

Half Yearly Report  
December 31, **2022**



**GROWING  
STRONGER  
MAKING IT  
HAPPEN**



ITTEHAD CHEMICALS LIMITED

# ITTEHAD CHEMICALS LIMITED

## CONDENSED INTERIM FINANCIAL STATEMENTS

HALF YEARLY REPORT DECEMBER 31, 2022

(UN-AUDITED)

### Contents

- 2 Corporate Information
- 3 Directors' Report
- 5 Independent Auditors' Review Report To The Members
- 6 Unconsolidated Condensed Interim Statement of Financial Position
- 7 Unconsolidated Condensed Interim Statement of Profit or Loss Account
- 8 Unconsolidated Condensed Interim Statement of Comprehensive Income
- 9 Unconsolidated Condensed Interim Cash Flow Statement
- 10 Unconsolidated Condensed Interim Statement of Changes in Equity
- 11 Notes to the Unconsolidated Condensed Interim Financial Statements
- 31 Consolidated Directors' Report
- 32 Consolidated Condensed Interim Statement of Financial Position
- 33 Consolidated Condensed Interim Statement of Profit or Loss Account
- 34 Consolidated Condensed Interim Statement of Comprehensive Income
- 35 Consolidated Condensed Interim Cash Flow Statement
- 36 Consolidated Condensed Interim Statement of Changes in Equity
- 37 Notes to the Consolidated Condensed Interim Financial Statements

## Corporate Information

<b>BOARD OF DIRECTORS</b>	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mrs. Farhana Abdul Sattar Khatri Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director
<b>AUDIT COMMITTEE</b>	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
<b>HR &amp; REMUNERATION COMMITTEE</b>	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
<b>RISK MANAGEMENT COMMITTEE</b>	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Muhammad Asif Khan		
<b>COMPANY SECRETARY</b>	Mr. Abdul Mansoor Khan		
<b>REGISTERED OFFICE/HEAD OFFICE</b>	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel: 042 - 36306586 - 88, Fax: 042 - 36365697 Website: <a href="http://www.ittehadchemicals.com">www.ittehadchemicals.com</a> , E-mail: <a href="mailto:info@ittehadchemicals.com">info@ittehadchemicals.com</a>		
<b>FACTORY/PLANT</b>	G.T. Road, Kala Shah Kaku, District Sheikhupura. Ph: 042 - 37950222 - 25, Fax: 042 - 37950206		
<b>SHARES REGISTRAR</b>	M/s. Hameed Majeed Associates (Pvt) Limited 1 <sup>st</sup> Floor, H.M. House, 7 Bank Square The Mall, Lahore. Tel: 042 - 37235081 - 82		
<b>BANKERS</b>	<u>Banks - Conventional Side</u> 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	<u>Banks - Islamic Window Operations</u> Al-Baraka Bank (Pakistan) Limited The Bank of Punjab (Taqwa Islamic Banking) Dubai Islamic Bank (Pak) Limited Bank Alfalah Limited - Islamic-Banking	
<b>AUDITORS</b>	M/s. BDO Ebrahim & Co., Chartered Accountants, 2 <sup>nd</sup> Floor, Block- C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021 - 35683189, 35683498, Fax : 021 - 35684239		
<b>LEGAL ADVISOR</b>	Cornelius, Lane & Mufti Advocates & Solicitors Nawa-e-Waqt House 4 - Shahrah-e-Fatima Jinnah Lahore-54000		

## DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the standalone un-audited condensed interim financial statements of the Company for the half year ended December 31, 2022 together with the Auditor's Review Report thereon.

During the period under review, the Company posted net sales revenue of Rupees 12,019 Million (2021: Rupees 6,798 Million) denoting an increase of 77% from the corresponding period of last year. The cost of sales was Rupees 9,819 Million (2021: Rupees 5,969 Million) bringing gross profit to Rupees 2,200 Million (2021: Rupees 829 Million). The gross profit margin improved to 18% from 12% vis-à-vis the corresponding period of last year primarily on account of increased exports of the Company's products in the market and effective business decisions. The bottom line showed a net profit after tax of Rupees 755 Million (2021: Rupees 183 Million) which yielded earnings per share of Rupees 7.55 (2021: Rupees 1.83 per share).

Moving ahead, the company is committed to deliver consistent growth. The up-gradation of power plant engines has been delayed due to prevailing LC issues; however it is anticipated to be completed by July 2023. The Management is keenly observing the current market scenario and is taking appropriate measures to achieve paramount operational excellence. The wholly owned subsidiary i.e. Ittehad Salt Processing (Pvt.) Limited is in the process of acquiring Mining Lease from the concerned Government Department.

During the period under review, the Economic and Political scenario remained uncertain inter alia increasing the debt burden, widening the current account deficit and depleting foreign exchange reserves. The US dollar/PKR exchange rate also remained unstable throughout the period and future prediction seems challenging. Recent floods in Pakistan have also destroyed the infrastructure and added to the cost of doing business by disrupting the supply chain. The situation may take considerable time to normalize. Rising inflation has also increased the cost of inputs. Amongst these difficult economic and business environment, the Company has continued to operate on a higher growth trajectory during the period under review.

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  
February 16, 2023

Muhammad Siddique Khatri  
Chairman



Abdul Sattar Khatri  
Chief Executive Officer



## ڈائریکٹرز رپورٹ


آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2022ء کو اختتام پذیر ہونے والے نصف مالی سال کے غیر مربوط غیر پڑتال شدہ بین المدتی مختصر مالی گوشواروں کو آڈیٹرز کی جائزہ رپورٹ کے ساتھ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔


زیر جائزہ مدت کے دوران، کمپنی کی فروخت گزشتہ سال کے اسی عرصہ کے مقابلے میں 77 فیصد اضافے کے ساتھ 12,019 ملین روپے (2021: 6,798 ملین روپے) رہی۔ فروخت کی لاگت 9,819 ملین روپے (2021: 5,969 ملین روپے) رہی جس سے کمپنی کا خام منافع 2,200 ملین روپے (2021: 829 ملین روپے) بنتا ہے۔ کمپنی کی مصنوعات کی برآمدات میں اضافے اور موثر کاروباری فیصلوں کی وجہ سے خام منافع کا تناسب گزشتہ سال کے اسی عرصے کے مقابلے میں 12 فیصد سے بڑھ کر 18 فیصد ہو گیا۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 755 ملین روپے (2021: 183 ملین روپے) کا منافع ظاہر کرتی ہے جس کے نتیجے میں فی حصص 7.55 روپے (2021: 1.83 روپے فی حصص) کی آمدنی ہوئی۔

آگے بڑھتے ہوئے، کمپنی ترقی کے تسلسل کے لیے پرعزم ہے۔ پاور پلانٹ انجنوں کی اپ گریڈیشن LC کے موجودہ مسائل کی وجہ سے تاخیر کا شکار ہے تاہم توقع کی جا رہی ہے کہ یہ جولائی 2023ء تک مکمل ہو جائے گا۔ انتظامیہ مارکیٹ کے موجودہ منظر نامے کا بغور مشاہدہ کر رہی ہے اور 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 عمل میں ہے۔

