

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, 2023 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, 2023 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, 2022 and December 31, 2023 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.

MUHAMMAD KALEEM RATHOR
(Engagement Partner)

Lahore
Date: February 26, 2024

UDIN: RR202310377vn4cLq9fg



KALEEM & COMPANY
CHARTERED ACCOUNTANTS

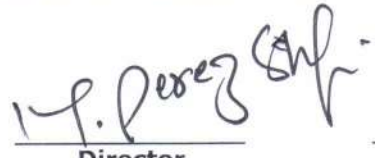


ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (UNAUDITED)

	Notes	Unaudited 31 / Dec / 2023 Rupees	Audited 30 / Jun / 2023 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	4	1,443,433,640	1,443,433,640
Share premium	5	774,507,925	774,507,925
Director's Loan	6	316,329,215	316,329,215
Surplus on revaluation of property, plant and equipment		522,804,719	532,070,860
Un-appropriated profit		1,202,893,621	1,506,712,930
		<u>4,259,969,120</u>	<u>4,573,054,570</u>
NON-CURRENT LIABILITIES			
Long-term finances	7	284,831,000	284,831,000
Liabilities against asset subject to finance lease		4,845,279	4,845,279
Deferred taxation		24,058,756	28,994,870
Deferred liabilities		168,653,674	161,391,010
		<u>482,388,709</u>	<u>480,062,159</u>
CURRENT LIABILITIES			
Trade and other payables		1,080,914,881	1,068,480,018
Unclaimed dividends		470,280	470,280
Mark-up accrued on borrowings		78,760,056	80,695,148
Short-term borrowings	8	1,038,825,193	1,028,133,005
Current portion of long term liabilities		26,584,471	46,328,293
		<u>2,225,554,881</u>	<u>2,224,106,744</u>
CONTINGENCIES AND COMMITMENTS			
	9	-	-
		<u>6,967,912,710</u>	<u>7,277,223,473</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,825,281,392	1,875,591,119
Right to use assets	11	54,152,662	57,002,802
Long-term deposits		20,026,226	20,026,226
		<u>1,899,460,280</u>	<u>1,952,620,147</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		497,777,863	548,535,101
Stock in trade	12	1,370,806,722	1,457,816,071
Trade debts		2,370,762,910	2,632,056,483
Loans and advances		167,592,840	139,164,387
Trade deposits and prepayments		149,284,008	142,585,602
Tax refunds due from government	13	481,808,902	383,576,914
Cash and bank balances		30,419,185	20,868,768
		<u>5,068,452,430</u>	<u>5,324,603,326</u>
		<u>6,967,912,710</u>	<u>7,277,223,473</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ITTEFAO IRON INDUSTRIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT /
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

	Half year ended		Quarter ended	
	31/Dec/2023	31/Dec/2022	31/Dec/2023	31/Dec/2022
	Rupees	Rupees	Rupees	Rupees
Sales - net	1,233,946,440	4,614,440,138	474,976,318	2,249,026,153
Cost of sales	1,401,353,420	4,576,090,607	671,755,961	2,297,241,675
Gross (loss) / profit	(167,406,980)	38,349,531	(196,779,643)	(48,215,522)
Other income	1,919,122	6,586,190	1,772,149	1,461,520
Distribution and marketing cost	29,311,092	39,194,355	2,484,052	16,526,906
Administrative and general expenses	67,057,712	61,913,603	32,824,634	32,967,213
Other operating cost	12,265,584	12,709,977	6,132,795	4,515,069
Finance cost	28,474,987	16,084,909	19,451,768	11,156,148
	137,109,375	129,902,844	60,893,249	65,165,336
Loss before taxation	(302,597,233)	(84,967,123)	(255,900,743)	(111,919,338)
Taxation	(10,488,217)	(49,813,607)	(27,229,138)	(42,928,055)
Loss after taxation	(313,085,450)	(134,780,730)	(283,129,881)	(154,847,393)
Total comprehensive loss	(313,085,450)	(134,780,730)	(283,129,881)	(154,847,393)
Loss per share - basic and diluted	(2.17)	(0.93)	(1.96)	(1.07)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED DECEMBER 31, 2023 (UNAUDITED)

