-	-	136,930	136,930
Balance as at September 30, 2022	1,000,000	1,392,042	(6,445)	177,000	2,755,351	5,317,948

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2022

1 LEGAL STATUS AND OPERATIONS

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

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

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2022 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2022, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2021.

3.2 Accounting Convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits which are measured at present value, freehold land and investment property which are measured at fair value.

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2022.

5 TAXATION

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

6 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2022.

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
Note		(Rupees in thousand)	

7 PROPERTY PLANT & EQUIPMENT

Operating Fixed Assets	7.1	6,322,222	6,289,161
Right to Use Assets	7.2	7,771	8,947
		<u>6,329,993</u>	<u>6,298,108</u>

7.1 Operating Fixed Assets

Opening book value (NBV)		6,289,161	5,709,033
Additions / (adjustment) at cost during the period / year	7.1.1	182,575	1,118,220
		<u>6,471,736</u>	<u>6,827,253</u>
Disposals at NBV during the period / year	7.1.2	(25)	(27,686)
Depreciation charged during the period / year		<u>(149,489)</u>	<u>(510,406)</u>
		<u>(149,514)</u>	<u>(538,092)</u>
Closing net book value (NBV)		<u>6,322,222</u>	<u>6,289,161</u>

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

Building	83,215	49,948
Plant and machinery	71,322	993,738
Other equipment	79	17,664
Furniture and fixtures	241	1,251
Office and other equipment	1,274	6,166
Vehicles	26,444	49,453
	<u>182,575</u>	<u>1,118,220</u>

(Un-audited)
September 30,
2022
—— (Rupees in thousand) ——

(Audited)
June 30,
2022

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

Plant and machinery	-	(23,364)
Vehicles	(25)	(4,322)
	<u>(25)</u>	<u>(27,686)</u>

7.2 Right to Use Assets

Opening book value (NBV)	8,947	13,649
Additions / (adjustment) at cost during the period / year	-	-
	<u>8,947</u>	<u>13,649</u>
Disposals at NBV during the period / year	-	-
Depreciation charged during the period / year	(1,176)	(4,702)
	<u>(1,176)</u>	<u>(4,702)</u>
Closing net book value (NBV)	<u>7,771</u>	<u>8,947</u>

8 CAPITAL WORK IN PROGRESS

Building	41,876	24,388
Plant and machinery	423,014	357,918
Advances	1,639	13,846
	<u>466,529</u>	<u>396,152</u>

9 SHARE CAPITAL

9.1 Authorized share capital

175,000,000 (June 30, 2022: 175,000,000) ordinary shares of Rs. 10/- each	1,750,000	1,750,000
25,000,000 (June 30, 2022: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>2,000,000</u>	<u>2,000,000</u>

9.2 Issued, subscribed and paid up share capital

27,100,000 (June 30, 2022: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2022: 24,900,000) issued for consideration other than cash	249,000	249,000
48,000,000 (June 30, 2022: 48,000,000) fully paid bonus shares	480,000	480,000
	<u>1,000,000</u>	<u>1,000,000</u>

	(Un-audited) September 30, 2022	(Audited) June 30, 2022
	— (Rupees in thousand) —	
10 LONG TERM FINANCING		
From banking companies and financial institutions - secured		
Balance as at July 01	921,842	419,787
Obtained during the period / year	30,808	678,550
Shown as deferred grant	-	(44,677)
Repayments made during the period / year	(60,695)	(131,818)
	891,955	921,842
Current portion shown under current liabilities	(249,324)	(251,144)
	642,631	670,698
11 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured		
Balance as at July 01	964,571	1,351,575
Obtained during the period / year	-	-
Repayments made during the period / year	(87,500)	(387,004)
	877,071	964,571
Current portion shown under current liabilities	(387,005)	(387,005)
	490,066	577,566

12 CONTINGENCIES AND COMMITMENTS**12.1 Contingent liabilities**

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2022: 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, 2022: 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, 2022: Rs. 12.797 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 still being aggrieved challenged the demand of Rs. 1.20 million in ATIR who has remanded back the case to assessing officer for reassessment.

In response to the order of ATIR, the reassessment proceedings were initiated. Complete record along with relevant documents have been provided to the assessing officer. However no final order has been issued till date. 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, 2022: 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 (June 30, 2022: 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 (June 30, 2022: 25.50 million).
- g) Letters of guarantee outstanding as at September 30, 2022 were Rs. 504.239 million (June 30, 2022: Rs. 470.908 million).