زیر جائزہ مدت کے دوران، معاشی اور سیاسی منظر نامہ غیر یقینی رہا جس میں دیگر چیزوں کے ساتھ ساتھ قرضوں کے بوجھ میں اضافہ، کرنٹ اکاؤنٹ خسارے میں اضافہ اور زر مبادلہ کے ذخائر میں کمی شامل ہے۔ امریکی ڈالر پاکستانی روپے کی شرح تبادلہ بھی اس عرصے کے دوران غیر مستحکم رہی اور مستقبل کی پیشگوئی مشکل معلوم ہوتی ہے۔ پاکستان میں حالیہ سیلاب نے انفراسٹرکچر کو بھی تباہ کر دیا ہے اور سپلائی چین میں خلل ڈال کر کاروبار کرنے کی لاگت میں اضافہ کیا ہے۔ حالات کو معمول پر لانے میں کافی وقت لگ سکتا ہے۔ بڑھتی ہوئی مہنگائی نے خام مال کی لاگت میں بھی اضافہ کیا ہے۔ ان مشکل معاشی اور کاروباری ماحول کے درمیان، کمپنی نے زیر جائزہ مدت کے دوران ترقی کی بلند رفتار پر کام جاری رکھا ہے۔

بورڈ قابل قدر حصص داران سپلائرز، صارفین، بینکوں اور سرکاری حکموں کی جانب سے ان کے اعتماد، مسلسل تعاون اور سرپرستی پر شکر گزار ہے اور کمپنی کے تمام ملازمین کے تعاون، لگن اور محنت کے لیے ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ  
  
 محمد صدیق کھتری  
 چیئرمین

  
 عبدالستار کھتری  
 چیف ایگزیکٹو آفیسر

16 فروری 2023ء

لاہور

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

### Report on review of interim financial statements

#### Introduction

We have reviewed the accompanying condensed Interim statement of financial position of ITTEHAD CHEMICALS LIMITED (the "Company") as at December 31, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes In equity and condensed interim statement of cash flow, and notes to the financial statements for the six-month period then ended (here-in after referred to as the "Interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

#### Scope of review

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

#### Conclusion

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

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

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

LAHORE

DATED: 23 FEB 2023

UDIN: RR202210087iGHEwJQDZ



BDO EBRAHIM & CO.

CHARTERED ACCOUNTANTS



## Unconsolidated Condensed Interim Statement of Financial Position (Un-audited) as at December 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	6,223,049	6,298,108
Capital work in progress	7	500,598	396,152
		<u>6,723,647</u>	<u>6,694,260</u>
Intangible assets		1,161	1,440
Investment property		408,750	408,750
Long term investments	8	2,500	2,500
Long term deposits		51,758	51,758
		<u>7,187,816</u>	<u>7,158,708</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	552,589	495,567
Stock in trade	10	2,238,742	2,168,526
Trade debts	11	2,186,720	1,787,468
Loans and advances	12	111,765	278,928
Trade deposits and short term prepayments		37,577	27,367
Tax refunds due from Government		845,482	529,429
Taxation - net		125,476	224,526
Short Term Investments		34,500	-
Cash and bank balances	13	735,988	194,542
		<u>6,868,839</u>	<u>5,706,353</u>
<b>TOTAL ASSETS</b>		<u>14,056,655</u>	<u>12,865,061</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	14.1	2,000,000	2,000,000
Issued, subscribed and paid up capital	14.2	1,000,000	1,000,000
Reserves			
Capital reserves - Share premium		177,000	177,000
Revenue reserves - Unappropriated profit		3,273,403	2,618,421
Merger reserve		(6,445)	(6,445)
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		<u>5,836,000</u>	<u>5,181,018</u>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	15	885,646	670,698
Long term diminishing musharaka	16	384,063	577,566
Lease liabilities	17	4,493	9,300
Deferred liabilities		561,267	621,789
Deferred grant	18	34,555	30,094
		<u>1,870,024</u>	<u>1,909,447</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	3,996,490	3,231,916
Unclaimed dividend		2,611	2,308
Mark-up accrued		123,386	82,866
Short term borrowings	21	1,584,752	1,790,853
Current portion of lease liabilities	17	9,502	8,807
Current portion of deferred grant	18	13,381	19,697
Current portion of long term liabilities		620,509	638,149
		<u>6,350,631</u>	<u>5,774,596</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14,056,655</u>	<u>12,865,061</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Statement of Profit or Loss Account (Un-audited) for the half year ended December 31, 2022

	Note	Half year ended December 31,		Quarter ended December 31,	
		2022	2021	2022	2021
—— (Rupees in thousand) ——					
Sales - net	23	12,019,123	6,797,782	6,407,554	3,548,447
Cost of sales	24	(9,818,968)	(5,968,670)	(4,788,784)	(2,970,464)
<b>Gross profit</b>		<b>2,200,155</b>	<b>829,112</b>	<b>1,618,770</b>	<b>577,983</b>
Selling and distribution expenses	25	(747,262)	(323,776)	(447,157)	(168,857)
General and administrative expenses		(131,576)	(112,195)	(65,336)	(58,224)
Other operating income		74,472	33,010	20,794	14,374
Other operating expenses		(75,868)	(23,557)	(93,485)	(23,232)
		(880,234)	(426,518)	(585,184)	(235,939)
<b>Operating profit</b>		<b>1,319,921</b>	<b>402,594</b>	<b>1,033,586</b>	<b>342,044</b>
Financial charges		(322,582)	(135,914)	(185,617)	(75,015)
<b>Profit before taxation</b>		<b>997,339</b>	<b>266,680</b>	<b>847,969</b>	<b>267,029</b>
Taxation		(242,357)	(83,258)	(229,917)	(75,047)
<b>Profit after taxation</b>		<b>754,982</b>	<b>183,422</b>	<b>618,052</b>	<b>191,982</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	26	<b>7.55</b>	<b>1.83</b>	<b>6.18</b>	<b>1.92</b>

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



### Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year ended December 31, 2022

	Half year ended December 31,		Quarter ended December 31,	
	2022	2021	2022	2021
	—— (Rupees in thousand) ——			
Profit for the period	754,982	183,422	618,052	191,982
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>754,982</u>	<u>183,422</u>	<u>618,052</u>	<u>191,982</u>