	Share capital	Reserves			Equity portion of loan from directors	Total equity
		Capital	Surplus on revaluation of operating asset	Revenue		
		Share premium		Un-appropriated profit		
----- Rupees -----						
Balance as at 30 June 2022 (Audited)	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)
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	1,462,451,524	316,329,215	4,539,065,298
Balance as at 30 June 2023 (Audited)	1,443,433,640	774,507,925	532,070,860	1,506,712,930	316,329,215	4,573,054,570
Profit after taxation for the year	-	-	-	(313,085,450)	-	(313,085,450)
Transfer from revaluation surplus (net of deferred tax)	-	-	(9,266,141)	9,266,141	-	-
Balance as at 31 December 2023 (Un-audited)	1,443,433,640	774,507,925	522,804,719	1,202,893,621	316,329,215	4,259,969,120

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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 2023

----- Six months ended -----
31/Dec/2023 31/Dec/2022
Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

(Loss) / profit before taxation	(302,597,233)	(84,967,123)
Adjustments for non-cash charges / items:		
Depreciation of property, plant and equipment	64,810,262	69,856,868
Provision for gratuity	10,549,326	2,631,681
Gain on sale of fixed asset	-	6,586,190
Finance cost	(28,474,987)	16,084,909
	46,884,601	95,159,648
Loss before working capital changes	(255,712,632)	10,192,525
Working capital changes		
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	50,757,238	14,983,676
Stock in trade	87,009,349	(325,843,553)
Trade debts	261,293,573	78,135,329
Loans and advances	(28,428,453)	(95,950,584)
Trade deposits and prepayments	(6,698,406)	(30,019,561)
Tax refunds due from government	(77,430,058)	(1,018,201,191)
Increase in trade and other payables	12,434,863	750,167,492
	298,938,106	(626,728,392)
Cash generated / (used in) from operations	43,225,474	(616,535,867)
Income tax paid	(36,226,261)	(101,716,063)
Finance cost paid	26,539,895	(10,069,753)
Gratuity paid	(3,286,662)	-
Net cash used in operating activities	30,252,446	(728,321,683)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(952,668)	(397,805)
Capital work in progress	(10,697,727)	(14,222,127)
Security deposits	-	(1,054,000)
Net cash used in investing activities	(11,650,395)	(15,673,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	10,692,188	28,127,145
Repayment of current portion	(19,743,822)	(19,709,632)
Net cash generated from financing activities	(9,051,634)	8,417,513
Net increase / (decrease) in cash and cash equivalents	9,550,417	(735,578,102)
Cash and cash equivalents at beginning of the period	20,868,768	816,768,215
Cash and cash equivalents at end of the period	30,419,185	81,190,113

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

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 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These condensed interim financial statements of the Company 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:

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

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

Where the 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.

2.1.2 These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30, 2023.

2.1.3 The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2023, 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 December 31, 2022.

2.2 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.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded-off to the nearest thousand Rupee except where stated otherwise.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2023.

3.2 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 01, 2023. However, these do not have any significant impact on the Company's financial reporting.

b) Standards and amendments to approved accounting standards that are not yet effective

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 01, 2024. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these condensed interim financial statements.

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

	Un-Audited 31/Dec/2023 Rupees	Audited 30 / Jun / 2023 Rupees
4 SHARE CAPITAL		
Authorized capital		
300,000,000 (2023: 300,000,000) Ordinary shares of Rs. 10 each	3,000,000,000	3,000,000,000
Issued, subscribed and paid-up share capital		
121,750,000 (2023: 121,750,000) Ordinary shares of Rs. 10 each fully paid in cash	1,217,500,000	1,217,500,000
9,471,240 (2023: 9,471,240) Ordinary shares of Rs. 10 each for consideration other than cash	94,712,400	94,712,400
13,122,124 (2023: 13,122,124) Ordinary shares of Rs. 10 each issued as bonus shares	131,221,240	131,221,240
	1,443,433,640	1,443,433,640