12.2 Commitments

Commitments as on September 30, 2022 were as follows:

- a) Against letters of credit amounting to Rs. 793.382 million (June 30, 2022: Rs. 1,427.79 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (June 30, 2022: Rs. 1.639 million).

(Un-audited)
Quarter ended September 30,
2022 2021

— (Rupees in thousand) —

13 COST OF SALES

Raw materials consumed	2,860,934	1,210,396
Other overheads		
Stores, spares and consumables	52,976	75,699
Packing materials consumed	51,321	41,964
Salaries, wages and other benefits	180,112	146,820
Fuel and power	2,214,653	1,355,733
Repair and maintenance	13,266	9,227
Rent, rates and taxes	3,147	2,333
Insurance	4,366	3,361
Depreciation	145,716	115,463
Vehicle running expenses	6,434	3,902
Telephone, telex and postage	239	222
Printing and stationery	96	73
Provision for obsolete stores	4,500	4,500
Other expenses	1,101	505
	2,677,927	1,759,802
Opening work in process	53,901	43,626
Closing work in process	(65,461)	(46,469)
	(11,560)	(2,843)
Cost of goods manufactured	5,527,301	2,967,355
Cost of stores traded	7,178	12,350
Opening stock of finished goods	667,255	444,948
Closing stock of finished goods	(1,171,551)	(426,447)
	(504,296)	18,501
	5,030,183	2,998,206

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	136,930	(8,560)
Weighted average number of ordinary shares-(In thousand)	100,000	100,000
		Restated
Earnings per share - basic and diluted - (Rupees)	1.37	(0.09)

14.1 The earning per share of the corresponding period is restated due to issuance of bonus shares during prior year.

(Un-audited)
Quarter ended September 30,
2022 2021

— (Rupees in thousand) —

15 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	25,430	15,932
Subsidiary Company	Loan given	-	780
Retirement benefit plans	Contribution to staff retirement benefit plans	167	151
Key management personnel	Remuneration and other benefits	25,844	24,770

15.1 Balance of Chemi Multifabrics Limited (other related party) stands at Rs.53.065 million (June 30,2022 Rs. 27.774 million).

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 26, 2022 by the Board of Directors of the Company.

17 GENERAL

- i** Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.

iii Events after Balance Sheet Date

The board of directors of the company in its meeting held on October 26, 2022 have declared an interim dividend at 10% i.e Rs. 1 per share (June 30, 2022:0% i.e Rs. Nil per share). These financial statements do not reflect this appropriation.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ITTEHAD CHEMICALS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors take pleasure in presenting their report on the consolidated un-audited condensed interim financial statements of Ittehad Chemicals Limited ("The Holding Company") and its wholly owned subsidiary company "Ittehad Salt Processing (Pvt.) Limited" (the "ISPPL") for the first quarter ended September 30, 2022.

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

The Consolidated Financial Statements showed Earnings per share Rs. 1.37 (2021: Loss per share Rs. 0.09) for the period ended September 30, 2022.

Adequate internal financial controls are in place and Management ensures complete and satisfactory implementation of the same. The Management is optimistic about future growth and healthy returns after obtaining the Mining license from Punjab Minerals and Mines Department.