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2022

	Quarter ended December 31,	
	2022	2021
	— (Rupees in thousand) —	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	997,339	266,680
Adjustments for items not involving movement of funds:		
Depreciation	304,940	239,289
Provision for gratuity	12,014	9,114
Gain on sale of fixed assets	(2,267)	(609)
Gain on foreign exchange	(45,087)	(11,341)
Deferred grant amortization	(10,967)	(5,902)
Provision for obsolete stores and spares	13,500	9,000
Financial charges	322,582	135,914
Net cash flow before working capital changes	1,592,054	642,145
<b>Increase in current assets</b>		
Stores and spares	(70,522)	(355,358)
Stock in trade	(70,216)	(328,316)
Trade debts	(354,165)	(46,221)
Loans and advances	167,163	111,899
Trade deposits and short term prepayments	(10,210)	8,421
Tax refunds due from the Government	(110,474)	(5,308)
	(448,424)	(614,883)
<b>Increase in current liabilities</b>		
Trade and other payables	764,574	45,829
Cash generated from operations	1,908,204	73,091
Income taxes paid	(419,065)	(102,182)
Gratuity paid	(2,356)	(1,056)
Financial charges paid	(276,306)	(129,920)
Net cash generated from / (used in) operating activities	1,210,477	(160,067)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets - net	(36,498)	(32,302)
Additions to capital work in progress	(293,180)	(732,390)
Proceeds from sale of operating fixed assets	3,105	1,215
Long term investment	-	(2,400)
Short term investment	(34,500)	-
Long term deposits	-	(751)
Net cash used in investing activities	(361,073)	(766,628)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	330,809	665,858
Repayment of long term financing	(135,356)	(50,499)
Repayment of long term diminishing musharaka	(193,503)	(193,503)
Principal paid on lease liabilities	(4,111)	(3,500)
Dividend paid	(99,697)	(3,310)
Short term borrowings-net	(206,100)	431,316
Net cash (used in) / generated from financing activities	(307,958)	846,362
<b>Net increase in cash and cash equivalents</b>	541,446	(80,333)
<b>Cash and cash equivalents at the beginning of the period</b>	194,542	338,635
<b>Cash and cash equivalents at the end of the period</b>	735,988	258,302

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2022

Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves			Total
		Capital		Revenue	
		Balance arising upon merger	Share premium	Unappropriated profit	

----- (Rupees in thousand) -----

<b>Balance as at July 01, 2021</b>	847,000	1,392,042	-	330,000	2,305,352	4,874,394
<b>Transaction with owners:</b>						
Interim issuance of bonus shares @ 18.06 %	153,000	-	-	(153,000)	-	-
<b>Total comprehensive income for the period ended December 31, 2021</b>						
Profit for the period	-	-	-	-	183,422	183,422
<b>Balance as at December 31, 2021</b>	<u>1,000,000</u>	<u>1,392,042</u>	<u>-</u>	<u>177,000</u>	<u>2,488,774</u>	<u>5,057,816</u>
<b>Balance as at July 01, 2022</b>	1,000,000	1,392,042	(6,445)	177,000	2,618,421	5,181,018
<b>Transaction with owners:</b>						
Interim cash dividend @ Rs. 1 per share	-	-	-	-	(100,000)	(100,000)
<b>Total comprehensive income for the period ended December 31, 2022</b>						
Profit for the period	-	-	-	-	754,982	754,982
<b>Balance as at December 31, 2022</b>	<u>1,000,000</u>	<u>1,392,042</u>	<u>(6,445)</u>	<u>177,000</u>	<u>3,273,403</u>	<u>5,836,000</u>

The annexed notes from 1 to 35 form an integral part of these condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2022

### 1 LEGAL STATUS AND NATURE OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the business of manufacturing and selling caustic soda and other allied chemicals.

The Company holds 100% shares of Ittehad Salt Processing (Private) Limited (subsidiary company), which is a private limited company and incorporated in Pakistan under the Companies Act, 2017 on December 03, 2019. The subsidiary company is engaged in the business of exploring, operating, and working on mines and quarries. The registered office of subsidiary company is situated at 31-A, Tech Society, Canal Bank, Lahore. The Chief Executive of subsidiary company is Ahmed Mustafa.

### 2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

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

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

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

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

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

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 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 half year ended December 31, 2021.

### **3.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value, investment property at fair value and certain operating fixed assets at revalued amounts.

### **3.3 Functional and presentation currency**

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

## **4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THERE IN**

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

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

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

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

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.



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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

## 6 ESTIMATES

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

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>6 OPERATING FIXED ASSETS</b>			
Fixed assets	6.1	6,216,453	6,289,161
Right of use assets	6.3	6,596	8,947
		<u>6,223,049</u>	<u>6,298,108</u>
<b>6.1 Fixed assets</b>			
Opening net book value (NBV)		6,289,161	5,709,033
Additions (at cost) during the period / year	6.1.1	230,441	1,118,220
		<u>6,519,602</u>	<u>6,827,253</u>
Disposals (at NBV) during the period / year	6.1.2	(838)	(27,686)
Depreciation charged during the period / year		<u>(302,311)</u>	<u>(510,406)</u>
		<u>(303,149)</u>	<u>(538,092)</u>
Closing net book value (NBV)		<u>6,216,453</u>	<u>6,289,161</u>
<b>6.1.1 Details of additions (at cost) during the period / year are as follows:</b>			
Free Hold Land		-	-
Building		115,851	49,948
Plant and machinery		78,486	993,738
Other equipment		79	17,664
Furniture and fixtures		451	1,251
Office and other equipment		1,710	6,166
Vehicles		33,864	49,453
		<u>230,441</u>	<u>1,118,220</u>

(Un-audited)  
December 31,  
2022

(Audited)  
June 30,  
2022

Note — (Rupees in thousand) —

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

Plant and machinery (Electrolysers / DSA)	-	23,364
Vehicles	838	4,322
	<u>838</u>	<u>27,686</u>

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

### 6.3 Right of use assets

Opening net book value (NBV)	8,947	13,649
Disposals (at NBV) during the period / year	-	-
Depreciation charge for the period / year	(2,351)	(4,702)
	<u>6,596</u>	<u>8,947</u>

## 7 CAPITAL WORK IN PROGRESS

Building	7.1.1	26,530	24,388
Plant and machinery	7.1.2	452,219	357,918
Advances	7.1.3	21,849	13,846
		<u>500,598</u>	<u>396,152</u>

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

#### 7.1.1 Building

Opening balance	24,388	12,247
Additions (at cost)	34,778	46,684
Transferred/ adjustment	-	15,406
Transferred to operating fixed assets	(32,636)	(49,949)
Closing balance	<u>26,530</u>	<u>24,388</u>

#### 7.1.2 Plant and machinery

Opening balance	357,918	243,547
Additions (at cost)	260,133	1,073,548
Transferred/ adjustment	-	63,499
Transferred/ adjustment	-	(15,406)
Transferred to operating fixed assets	(165,832)	(1,007,270)
Closing balance	<u>452,219</u>	<u>357,918</u>

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note		(Rupees in thousand)	
<b>7.1.3 Advances</b>			
	Opening balance	13,846	161,372
	Additions (at cost)	32,836	18,596
	Transferred/ adjustment	(20,209)	(63,499)
	Transferred/ adjustment	-	(76,000)
	Transferred to capital work in progress	(4,624)	(26,623)
	Closing balance	<u>21,849</u>	<u>13,846</u>

**7.2** Advances includes balances amounting to Rs. 1.639 million (June 30, 2022: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate.

