



**Independent Auditor's Review Report on Review of Ittefaq Iron Industries Limited**

Condensed Interim Financial Information to the Members

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Ittefaq Iron Industries Limited** ("the Company") as at December 31, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**


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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2022 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Other Matters**

The figures for the quarters ended December 31, 2021 and December 31, 2022 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

  
**SARWARS**  
Chartered Accountants



**Engagement Partner: Rashid Sarwar (FCA)**

Date: February 16, 2023

UDIN: RR20221020BshWwnj26H



**ITTEFAQ IRON INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022 (UNAUDITED)**

	Notes	Unaudited 30 / Dec / 2022 Rupees	Audited 30 / Jun / 2022 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	5	1,443,433,640	1,443,433,640
Share premium	6	774,507,925	774,507,925
Director's Loan	7	316,329,215	316,329,215
Surplus on revaluation of property, plant and equipment		542,342,994	552,615,129
Un-appropriated profit		1,462,451,523	1,586,960,119
		4,539,065,297	4,673,846,028
<b>NON-CURRENT LIABILITIES</b>			
Long-term finances	8	312,166,577	312,166,577
Liabilities against asset subject to finance lease		22,158,897	22,158,897
Deferred taxation		178,231,700	186,098,594
Deferred Liabilities		88,387,305	85,755,625
		600,944,479	606,179,693
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,739,320,327	3,026,636,871
Unclaimed dividends		3,690,200	3,690,200
Mark-up accrued on borrowings		97,286,850	91,271,694
Short-term borrowings	9	1,104,501,506	1,076,374,361
Current portion of against asset subject to finance lease		22,402,329	42,111,961
		4,967,201,212	4,240,085,087
Contingencies and commitments	10	-	-
		<b>10,107,210,988</b>	<b>9,520,110,808</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,853,453,401	1,905,558,661
Right to use assets	12	60,169,625	63,336,447
Long-term deposits		20,026,226	18,972,226
		1,933,649,251	1,987,867,334
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		355,591,742	370,575,418
Stock in trade	14	3,680,225,604	3,354,382,051
Trade debts		1,991,002,750	2,069,138,079
Loans and advances		411,332,588	315,381,523
Trade deposits and prepayments		172,698,988	142,679,427
Tax refunds due from government	15	1,481,519,952	463,318,761
Cash and bank balances		81,190,113	816,768,215
		8,173,561,737	7,532,243,474
		<b>10,107,210,988</b>	<b>9,520,110,808</b>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

**ITTEFAQ IRON INDUSTRIES LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT /**  
**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

	Half year ended		Quarter ended	
	31/Dec/2022	31/Dec/2021	31/Dec/2022	31/Dec/2021
	Rupees	Rupees	Rupees	Rupees
Sales - net	4,614,440,138	5,737,627,659	2,249,026,153	2,906,710,036
Cost of sales	(4,576,090,607)	(5,328,246,719)	(2,297,241,675)	(2,718,107,773)
Gross (Loss) / Profit	38,349,531	409,380,940	(48,215,522)	188,602,263
Other income	6,586,190	412,750	1,461,520	363,544
Operating expenses				
Distribution and marketing cost	(39,194,355)	(42,619,704)	(16,526,906)	(21,806,251)
Administrative and selling expenses	(61,913,603)	(52,801,239)	(32,967,213)	(30,210,688)
Other operating cost	(12,709,977)	(25,987,064)	(4,515,069)	(18,548,645)
Finance cost	(16,084,909)	(37,748,620)	(11,156,148)	(20,631,505)
	(129,902,844)	(159,156,627)	(65,165,336)	(91,197,089)
(Loss) / Profit before taxation	(84,967,123)	250,637,063	(111,919,338)	97,768,718
Taxation	(49,813,607)	(63,307,641)	(42,928,055)	11,169,487
(Loss) / Profit after taxation	(134,780,730)	187,329,422	(154,847,393)	108,938,205
<b>Total comprehensive (Loss) / Profit</b>	<b>(134,780,730)</b>	<b>187,329,422</b>	<b>(154,847,393)</b>	<b>108,938,205</b>
<b>Earning/Loss per share - basic and diluted</b>	<b>(0.93)</b>	<b>1.30</b>	<b>(1.07)</b>	<b>0.75</b>