On behalf of the Board



Lahore
October 26, 2022

Abdul Sattar Khatri
Chief Executive Officer



Muhammad Siddiq Khatri
Chairman

Consolidated Condensed Interim Statement of Financial Position as at September 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	6,329,993	6,298,108
Capital work in progress	8	466,529	396,152
		6,796,522	6,694,260
Intangible assets		1,552	1,692
Investment properties		408,750	408,750
Long term deposits		53,258	53,258
		7,260,082	7,157,960
CURRENT ASSETS			
Stores, spares and loose tools		512,690	495,567
Stock in trade		2,619,775	2,168,526
Trade debts		2,090,695	1,787,468
Loans and advances		116,126	278,928
Trade deposits and short term prepayments		31,865	27,367
Tax refunds due from Government		606,169	529,429
Taxation - net		370,755	224,526
Short Term Investments		11,500	-
Cash and bank balances		96,932	196,151
		6,456,507	5,707,962
TOTAL ASSETS		13,716,589	12,865,922
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	9.1	2,000,000	2,000,000
Issued, subscribed and paid up capital	9.2	1,000,000	1,000,000
Share premium		177,000	177,000
Merger Reserve		(6,445)	(6,445)
Unappropriated profit		2,755,232	2,618,302
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		5,317,829	5,180,899
NON CURRENT LIABILITIES			
Long term financing	10	642,631	670,698
Long term diminishing musharaka	11	490,066	577,566
Lease liabilities		7,278	9,300
Deferred liabilities		562,250	621,789
Deferred grant		30,094	30,094
		1,732,319	1,909,447
CURRENT LIABILITIES			
Trade and other payables		3,460,824	3,231,966
Loan from Related Party		930	930
Unclaimed dividend		2,308	2,308
Mark-up accrued		112,316	82,866
Short term borrowings		2,425,229	1,790,853
Current portion of long term liabilities		664,834	666,653
		6,666,441	5,775,576
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		13,716,589	12,865,922

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Consolidated Condensed Interim Statement of Profit or Loss Account (Un-audited)
for the quarter ended September 30, 2022**

	Note	Quarter ended September 30, 2022 (Rupees in thousand)	2021 (Rupees in thousand)
Sales - net		5,611,569	3,249,335
Cost of sales	13	(5,030,183)	(2,998,206)
Gross profit		581,386	251,129
Selling and distribution expenses		(300,105)	(154,919)
General and administrative expenses		(66,240)	(53,971)
Other operating expenses		(11,568)	(325)
Other operating income		82,862	18,636
		(295,051)	(190,579)
Operating profit		286,335	60,550
Financial charges		(136,965)	(60,899)
Profit before taxation		149,370	(349)
Taxation		(12,440)	(8,211)
Profit after taxation		136,930	(8,560)
Restated Earnings per share - basic and diluted (Rupee)	14	1.37	Restated (0.09)

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
for the quarter ended September 30, 2022**

	Quarter ended September 30, 2022 2021 —— (Rupees in thousand) ——	
Profit/(Loss) for the period	136,930	(8,560)
Other comprehensive income	-	-
Total comprehensive income for the period	136,930	(8,560)

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Consolidated Condensed Interim Cash Flow Statement (Un-audited) for the quarter ended September 30, 2022

	Quarter ended September 30, 2022	2021
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	149,370	(349)
Adjustments for items not involving movement of funds:		
Depreciation	150,665	119,321
Amortization of intangible assets	139	-
Provision for gratuity	6,007	4,557
Loss / (Gain) on sale of fixed assets	(325)	-
Loss / (gain) on foreign exchange	(74,272)	(8,526)
Provision for obsolete stores	4,500	4,500
Financial charges	136,965	60,899
Net cash flow before working capital changes	373,049	180,402
Decrease / (increase) in current assets		
Stores, spares and loose tools	(21,623)	1,206
Stock in trade	(451,249)	63,148
Trade debts	(228,955)	(59,739)
Loans and advances	162,802	218,409
Trade deposits and short term prepayments	(4,498)	7,677
Tax refunds due from the Government	(76,740)	12,963
	(620,263)	243,664
Increase / (decrease) in current liabilities		
Trade and other payables	228,858	246,949
Cash generated from operations	(18,356)	671,015
Income taxes paid	(222,723)	(64,463)
Gratuity paid	(1,492)	(251)
Financial charges paid	(111,642)	(52,398)
Net cash inflow from operating activities	(354,213)	553,903
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(28,433)	(9,736)
Additions to capital work in progress	(220,391)	(445,614)
Proceeds from sale of operating fixed assets	350	-
Long term deposits	-	(691)
Net cash (outflow) from investing activities	(248,474)	(456,041)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	30,808	254,832
Repayment of long term financing	(60,695)	(24,621)
Repayment of long term diminishing musharaka	(87,500)	(87,500)
Repayment of lease liabilities	(2,021)	(1,720)
Dividend Paid	-	(1,806)
Short term borrowings	634,376	(264,603)
Net cash inflow / (outflow) from financing activities	514,968	(125,418)
Net increase in cash and cash equivalents	(87,719)	(27,556)
Cash and cash equivalents at the beginning of the period	196,151	338,731
Cash and cash equivalents at the end of the period	108,432	311,175