**7.3** Capital work in progress includes an amount of Rs. 5.208 million (June 30, 2022: 38.332) against borrowing cost capitalised during the period.

## 8 LONG TERM INVESTMENTS

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

### 8.1 Chemi Visco Fiber Limited

5,625,000 (2022: 5,625,000) fully paid ordinary shares	56,250	56,250
Less: Provision for diminution in value of investment	(56,250)	(56,250)
Relevant information:		
Percentage of investment in equity held 7.91% (2022: 7.91%) (Chief Executive : Mr. Usman Ghani)	-	-

**8.1.1** This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is significant uncertainty regarding future earnings and related cash flows.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	(Rupees in thousand)	
<b>8.2 Ittehad Salt Processing (Private) Limited</b>			
250,000 (2022: 10,000) fully paid ordinary shares		2,500	2,500
Relevant information:			
Percentage of investment in equity held 100%			
(2022: 100%) (Chief Executive : Mr. Ahmed Mustafa)			
Location: Pakistan			
<b>9 STORES, SPARES AND LOOSE TOOLS</b>			
Store		112,824	86,628
in hand		83	512
in transit		112,907	87,140
Spares		437,009	413,819
in hand		53,132	31,567
in transit		490,141	445,386
Less: Provision for obsolete stores and spares	9.2	603,048	532,526
		50,459	36,959
		552,589	495,567
<b>9.1</b> Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.			
<b>9.2 Movement of provision for obsolete stores and spares</b>			
Opening balance		36,959	21,837
Provision during the period / year		13,500	18,011
Written off during the period/year against disposal/scrap sale		-	(2,889)
		50,459	36,959
<b>10 STOCK IN TRADE</b>			
Raw materials:			
in hand	24	1,041,419	1,018,757
in transit	10.1	29,538	404,602
		1,070,957	1,423,359
Packing materials - in hand		34,633	24,011
Work in process	24	63,900	53,901
Finished goods	10.2	1,069,252	667,255
		2,238,742	2,168,526

- 10.1** This represents stock in transit which was still on the way to port at the period end.
- 10.2** The finished goods also includes stock in transit amounting to Rs. Nil (2022: Rs. 6.36 million) which was still on the way to port at the year end.
- 10.3** Stock-in-trade up to a maximum amount of Rs. 2,238.74 million (2022: 2,168.526 million) are under hypothecation of commercial banks as security for short term borrowings.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>11 TRADE DEBTS</b>			
Unsecured			
Considered good - foreign		478,410	306,196
Secured			
Considered doubtful		2,234	2,234
Less: Provision for doubtful debts		(2,234)	(2,234)
		-	-
Unsecured			
Considered good		1,708,310	1,481,272
Considered doubtful		60,234	60,234
		1,768,544	1,541,506
		2,246,954	1,847,702
Less: Provision for doubtful debts	11.1	60,234	60,234
		2,186,720	1,787,468
<b>11.1 Movement of expected credit loss is as follows:</b>			
Opening balance		62,468	57,476
Adjustment on account of:			
Expected credit loss for the period / year		-	4,992
Closing balance		62,468	62,468
<b>12 LOANS AND ADVANCES</b>			
Advances - (Unsecured - considered good)			
To employees	12.1 - 3	20,798	19,390
Advance to supplies and services (Unsecured)			
Considered good		89,422	122,984
Considered doubtful		1,374	1,374
		90,796	124,358
Other advance		-	135,000
Against import		1,545	1,554
		113,139	280,302
Less: Expected credit loss against advances	12.4	1,374	1,374
		111,765	278,928



- 12.1** This includes advance to employees against salaries in accordance with the terms of their employment. These advances are unsecured, interest free and are deductible from their salaries.
- 12.2** This also includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.
- 12.3** This includes advances amounting to Rs. 15.192 million (2022: Rs. 15.192 million) deposited to the Court against various cases for gratuity of employees and the Company is expecting favourable outcome and therefore, considered good.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
		(Rupees in thousand)	
<b>12.4 Movement of expected credit loss is as follows:</b>			
Opening balance		1,374	1,374
Addition during the year		-	-
Closing balance		<u>1,374</u>	<u>1,374</u>

### 13 CASH AND BANK BALANCES

Cash in hand		1,238	463
Cash at banks			
Current accounts		626,296	175,898
Saving accounts	13.1	108,454	18,181
		<u>735,988</u>	<u>194,542</u>

- 13.1** The saving accounts carry mark-up at the rates ranging from 12.25% to 13.25% (June 30, 2022: 4.5% to 12.25%) per annum.

### 14 SHARE CAPITAL

#### 14.1 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>

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

27,100,000 (June 30, 2022: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2022: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
48,000,000 (June 30, 2022: 48,000,000) fully paid bonus shares of Rs. 10/- each		480,000	480,000
		<u>1,000,000</u>	<u>1,000,000</u>

	Number of Shares (thousand)	Rupees (thousand)
<b>14.2.1 Movement of share capital is as follows:</b>		
Opening balance	1,000,000	847,000
Bonus shares issued during the period / year	-	153,000
Closing balance	1,000,000	1,000,000
	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	— (Rupees in thousand) —	

**15 LONG TERM FINANCING**

Secured:

## Banking Companies

MCB Bank Limited - SBP Refinance	15.1	-	48,205
Samba Bank Limited - TERF	15.2	91,878	71,866
Bank of Punjab	15.3	249,907	274,771
Allied bank Ltd - LTF	15.4	100,000	-
		441,785	394,842

## Other Financial Institutions

Pak Libya Holding Company (Private) Limited	15.5	200,697	217,000
Pak Brunei Investment Company Limited	15.6	166,668	200,000
Pak Brunei Investment Co. Limited (WWTP)	15.7	110,000	110,000
Pak Libya Holding Company ((Private) Limited	15.8	200,000	-
		677,365	527,000
		1,119,150	921,842
Less: Current portion shown under current liabilities		233,504	251,144
		885,646	670,698

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

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

- 15.2** The Company has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 500 million. This finance is secured against 667 million ranking charge over fixed assets of the Company inclusive of 25% margin. This carries mark up at SBP TERF rate plus 3% per annum. The loan has not fully disbursed yet. The loan is repayable in sixteen (16) equal quarterly installments starting from 1 year (grace period) after initial draw down.
- 15.3** The Company has obtained this loan to the extent of Rs. 313.717 million. The SBP has approved Rs. 246.144 million under Temporary Economic Refinance Facility (TERF). So, the remaining amount of Rs.67.573 million is treated as demand finance. This finance is secured against the 1st

pari passu charge of Rs. 400 million over fixed assets of the company. These carry mark up at SBP rate 4% plus 1% spread of Bank per annum under TERF and for the remaining amount carry 6 month KIBOR plus 1.5% per annum. The loan is repayable in Ten (10) equal semi-annual installments having grace period of Six months after the disbursement date.