The annexed notes form an integral part of this condensed interim financial information.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



**ITTEFAQ IRON INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

	Share capital	Reserves			Equity portion of loan from directors	Total equity
		Capital		Revenue		
		Share premium	Surplus on revaluation of operating asset	Un-appropriated profit		
	----- Rupees -----					
Balance as at 30 June 2022	1,443,433,640	774,507,925	552,615,129	1,586,960,119	316,329,215	4,673,846,028
Profit after taxation for the year	-	-	-	(134,780,730)		(134,780,730)
Other comprehensive income						
Employee retirement benefits plan	-	-	-	-	-	-
Less: Related deferred tax	-	-	-	-	-	-
Amortization of unwinding of interest on loan from directors				-	-	-
Transfer from revaluation surplus (net of deferred tax)			(10,272,135)	10,272,135		-
Balance as at 30 December 2022 un-audited	1,443,433,640	774,507,925	542,342,994	1,462,451,523	316,329,215	4,539,065,297

The annexed notes form an integral part of this condensed interim financial information.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**



**ITTEFAQ IRON INDUSTRIES LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

	----- Six months ended -----	
	31/Dec/2022	31/Dec/2021
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(84,967,123)	250,637,063
Adjustments for non-cash charges / items:		
Depreciation of property, plant and equipment	69,856,868	71,554,401
Provision for gratuity	2,631,681	7,954,321
WWF and WPPF	-	25,987,064
Gain on sale of fixed asset	6,586,190	-
Finance cost	16,084,909	37,748,620
	<b>95,159,648</b>	<b>143,244,406</b>
Loss before working capital changes	<b>10,192,525</b>	<b>393,881,469</b>
Working capital changes		
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	14,983,676	(38,573,154)
Stock in trade	(325,843,553)	38,947,891
Trade debts	78,135,329	(1,289,941,567)
Loans and advances	(95,950,584)	(92,191,419)
Trade deposits and prepayments	(30,019,561)	(150,112,711)
Tax refunds due from government	(1,018,201,191)	274,166,677
(Decrease) in trade and other payables	750,167,492	985,606,961
	<b>(626,728,392)</b>	<b>(272,097,322)</b>
Cash (used in) / generated from operations	(616,535,867)	121,784,147
Income tax paid	(101,716,063)	(29,956,664)
Finance cost paid	(10,069,753)	(41,287,629)
Gratuity paid	-	(2,122,733)
<b>Net cash (used in) / generated from operating activities</b>	<b>(728,321,683)</b>	<b>48,417,121</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(397,805)	(526,700)
Capital work in progress	(14,222,127)	(133,560,397)
Proceeds from disposal of fixed assets	-	-
Security deposits	(1,054,000)	-
<b>Net cash in / (out) flow from investing activities</b>	<b>(15,673,932)</b>	<b>(134,087,097)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	-	(39,879)
Loan from directors	-	-
Short term borrowings	28,127,145	87,222,606
Repayment of current portion	(19,709,632)	(3,090,585)
<b>Net cash in / (out) flow from financing activities</b>	<b>8,417,513</b>	<b>84,092,142</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(735,578,102)</b>	<b>(1,577,834)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>816,768,215</b>	<b>34,000,404</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>81,190,113</b>	<b>32,422,570</b>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director



**ITTEFAQ IRON INDUSTRIES LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

**1 STATUS AND ACTIVITIES**

Ittefaq Iron Industries Limited ("the Company") was incorporated on 13 April 2007 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 20 February 2004. On 5 January 2017 the Company is converted into an unquoted public company. The Company was listed on Pakistan Stock Exchange on 3 July 2017.

The principal business of the Company is the manufacturing of iron bars, girders and related products.