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

	Un-Audited 31/Dec/2023 Rupees	Audited 30 / Jun / 2023 Rupees
5 CAPITAL RESERVES		
Share premium	774,507,925	774,507,925
5.1 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.		
6 EQUITY PORTION OF LOAN FROM DIRECTORS		
At the beginning of the year	316,329,215	316,329,215
Add: Addition during the year	-	-
Less: Repayment during the year	-	-
At the end of the year	316,329,215	316,329,215
6.1 It is interest free loan from directors amounting to Rs. 316.329 million (2023: 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).		
6.2 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.		
7 LONG-TERM FINANCES		
Bank of Punjab Limited-FATR/FIM	128,533,000	179,174,000
Bank of Punjab Limited-CF	172,298,000	133,657,000
	300,831,000	312,831,000
Less: Current Portion of Long term Loans	(16,000,000)	(28,000,000)
	284,831,000	284,831,000
8 SHORT TERM BORROWINGS		
Cash finances		
- National Bank of Pakistan	166,945,609	166,945,408
	166,945,609	166,945,408
FATR / FIM		
- National Bank of Pakistan	694,989,535	694,989,535
- Soneri Bank Limited	176,890,049	166,198,062
	871,879,584	861,187,597
	1,038,825,193	1,028,133,005

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

- (a) 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 Court against the Company for recovery of Rs. 887.812 million. The Company had filed counter suits against NBP, as below:
- 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 favor 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.

- (b) Bank guarantees amounting to Rs. 114,913,110 (2023: Rs. 114,913,610) had been issued in favors of the Company by various financial institutions.
- (c) Accrued markup on Bank of Punjab is contingent upon timely repayment of loan installments as per the agreed schedule.

9.2 Commitments

- Irrecoverable letter of credit
- Capital expenditure contracted for but not incurred

Un-Audited 31/Dec/2023 Rupees	Audited 30 / Jun / 2023 Rupees
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80,234,560

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2023

	Un-Audited 31/Dec/2023 Rupees	Audited 30 / Jun / 2023 Rupees
10 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	1,742,062,406	1,803,069,860
Capital work-in-progress	83,218,986	72,521,259
	<u>1,825,281,392</u>	<u>1,875,591,119</u>
10.1 Operating fixed assets		
Balance at the beginning of the period	1,803,069,860	1,905,558,661
Add: Addition during the period	952,668	30,998,989
Less: Depreciation during the period	(61,960,122)	(133,447,120)
Less: Adjustments during the period	-	(40,670)
Balance at the end of the period	<u>1,742,062,406</u>	<u>1,803,069,860</u>
11 RIGHT-OF-USE ASSETS		
Plant and machinery acquired on lease	57,002,802	63,336,447
Add: Further expense incurred by the Company	-	-
	<u>57,002,802</u>	<u>63,336,447</u>
Less: Depreciation on right-of-use assets (On no. of days basis)	(2,850,140)	(6,333,645)
	<u>54,152,662</u>	<u>57,002,802</u>
11.1 Depreciation is charged on reducing balance basis.		
12 STOCK IN TRADE		
Raw material	945,496,522	923,274,627
Finished goods	425,310,200	534,541,444
	<u>1,370,806,722</u>	<u>1,457,816,071</u>
13 TAX REFUNDS DUE FROM GOVERNMENT		
Income tax recoverable	316,595,330	295,793,400
Sales tax refundable	165,213,572	87,783,514
	<u>481,808,902</u>	<u>383,576,914</u>
13.1 Income tax recoverable		
At beginning of the period	295,793,400	228,923,516
Add: Advance income tax / deductions during the period	36,226,261	170,425,554
Less: Adjustments	(15,424,331)	(103,555,670)
	<u>316,595,330</u>	<u>295,793,400</u>

14 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/2023 Rupees	Audited 30 / Jun / 2023 Rupees
Chief executive	Shareholder	Remuneration	10,497,670	9,997,781
Directors	Shareholders	Remuneration	6,341,203	6,039,241
Executives	Related parties	Remuneration	13,849,232	13,189,745
			<u>30,688,105</u>	<u>29,226,767</u>

15 CORRESPONDING FIGURES

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

16 AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on February 26, 2024.


Chief Executive Officer


Director


Chief Financial Officer