- 15.4** The Company has obtained this loan to the extent of Rs. 200 million. This finance is secured against 1st Hypo & mortgage charge over present and future fixed assets (Land, Building & Machinery) with 25% risk margin. This carries mark up at rate 6 months KIBOR plus 1% per annum. The loan has not fully disbursed yet. The loan is repayable in eight (08) bi-annual installments, mark up payable on quarterly basis from the date of disbursement.
- 15.5** The Company has obtained this loan under long term finance facility to the extent of Rs. 217 million. This finance is secured against ranking charge convertible / upgraded to first pari passu charge inclusive of 25% margin on all present and future fixed assets of the Company and carries mark up at 3 months KIBOR plus 1.5% per annum. The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.
- 15.6** The Company has obtained this loan under long term finance facility to the extent of Rs. 300 million. This finance is secured against hypothecation / mortgage charge over all present and future fixed assets of the Company with 25% margin and carries mark up at three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020.
- 15.7** The Company has obtained this loan under long term finance facility to the extent of Rs. 110 million. This finance is secured against first pari passu hypothecation and mortgage charge on all moveable and immovable fixed assets of the Company. This carries mark up at 3 months KIBOR plus 1.40% per annum. The loan is repayable in sixteen (16) equal quarterly installments with 1st installment falling due at the end of 15th month.
- 15.8** The Company has obtained this loan under long term finance facility to the extent of Rs. 200 million. This finance is secured against Initially Ranking Charges of Rs. 267 million, inclusive of 25% margin on all assets of the company (excluding land and building), convertible to 1st Pari Passu charge within 180 days of disbursement. This carries mark up at 3 months KIBOR plus 1.50% per annum. The loan is repayable in sixteen (16) equal quarterly installments. First installment will fall due at the end of 12th month from the date of first draw down.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
<b>16 LONG TERM DIMINISHING MUSHARAKA</b>	Note	(Rupees in thousand)	
Secured:			
Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	16.2	350,000	437,500
The Bank of Punjab - TAQWA (LABSA)	16.3	260,756	313,321
Al Baraka Bank (Pakistan) Limited	16.4	160,312	213,750
		<u>771,068</u>	<u>964,571</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,005)</u>
		<u>384,063</u>	<u>577,566</u>

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	—	—

(Rupees in thousand)

**16.1 Movement of long term Diminishing Musharaka is as follows:**

Banking Companies		
Balance as at July 01	964,571	1,351,575
Obtained during the period / year	-	-
Repayments made during the period / year	<u>(193,503)</u>	<u>(387,004)</u>
	771,068	964,571
Current portion shown under current liabilities	<u>(387,005)</u>	<u>(387,005)</u>
	<u>384,063</u>	<u>577,566</u>

**16.2** This finance has been obtained from an Islamic Financial Institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal installments with the one year grace period commencing from February 2020.

**16.3** This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020.

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

**17 LEASE LIABILITIES**

Against right of use assets		
Lease liabilities	18,106	25,419
Payments / adjustments during the year	<u>(4,111)</u>	<u>(7,312)</u>
Less: Current portion	<u>(9,502)</u>	<u>(8,807)</u>
	<u>4,493</u>	<u>9,300</u>

**17.1 Maturity analysis-contractual undiscounted cash flow**

Less than one year	(10,336)	(9,997)
One to five year	(4,008)	(9,194)
Total undiscounted lease liability	<u>(14,344)</u>	<u>(19,191)</u>

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

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

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

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	(Rupees in thousand)	
<b>19 DEFERRED GRANT</b>		
Deferred grant	47,936	49,791
Current portion shown under current liability	(13,381)	(19,697)
	<u>34,555</u>	<u>30,094</u>

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

**18.2 Following is the movement in government grant:**

Opening balance	49,791	5,115
Addition during the period / year	9,112	61,526
Amortized during the period / year	(10,967)	(16,850)
Closing balance	<u>47,936</u>	<u>49,791</u>

**19 GIDC PAYABLE**

GIDC payable		620,458	619,344
Current portion shown under current liability	19.1	(620,458)	(619,344)
		<u>-</u>	<u>-</u>

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

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

The Company has paid seven (7) instalments during the prior period and balance provision of GIDC as at the reporting date is Rs. 620.458 million (June 30, 2022: 619.344 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Company has filed a writ petition in the Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Sindh High Court has granted a stay for recovery



of arrears and matter is pending for adjudication. There is an aggregate differential of Rs. 352.920 million which is subjudice and that will be remain as provision until the matter is settled. Further, there is an aggregate differential of Rs. 170.291 million between provision as per books of account and liability based on monthly instalment billed by SNGPL for unpaid portion of Cess levied through GIDC Act, 2011 and GIDC Ordinance, 2014, which is not recognized by the Company based on the advice of its legal expert as per their view it will not be collected as per GIDC Act, 2015.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>20 TRADE AND OTHER PAYABLES</b>			
Trade creditors		1,133,824	935,564
Accrued liabilities	20.1 & 3	2,534,092	1,932,551
Advances from customers (unsecured)		151,794	224,815
Security deposits	20.2	38,500	40,200
Retention money		6,304	5,331
Income tax deducted at source		1,591	15,577
Workers' Profit Participation Fund		57,725	39,013
Workers Welfare Fund		36,729	16,322
Other liabilities		35,931	22,543
		<u>3,996,490</u>	<u>3,231,916</u>

**20.1** These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 66.382 million (June 30, 2022: Rs. 27.774 million).

**20.2** This amount represents security deposits received from vendors and dealers for goods/ services. Whole amount is utilizable for the Company's business and has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017.

**20.3** Sui Northern Gas Pipelines Limited has charged cost of supply relating to the RLNG supplies in the billing month of February 2018 based on interim order passed by Oil and Gas Regulatory Authority. The Company along with other industrial units in Punjab decided to file writ petition for deferment of said order. The Honourable Lahore High Court issued stay order with reference to the petition filed. The matter is pending adjudication, however, the Company has made a provision amounting Rs. 382.23 million on prudence basis since February 2018.

No payment has so far been made against the provision made regarding the cost of supply amounting to Rs. 382.23 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

## 21 SHORT TERM BORROWINGS

Secured

From banking companies and financial institutions			
Running finances	21.1	434,752	865,911
Term finance	21.2	1,150,000	924,942
		<u>1,584,752</u>	<u>1,790,853</u>

**21.1** Short term running finance facilities from various banks aggregated to Rs. 1,570 million (2022: Rs. 1,570 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2022: one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company and hypothecation charge over stores, spares and stocks of chemicals.