The registered office of the Company is situated at 40 B / II, Gulberg III, M. M. Alam Road, Lahore.

**2 STATEMENT OF COMPLIANCE**

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting' 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 IAS 34 and IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the audited annual financial statements of the Company for the year ended 30 June 2019.

**3 BASIS OF MEASUREMENT**

This condensed interim financial information has been prepared under the historical cost convention modified by adjustment of revaluation of certain assets. In this condensed interim financial information, except for the cash flow statements, all the transactions have been accounted for on accrual basis.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and method for computation adopted for the preparation of this condensed interim financial information is the same as those applied in preparation of the financial statements for the year ended June 30, 2020.

**5 SHARE CAPITAL**

**Authorized capital**

300,000,000 (2021: 300,000,000) Ordinary shares of Rs. 10 each

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

121,750,000 (2021: 121,750,000) Ordinary shares of Rs. 10 each

fully paid in cash

9,471,240 (2021: 9,471,240) Ordinary shares of Rs. 10 each

for consideration other than cash

13,122,124 (2021: 13,122,124) Ordinary shares of Rs. 10 each

issued as bonus shares

Un-Audited 31/Dec/2022 Rupees	Audited 30 / Jun / 2022 Rupees
<b>3,000,000,000</b>	3,000,000,000
<b>1,217,500,000</b>	1,217,500,000
<b>94,712,400</b>	94,712,400
<b>131,221,240</b>	131,221,240
<b>1,443,433,640</b>	1,443,433,640

**6 CAPITAL RESERVES**

Share premium

<b>774,507,925</b>	774,507,925
--------------------	-------------

**6.1** This represents premium of Rs. 20.20 per share received by the Company adjusted by the transaction cost of Rs. 68.842 million on initial public offering ('IPO') of 41,750,000 shares of Rs. 10 each in the year 2017. This reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

**7 EQUITY PORTION OF LOAN FROM DIRECTORS**

At the beginning of the year

<b>316,329,215</b>	316,329,215
--------------------	-------------

Add: Addition during the year

Less: Repayment during the year

- note 7.1

At the end of the year

<b>316,329,215</b>	316,329,215
--------------------	-------------

**7.1** It is interest free loan from directors amounting to Rs. 316.329 million (2021: Rs. 316.329 million). This loan has been classified into equity as per regulations of TR 32 issued by the Institute of Chartered Accountant of Pakistan. (see note 7.2).

**7.2** A loan to an entity by the director with undetermined repayment period, which is agreed to be paid at the discretion of the entity does not pass the test of liability and is to be recorded as equity at face value. This is not subsequently remeasured. The decision by the entity at any time in future to deliver cash or any other financial asset to settle the director's loan would be a direct debit to equity.

**8 LONG-TERM FINANCES**

Bank of Punjab Limited-FATR/FIM

Bank of Punjab Limited-CF

<b>194,364,041</b>	194,364,041
<b>145,482,536</b>	145,482,536
<b>339,846,577</b>	339,846,577