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended September 30, 2022

	Issued, subscribed and paid-up capital	Directors' Loans	Reserves				Total
			Capital			Revenue	
			Surplus on revaluation of fixed assets	Balance arising upon Merger	Share premium	Unappropriated profit	
----- (Rupees in thousand) -----							
Balance as at July 01, 2021	847,000	219	1,392,042	-	330,000	2,305,352	4,874,613
Total Comprehensive income for the period	-	-	-	-	-	(8,560)	(8,560)
Balance as at September 30, 2021	847,000	219	1,392,042	-	330,000	2,296,792	4,866,053
Transitions with Owners:							
Issuance of Bonus Shares @18.06%	153,000	-	-	-	(153,000)	-	-
Interim cash dividend 2022: Re. 1 per share	-	-	-	-	-	(100,000)	(100,000)
	153,000	-	-	-	(153,000)	(100,000)	(100,000)
Total Comprehensive income for the period							
Profit for the period	-	-	-	-	-	422,980	422,980
Re-measurement of defined benefit liability - net	-	-	-	-	-	(1,470)	(1,470)
Adjustment of goodwill upon merger	-	-	-	(6,445)	-	-	(6,445)
	-	-	-	(6,445)	-	421,510	415,065
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
Total Comprehensive income for the period	-	-	-	-	-	136,930	136,930
Balance as at September 30, 2022	1,000,000	-	1,392,042	(6,445)	177,000	2,755,232	5,317,829

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended September 30, 2022

1 LEGAL STATUS AND OPERATIONS

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

1.1 STATUS OF PARENT COMPANY

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

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

1.2 STATUS OF SUBSIDIARY COMPANY

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

These consolidated condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2022 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these consolidated condensed interim financial statements have been extracted from the annual audited financial statements of the group for the year ended June 30, 2022, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited consolidated condensed interim financial statements for the period ended September 30, 2021.

3.2 Accounting Convention

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits which are measured at present value, freehold land and investment property which are measured at fair value.

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

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2022.

5 TAXATION

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

6 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2022.

	(Un-audited) September 30, 2022	(Audited) June 30, 2022
Note	(Rupees in thousand)	

7 PROPERTY PLANT & EQUIPMENT

Operating Fixed Assets	7.1	6,322,222	6,289,161
Right to Use Assets	7.2	7,771	8,947
		<u>6,329,993</u>	<u>6,298,108</u>

7.1 Operating Fixed Assets

Opening book value (NBV)		6,289,161	5,709,033
Additions / (adjustment) at cost during the period / year	7.1.1	182,575	1,118,220
		<u>6,471,736</u>	<u>6,827,253</u>
Disposals at NBV during the period / year	7.1.2	(25)	(27,686)
Depreciation charged during the period / year		<u>(149,489)</u>	<u>(510,406)</u>
		<u>(149,514)</u>	<u>(538,092)</u>
Closing net book value (NBV)		<u>6,322,222</u>	<u>6,289,161</u>

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

Building	83,215	49,948
Plant and machinery	71,322	993,738
Other equipment	79	17,664
Furniture and fixtures	241	1,251
Office and other equipment	1,274	6,166
Vehicles	26,444	49,453
	<u>182,575</u>	<u>1,118,220</u>

(Un-audited)
September 30,
2022
—— (Rupees in thousand) ——

(Audited)
June 30,
2022

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

Plant and machinery	-	(23,364)
Vehicles	(25)	(4,322)
	<u>(25)</u>	<u>(27,686)</u>

7.2 Right to Use Assets

Opening book value (NBV)	8,947	13,649
Additions / (adjustment) at cost during the period / year	-	-
	<u>8,947</u>	<u>13,649</u>
Disposals at NBV during the period / year	-	-
Depreciation charged during the period / year	(1,176)	(4,702)
	<u>(1,176)</u>	<u>(4,702)</u>
Closing net book value (NBV)	<u>7,771</u>	<u>8,947</u>

8 CAPITAL WORK IN PROGRESS

Building	41,876	24,388
Plant and machinery	423,014	357,918
Advances	1,639	13,846
	<u>466,529</u>	<u>396,152</u>

9 SHARE CAPITAL

9.1 Authorized share capital

175,000,000 (June 30, 2022: 175,000,000) ordinary shares of Rs. 10/- each	1,750,000	1,750,000
25,000,000 (June 30, 2022: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>2,000,000</u>	<u>2,000,000</u>