**21.2** Term finance facilities from various banks aggregated to Rs. 1,125 million (2022: Rs. 1,125 million) and carry mark-up ranging from matching KIBOR plus 1.00% to 1.00% per annum (2022: matching KIBOR plus 0.70% to 1.00% per annum ) on utilized limits. These facilities are secured against ranking and first pari passu charge over present and future current assets of the Company.

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingent liabilities

- a) Letters of guarantee outstanding as at December 31, 2022 were Rs. 482.528 million (June 2022: Rs. 470.908 million).
- b) Other contingencies are not materially different from those as disclosed in preceding annual financial statements for the year ended June 30, 2022.

### 22.2 Commitments

Commitments as on December 31, 2022 were as follows:

- a) Against letters of credit amounting to Rs. 1,112.90 million (June 30, 2022: Rs. 1,427.79 million).
- b) Commitments for lease payments has been made under the relevant note.

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021
(Rupees in thousand)			

## 23 SALES

Sales				
Manufacturing (Note: 23.1)	13,773,914	8,015,146	7,322,473	4,192,226
Trading	18,043	14,298	-	-
	13,791,957	8,029,444	7,322,473	4,192,226
Less: Sales tax	1,677,746	1,146,089	862,366	598,788
Less: Commission	95,088	85,573	52,553	44,991
	1,772,834	1,231,662	914,919	643,779
	12,019,123	6,797,782	6,407,554	3,548,447

**23.1** This amount includes export sales amounting to Rs. 1,696.530 million (2021: Rs. 780.788 million).

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2022	2021	2022	2021
	(Rupees in thousand)			
<b>24 COST OF SALES</b>				
Raw materials consumed	5,381,402	2,439,536	2,520,468	1,229,140
Other overheads:				
Stores, spares and consumables	132,729	158,046	79,753	82,347
Packing materials consumed	114,497	79,957	63,176	37,993
Salaries, wages and other benefits	356,398	293,362	176,286	146,543
Fuel and power	3,871,053	2,819,287	1,656,400	1,463,555
Repair and maintenance	28,298	20,911	15,032	11,683
Rent, rates and taxes	6,333	4,634	3,186	2,301
Insurance	9,040	6,700	4,674	3,338
Depreciation	293,740	231,217	148,024	115,755
Vehicle running expenses	12,569	8,199	6,135	4,297
Telephone, telex and postage	483	486	244	264
Printing and stationery	1,156	127	1,060	54
Provision for slow moving stores and spares	13,500	9,000	9,000	4,500
Other expenses	2,587	1,101	1,486	595
	<u>4,842,383</u>	<u>3,633,027</u>	<u>2,164,456</u>	<u>1,873,225</u>
Opening work in process	53,902	43,626	65,461	46,469
Closing work in process	(63,900)	(48,634)	(63,900)	(48,634)
	<u>(9,998)</u>	<u>(5,008)</u>	<u>1,561</u>	<u>(2,165)</u>
Cost of goods manufactured	10,213,787	6,067,555	4,686,485	3,100,200
Cost of stores traded	7,178	12,350	-	-
Opening stock of finished goods	667,255	444,948	1,171,551	426,447
Closing stock of finished goods	(1,069,252)	(556,183)	(1,069,252)	(556,183)
	<u>(401,997)</u>	<u>(111,235)</u>	<u>102,299</u>	<u>(129,736)</u>
	<u>9,818,968</u>	<u>5,968,670</u>	<u>4,788,784</u>	<u>2,970,464</u>
<b>25 SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and benefits	23,930	21,337	12,069	10,122
Travelling and conveyance	1,009	429	897	172
Vehicle running expenses	2,353	1,569	1,272	832
Advertisement	338	678	-	114
Telephone, telex and postage	403	586	200	293
Marketing service charges	52,125	33,443	26,694	17,511
Freight	657,701	259,478	401,480	136,671
Rent, rates and taxes	287	262	152	131
Printing and stationery	512	230	66	178
Fee and subscription	97	52	68	33
Fuel and power	1,979	1,452	858	626
Repair and maintenance	740	817	440	469
Insurance	4,842	2,440	2,444	1,214
Depreciation	946	1,003	517	491
	<u>747,262</u>	<u>323,776</u>	<u>447,157</u>	<u>168,857</u>

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021

## 26 EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit after taxation - (Rs. in thousand)	754,982	183,422	618,052	191,982
Weighted average number of ordinary shares - (in thousand)	100,000	100,000	100,000	100,000
Earnings per share - basic and diluted - (Rs.)	7.55	1.83	6.18	1.92

## 27 TRANSACTIONS WITH RELATED PARTIES

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

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021
(Rupees in thousand)			

**Transaction with:  
Relationship with the Company  
Basis of relation  
Nature of transaction**

<b>Subsidiary company</b>				
Ittehad Salt Processing (Pvt.) Limited				
Investment made	-	2,400	-	2,400
<b>Related party</b>				
Chemi Multifabrics Limited				
<b>Family relation</b>				
Marketing service charges	52,125	33,443	26,695	17,511
<b>Retirement benefit plans</b>				
Contribution to staff retirement benefit plans	330	293	167	142
<b>Key management personnel</b>				
Remuneration and other benefits	51,494	49,539	25,650	24,769
Loan and advance	-	10,010	-	10,010

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

## **28 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

There were no financial instruments held by the Company which are measured at fair value as of December 31, 2022 and June 30, 2022.

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

## **29 FINANCIAL RISK MANAGEMENT**

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

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

The condensed interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2022.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2022.

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

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

## 31 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in thousand) -----							
<b>On-Balance sheet financial instruments</b>							
<b>As at December 31, 2022</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	2,500	-	2,500	-	-	-	-
Long-term deposits	51,758	-	51,758	-	-	-	-
Trade debts - net of provisions	2,186,720	-	2,186,720	-	-	-	-
Loans and advances	20,798	-	20,798	-	-	-	-
Trade deposits	16,716	-	16,716	-	-	-	-
Short Term Investments	34,500	-	34,500	-	-	-	-
Cash and bank balances	735,988	-	735,988	-	-	-	-
	<b>3,048,980</b>	<b>-</b>	<b>3,048,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	1,119,150	1,119,150	-	-	-	-
Long term diminishing musharaka	-	771,068	771,068	-	-	-	-
Lease liabilities	-	13,995	13,995	-	-	-	-
Trade and other payables	-	3,710,151	3,710,151	-	-	-	-
Mark-up accrued	-	123,386	123,386	-	-	-	-
Short-term borrowings	-	1,584,752	1,584,752	-	-	-	-
	<b>-</b>	<b>7,322,502</b>	<b>7,322,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2022</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	2,500	-	2,500	-	-	-	-
Long-term deposits	51,758	-	51,758	-	-	-	-
Trade debts - net of provisions	1,787,468	-	1,787,468	-	-	-	-
Loans and advances	19,390	-	19,390	-	-	-	-
Trade deposits	19,400	-	19,400	-	-	-	-
Cash and bank balances	194,542	-	194,542	-	-	-	-
	<b>2,075,058</b>	<b>-</b>	<b>2,075,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	921,842	921,842	-	-	-	-
Long term diminishing musharaka	-	964,571	964,571	-	-	-	-
Lease liabilities	-	18,107	18,107	-	-	-	-
Trade and other payables	-	2,895,989	2,895,989	-	-	-	-
Gratuity	-	102,645	102,645	-	-	-	-
Mark-up accrued	-	82,867	82,867	-	-	-	-
Short-term borrowings	-	1,790,853	1,790,853	-	-	-	-
	<b>-</b>	<b>6,776,874</b>	<b>6,776,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 32 CORRESPONDING FIGURES

- 32.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.
- 32.2** In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2022 and the corresponding figures in the condensed interim statement of profit or loss and the condensed interim comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Company for the half year ended December 31, 2021.