Less: Current Portion of Long term Loans

<b>(27,680,000)</b>	(27,680,000)
<b>312,166,577</b>	312,166,577



**ITTEFAQ IRON INDUSTRIES LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

	Un-Audited 31/Dec/2022 Rupees	Audited 30 / Jun / 2022 Rupees
<b>9 SHORT TERM BORROWINGS</b>		
Cash finances		
- Bank of Punjab Limited	-	-
- National Bank of Pakistan	166,945,408	166,945,408
	<b>166,945,408</b>	<b>166,945,408</b>
FATR / FIM		
- Bank of Punjab Limited	-	-
- National Bank of Pakistan	694,989,535	694,989,535
- Soneri Bank Limited	242,566,563	214,439,418
	<b>937,556,098</b>	<b>909,428,953</b>
	<b>1,104,501,506</b>	<b>1,076,374,361</b>
<b>10 CONTINGENCIES AND COMMITMENTS</b>		
<b>10.1 Contingencies</b>		
- The Company is in litigation with National Bank of Pakistan ('NBP') wherein NBP had filed suits bearing # COS 22222/2019 and COS 67073/2019 before High		
i) The Company had filed a suit bearing # COS 217367/2018 before the High Court against NBP's claims of certain facilities of letters of credit.		
ii) The Company with other claimants filed a suit bearing # COS 18377/2019 before High Court for recovery of Rs. 942.50 million on account of damages. The said petition is pending adjudication.		
iii) The Company had filed a suit before Banking Court IV, Lahore against NBP's attempt to include the name of the Company on 'electronic credit information bureau' ('E-CIB') of State Bank of Pakistan. The said court had allowed an interim relief to the Company by issuing a stay order. The matter is pending adjudication.		
The management and legal counsel of the Company is of the view that these cases are likely to be decided in favour of the Company.		
- The company is contesting all these cases vigorously and legal consultants is of the view that the said matters would be decided in favor of the company, therefore no provision has been recognized as per IAS 37 in the financial statements.		
- Bank guarantees amounting to Rs. 114,913,110 (2021: Rs. 114,825,610) had been issued in favours of the Company by various financial institutions.		
<b>Commitments</b>		
- Irrevocable letters of credit	977,106,230	977,106,230
- Capital expenditure contracted for but not incurred	-	-
<b>11 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	1,839,231,274	1,905,558,661
Capital work-in-progress	14,222,127	-
	<b>1,853,453,401</b>	<b>1,905,558,661</b>
<b>11.1 Operating fixed assets</b>		
Balance at the beginning of the period	1,905,558,661	1,922,129,889
Add: Addition during the period	397,805	119,798,986
Less: Depreciation during the period	(66,690,526)	(135,912,714)
Less: Adjustments during the period	(34,666)	(457,500)
Balance at the end of the period	<b>1,839,231,274</b>	<b>1,905,558,661</b>
<b>12 RIGHT-OF-USE ASSETS</b>		
Plant and machinery acquired on lease	- note 12.2	63,336,447
Add: Further expense incurred by the Company	-	70,395,259
	<b>63,336,447</b>	<b>70,395,259</b>
Less: Depreciation on right-of-use assets ( On no. of days basis)	(3,166,822)	(7,058,812)
	<b>60,169,625</b>	<b>63,336,447</b>
Useful life	<b>10 years</b>	<b>10 years</b>





Classification of assets	Working Paper Reference No.	COST / FAIR VALUE					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE at end of the period
		Cost at beginning of the period	Cost addition / Transfer during the period	Disposal / Transfer during the period	Capitalization of unallocated expenditure	Cost at end of the period	Annual Rate of Depreciation	Accumulated Depreciation at beginning of the period	Adjustment on Disposal / Transfer	Depreciation for the year	Accumulated Depreciation at end of the period	
		----- Rupees -----					% age	----- Rupees -----				
Own assets												
Land - freehold		33,322,002				33,322,002	0%	-	-	-	-	33,322,002
Land - Revaluation		338,684,248				338,684,248		-	-	-	-	338,684,248
Building on freehold land		598,301,474				598,301,474	5%	191,635,427		10,166,651	201,802,078	396,499,396
Building- Revaluation		45,357,943				45,357,943	5%	21,447,564		597,759	22,045,323	23,312,620
Plant and machinery		1,284,400,877				1,284,400,877	10%	632,355,532		32,602,267	664,957,799	619,443,078
Plant and machinery-Revaluation		702,082,162				702,082,162	10%	424,681,442		13,870,036	438,551,478	263,530,684
Grid station		57,279,039				57,279,039	10%	46,075,456		560,179	46,635,635	10,643,404
Electric installation and equipment		295,664,510				295,664,510	10%	153,805,304		7,092,960	160,898,264	134,766,246
Laboratory equipment		11,982,088	90,000			12,072,088	10%	9,110,315		144,966	9,255,281	2,816,807
Loose tools		302,509				302,509	10%	243,339		2,959	246,298	56,212
Office equipment		11,224,249	152,500			11,376,749	20%	6,480,130		495,423	6,975,553	4,401,196
Furniture and fixture		7,176,913	155,305	(34,666)		7,297,552	10%	4,576,008	(481)	139,181	4,715,669	2,581,883
Arms and ammunition		146,013		-		146,013	10%	116,973		1,452	118,425	27,588
Motor vehicles		30,450,950	-	-		30,450,950	20%	20,288,826		1,016,212	21,305,038	9,145,912
Sub-total		3,416,374,977	397,805	(34,666)	-	3,416,738,116		1,510,816,316	(481)	66,690,046	1,577,506,842	1,839,231,274
Assets subject to finance lease												
Plant and machinery		78,214,573	-	-	-	78,214,573	10%	14,878,126	-	3,166,822	18,044,948	60,169,625
Arms and ammunition		-	-	-	-	-	0%	-	-	-	-	-
Motor vehicles		-	-	-	-	-	0%	-	-	-	-	-
Sub-total		78,214,573	-	-	-	78,214,573		14,878,126		3,166,822	18,044,948	60,169,625
Grand Total Current Period		3,494,589,550	397,805	(34,666)	-	3,494,952,689	-	1,525,694,442	(481)	69,856,868	1,595,551,791	1,899,400,898