9.2 Issued, subscribed and paid up share capital

27,100,000 (June 30, 2022: 27,100,000) ordinary shares fully paid in cash	271,000	271,000
24,900,000 (June 30, 2022: 24,900,000) issued for consideration other than cash	249,000	249,000
48,000,000 (June 30, 2022: 48,000,000) fully paid bonus shares	480,000	480,000
	<u>1,000,000</u>	<u>1,000,000</u>

	(Un-audited) September 30, 2022	(Audited) June 30, 2022
	— (Rupees in thousand) —	
10 LONG TERM FINANCING		
From banking companies and financial institutions - secured		
Balance as at July 01	921,842	419,787
Obtained during the period / year	30,808	678,550
Shown as deferred grant	-	(44,677)
Repayments made during the period / year	(60,695)	(131,818)
	891,955	921,842
Current portion shown under current liabilities	(249,324)	(251,144)
	642,631	670,698
11 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured		
Balance as at July 01	964,571	1,351,575
Obtained during the period / year	-	-
Repayments made during the period / year	(87,500)	(387,004)
	877,071	964,571
Current portion shown under current liabilities	(387,005)	(387,005)
	490,066	577,566

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2022: 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, 2022: 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, 2022: Rs. 12.797 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 still being aggrieved challenged the demand of Rs. 1.20 million in ATIR who has remanded back the case to assessing officer for reassessment.

In response to the order of ATIR, the reassessment proceedings were initiated. Complete record along with relevant documents have been provided to the assessing officer. However no final order has been issued till date. 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, 2022: 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 (June 30, 2022: 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 (June 30, 2022: 25.50 million).
- g) Letters of guarantee outstanding as at September 30, 2022 were Rs. 504.239 million (June 30, 2022: Rs. 470.908 million).

12.2 Commitments

Commitments as on September 30, 2022 were as follows:

- a) Against letters of credit amounting to Rs. 793.382 million (June 30, 2022: Rs. 1,427.79 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (June 30, 2022: Rs. 1.639 million).

(Un-audited)
Quarter ended September 30,
2022 2021

— (Rupees in thousand) —

13 COST OF SALES

Raw materials consumed	2,860,934	1,210,396
Other overheads		
Stores, spares and consumables	52,976	75,699
Packing materials consumed	51,321	41,964
Salaries, wages and other benefits	180,112	146,820
Fuel and power	2,214,653	1,355,733
Repair and maintenance	13,266	9,227
Rent, rates and taxes	3,147	2,333
Insurance	4,366	3,361
Depreciation	145,716	115,463
Vehicle running expenses	6,434	3,902
Telephone, telex and postage	239	222
Printing and stationery	96	73
Provision for obsolete stores	4,500	4,500
Other expenses	1,101	505
	2,677,927	1,759,802
Opening work in process	53,901	43,626
Closing work in process	(65,461)	(46,469)
	(11,560)	(2,843)
Cost of goods manufactured	5,527,301	2,967,355
Cost of stores traded	7,178	12,350
Opening stock of finished goods	667,255	444,948
Closing stock of finished goods	(1,171,551)	(426,447)
	(504,296)	18,501
	5,030,183	2,998,206

14 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	136,930	(8,560)
Weighted average number of ordinary shares-(In thousand)	100,000	100,000
		Restated
Earnings per share - basic and diluted - (Rupees)	1.37	(0.09)

14.1 The earning per share of the corresponding period is restated due to issuance of bonus shares during prior year.

(Un-audited)
Quarter ended September 30,
2022 2021
— (Rupees in thousand) —

15 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Other related party	Marketing services charges	25,430	15,932
Retirement benefit plans	Contribution to staff retirement benefit plans	167	151
Key management personnel	Remuneration and other benefits	25,844	24,770

15.1 Balance of Chemi Multifabrics Limited (other related party) stands at Rs.53.065 million (June 30,2022 Rs. 27.774 million).

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 26, 2022 by the Board of Directors of the Company.

17 GENERAL

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.
- iii **Events after Balance Sheet Date**

The board of directors of the company in its meeting held on October 26, 2022 have declared an interim dividend at 10% i.e Rs. 1 per share (June 30, 2022:0% i.e Rs. Nil per share). These financial statements do not reflect this appropriation.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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Ms Certification
No of Certificate 236



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