### 33 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on February 16, 2023 by the Board of Directors of the Company.

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

The Board of Directors of the Company in its meeting held on February 16, 2023 has recommended interim cash dividend at 10% i.e Rs. 1 per share. These financial statements do not reflect this appropriation.

### 35 GENERAL

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# **ITTEHAD CHEMICALS LIMITED**

**CONSOLIDATED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
HALF YEARLY REPORT DECEMBER 31, 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 half year ended December 31, 2022.

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

The Consolidated Financial Statements showed Earnings per share Rs. 7.55 for the Half Year ended December 31, 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



Muhammad Siddique Khatri  
Chairman



Abdul Sattar Khatri  
Chief Executive Officer

Lahore  
February 16, 2023

## Consolidated Condensed Interim Statement of Financial Position as at December 31, 2022

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	(Rupees in thousand)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	6,223,049	6,298,108
Capital work in progress	7	500,598	396,152
		6,723,647	6,694,260
Intangible assets		1,413	1,692
Investment property		408,750	408,750
Long term investments	8	-	-
Long term deposits		53,258	53,258
		7,187,068	7,157,960
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	552,589	495,567
Stock in trade	10	2,238,742	2,168,526
Trade debts	11	2,186,720	1,787,468
Loans and advances	12	111,765	278,928
Trade deposits and short term prepayments		37,577	27,367
Tax refunds due from Government		845,482	529,429
Taxation - net		125,476	224,526
Short Term Investments		34,500	-
Cash and bank balances	13	737,453	196,151
		6,870,304	5,707,962
<b>TOTAL ASSETS</b>		<b>14,057,372</b>	<b>12,865,922</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	14.1	2,000,000	2,000,000
Issued, subscribed and paid up capital	14.2	1,000,000	1,000,000
Reserves			
Capital reserves - Share premium		177,000	177,000
Revenue reserves - Unappropriated profit		3,273,110	2,618,302
Merger reserve		(6,445)	(6,445)
Surplus on revaluation of fixed assets		1,392,042	1,392,042
		5,835,707	5,180,899
<b>NON CURRENT LIABILITIES</b>			
Long term financing	15	885,646	670,698
Long term diminishing musharaka	16	384,063	577,566
Lease liabilities	17	4,493	9,300
Deferred liabilities		561,267	621,789
Deferred grant	18	34,555	30,094
		1,870,024	1,909,447
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	3,996,490	3,231,966
Loan from related parties		1,010	930
Unclaimed dividend		2,611	2,308
Mark-up accrued		123,386	82,866
Short term borrowings	21	1,584,752	1,790,853
Current portion of lease liabilities	17	9,502	8,807
Current portion of deferred grant	18	13,381	19,697
Current portion of long term liabilities		620,509	638,149
		6,351,641	5,775,576
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,057,372</b>	<b>12,865,922</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 35 form an integral part of these consolidated condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Statement of Profit or Loss Account (Un-audited) for the half year ended December 31, 2022

	Note	Half year ended December 31,		Quarter ended December 31,	
		2022	2021	2022	2021
—— (Rupees in thousand) ——					
Sales - net	23	12,019,123	6,797,782	6,407,554	3,548,447
Cost of sales	24	(9,818,968)	(5,968,670)	(4,788,784)	(2,970,464)
<b>Gross profit</b>		<b>2,200,155</b>	<b>829,112</b>	<b>1,618,770</b>	<b>577,983</b>
Selling and distribution expenses	25	(747,262)	(323,776)	(447,157)	(168,857)
General and administrative expenses		(131,750)	(112,200)	(65,510)	(58,224)
Other operating income		74,472	33,010	20,794	14,374
Other operating expenses		(75,868)	(23,557)	(93,485)	(23,232)
		(880,408)	(426,523)	(585,358)	(235,939)
<b>Operating profit</b>		<b>1,319,747</b>	<b>402,589</b>	<b>1,033,412</b>	<b>342,044</b>
Financial charges		(322,582)	(135,914)	(185,617)	(75,015)
<b>Profit before taxation</b>		<b>997,165</b>	<b>266,675</b>	<b>847,795</b>	<b>267,029</b>
Taxation		(242,357)	(83,279)	(229,917)	(75,047)
<b>Profit after taxation</b>		<b>754,808</b>	<b>183,396</b>	<b>617,878</b>	<b>191,982</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	26	<b>7.55</b>	<b>1.83</b>	<b>6.18</b>	<b>1.92</b>

The annexed notes from 1 to 35 form an integral part of these consolidated condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

### Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year ended December 31, 2022

Note	Half year ended December 31,		Quarter ended December 31,	
	2022	2021	2022	2021
	—— (Rupees in thousand) ——			
Profit for the period	754,808	183,396	617,878	191,982
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>754,808</u>	<u>183,396</u>	<u>617,878</u>	<u>191,982</u>

The annexed notes from 1 to 35 form an integral part of these consolidated condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2022

	Quarter ended December 31,	
	2022	2021
	— (Rupees in thousand) —	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	997,165	266,675
Adjustments for items not involving movement of funds:		
Depreciation	304,940	239,289
Provision for gratuity	12,014	9,114
Gain on sale of fixed assets	(2,267)	(609)
Gain on foreign exchange	(45,087)	(11,341)
Deferred grant amortization	(10,967)	(5,902)
Provision for obsolete stores and spares	13,500	9,000
Financial charges	322,582	135,914
Net cash flow before working capital changes	1,591,880	642,140
<b>Increase in current assets</b>		
Stores and spares	(70,522)	(355,358)
Stock in trade	(70,216)	(328,316)
Trade debts	(354,165)	(46,221)
Loans and advances	167,163	111,899
Trade deposits and short term prepayments	(10,210)	6,921
Tax refunds due from the Government	(110,474)	(5,308)
	(448,424)	(616,383)
<b>Increase in current liabilities</b>		
Trade and other payables	764,524	46,511
Cash generated from operations	1,907,980	72,268
Income taxes paid	(419,065)	(102,203)
Gratuity paid	(2,356)	(1,056)
Financial charges paid	(276,306)	(129,920)
Net cash generated from / (used in) operating activities	1,210,253	(160,911)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets - net	(36,498)	(32,302)
Additions to capital work in progress	(293,180)	(732,390)
Proceeds from sale of operating fixed assets	3,105	1,215
Long term investment	-	-
Short term investment	(34,500)	-
Long term deposits	-	(751)
Net cash used in investing activities	(361,073)	(764,228)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	330,809	665,858
Repayment of long term financing	(135,356)	(50,499)
Repayment of long term diminishing musharaka	(193,503)	(193,503)
Principal paid on lease liabilities	(4,111)	(3,500)
Proceeds from loan from related party	80	-
Dividend paid	(99,697)	(3,310)
Short term borrowings-net	(206,100)	431,316
Net cash (used in) / generated from financing activities	(307,878)	846,362
<b>Net increase in cash and cash equivalents</b>	541,302	(78,777)
<b>Cash and cash equivalents at the beginning of the period</b>	196,151	338,731
<b>Cash and cash equivalents at the end of the period</b>	737,453	259,954