## Depreciation for the period has been allocated as under:

Cost of goods manufactured	95%
Cost of goods manufactured (Lease)	
Administrative expenses	5%

Total depreciation during the year

Un-Audited 2022	Audited 2022
63,355,543	129,344,817
3,166,822	7,037,383
3,334,502	6,807,622
<b>69,856,868</b>	<b>143,189,822</b>





**ITTEFAQ IRON INDUSTRIES LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL**  
**INFORMATION (UN-AUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2022**

	Un-Audited 31/Dec/2022 Rupees	Audited 30 / Jun / 2022 Rupees
<b>14 STOCK IN TRADE</b>		
Raw material	1,311,382,919	1,494,943,072
Finished goods	2,368,842,685	1,859,438,979
	<b>3,680,225,604</b>	<b>3,354,382,051</b>
<b>15 TAX REFUNDS DUE FROM GOVERNMENT</b>		
- Income tax recoverable	272,959,077	228,923,516
Sales tax refundable	1,208,560,875	234,395,245
	<b>1,481,519,952</b>	<b>463,318,761</b>
<b>15.1 Income tax recoverable</b>		
At beginning of the year	228,923,516	196,732,701
Add: Advance income tax / deductions during the year	101,716,063	191,158,424
	<b>330,639,579</b>	<b>299,958,591</b>
Less: Provision for taxation -		
- Current year	(57,680,502)	(151,479,367)
- Prior periods	-	86,328,542
	<b>(57,680,502)</b>	<b>(65,150,825)</b>
Less: Workers' welfare fund	-	(5,884,250)
At end of the year	<b>272,959,077</b>	<b>228,923,516</b>

**16 TRANSACTIONS WITH RELATED PARTIES**

The related parties of the Company comprise of associated undertakings, key management personnel and entities under common directorship. Balances are disclosed elsewhere in the financial statements. Significant transactions with related parties other than disclosed elsewhere in the financial statements are as follows.

Related Party	Basis of relationship	Nature of transaction	Un-Audited 31/Dec/2022 Rupees	Audited 30 / Jun / 2022 Rupees
Chief executive	Shareholder	Remuneration	5,167,392	8,986,769
Directors	Shareholders	Remuneration	3,121,405	5,428,531
Executives	Related parties	Remuneration	6,756,440	11,750,330
			<b>15,045,237</b>	<b>26,165,630</b>


**17 AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the board of directors of the Company and authorized for issue on February 16, 2023.

**18 CORRESPONDING FIGURES**

**18.1** Corresponding figures have been re-arranged, wherever necessary to the facilitation of comparison.

**18.2** Figures have been rounded off to the nearest of rupees.



Chief Executive Officer



Chief Financial Officer



Director