The annexed notes from 1 to 35 form an integral part of these consolidated condensed interim financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

## Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2022

	Issued, subscribed and paid-up capital	Directors' loan	Surplus on revaluation of fixed assets	Reserves			Total
				Capital		Revenue	
				Balance arising upon merger	Share premium	Unappropriated profit	
----- (Rupees in thousand) -----							
<b>Balance as at July 01, 2021</b>	847,000	219	1,392,042	-	330,000	2,305,352	4,874,613
<b>Transaction with owners:</b>							
Interim issuance of bonus shares @ 18.06 %	153,000	-	-	-	(153,000)	-	
Reclassification / Repayment of Directors' Loan	-	(219)	-	-	-	-	(219)
<b>Total comprehensive income for the period ended December 31, 2021</b>							
Profit for the period	-	-	-	-	-	183,396	183,396
<b>Balance as at December 31, 2021</b>	<u>1,000,000</u>	<u>-</u>	<u>1,392,042</u>	<u>-</u>	<u>177,000</u>	<u>2,488,748</u>	<u>5,057,790</u>
<b>Balance as at July 01, 2022</b>	1,000,000	-	1,392,042	(6,445)	177,000	2,618,302	5,180,899
<b>Transaction with owners:</b>							
Interim cash dividend @ Rs. 1 per share	-	-	-	-	-	(100,000)	(100,000)
<b>Total comprehensive income for the period ended December 31, 2022</b>							
Profit for the period	-	-	-	-	-	754,808	754,808
<b>Balance as at December 31, 2022</b>	<u>1,000,000</u>	<u>-</u>	<u>1,392,042</u>	<u>(6,445)</u>	<u>177,000</u>	<u>3,273,110</u>	<u>5,835,707</u>

The annexed notes from 1 to 35 form an integral part of these consolidated condensed interim financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2022

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

#### 1.1 Status of the Parent Company

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

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

#### 1.2 Status of the Subsidiary Company

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

### 2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District 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.

2.2 The registered office of the Subsidiary Company Ittehad Salt Processing (Private) Limited is situated at 31-A, Tech Society, Canal Bank, Lahore.

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

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

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

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

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

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

These consolidated condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group as at and for the year ended June 30, 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 Group'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 consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of cash flows and consolidated condensed interim statement of changes in equity are extracted from the unaudited consolidated condensed interim financial statements for the half year ended December 31, 2021.

### **3.2 Basis of measurement**

These consolidated condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value, investment property at fair value and certain operating fixed assets at revalued amounts.

### **3.3 Functional and presentation currency**

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

## **4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THERE IN**

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

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

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

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

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2022 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated condensed interim financial statements.

## 5 ESTIMATES

The preparation of consolidated condensed interim financial statements requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group'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) December 31, 2022	(Audited) June 30, 2022
	Note	(Rupees in thousand)	
<b>6 OPERATING FIXED ASSETS</b>			
Fixed assets	6.1	6,216,453	6,289,161
Right of use assets	6.3	6,596	8,947
		<u>6,223,049</u>	<u>6,298,108</u>
<b>6.1 Fixed assets</b>			
Opening net book value (NBV)		6,289,161	5,709,033
Additions (at cost) during the period / year	6.1.1	230,441	1,118,220
		<u>6,519,602</u>	<u>6,827,253</u>
Disposals (at NBV) during the period / year	6.1.2	(838)	(27,686)
Depreciation charged during the period / year		(302,311)	(510,406)
		<u>(303,149)</u>	<u>(538,092)</u>
Closing net book value (NBV)		<u>6,216,453</u>	<u>6,289,161</u>

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	—	—

(Rupees in thousand)

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

Free Hold Land	-	-
Building	115,851	49,948
Plant and machinery	78,486	993,738
Other equipment	79	17,664
Furniture and fixtures	451	1,251
Office and other equipment	1,710	6,166
Vehicles	33,864	49,453
	<u>230,441</u>	<u>1,118,220</u>

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

Plant and machinery (Electrolysers / DSA)	-	23,364
Vehicles	838	4,322
	<u>838</u>	<u>27,686</u>

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

**6.3 Right of use assets**

Opening net book value (NBV)	8,947	13,649
Disposals (at NBV) during the period / year	-	-
Depreciation charge for the period / year	(2,351)	(4,702)
	<u>6,596</u>	<u>8,947</u>

**7 CAPITAL WORK IN PROGRESS**

Building	7.1.1	26,530	24,388
Plant and machinery	7.1.2	452,219	357,918
Advances	7.1.3	21,849	13,846
		<u>500,598</u>	<u>396,152</u>

**7.1 Movement of carrying amount is as follows:****7.1.1 Building**

Opening balance	24,388	12,247
Additions (at cost)	34,778	46,684
Transferred/ adjustment	-	15,406
Transferred to operating fixed assets	(32,636)	(49,949)
Closing balance	<u>26,530</u>	<u>24,388</u>

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>7.1.2 Plant and machinery</b>			
Opening balance		357,918	243,547
Additions (at cost)		260,133	1,073,548
Transferred/ adjustment		-	63,499
Transferred/ adjustment		-	(15,406)
Transferred to operating fixed assets		(165,832)	(1,007,270)
Closing balance		<u>452,219</u>	<u>357,918</u>
<b>7.1.3 Advances</b>			
Opening balance	7.2	13,846	161,372
Additions (at cost)		32,836	18,596
Transferred/ adjustment		(20,209)	(63,499)
Transferred/ adjustment		-	(76,000)
Transferred to capital work in progress		(4,624)	(26,623)
Closing balance		<u>21,849</u>	<u>13,846</u>

**7.2** 7.2Advances includes balances amounting to Rs. 1.639 million (June 30, 2022: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate.

**7.3** Capital work in progress includes an amount of Rs. 5.208 million (June 30, 2022: 38.332) against borrowing cost capitalised during the period.

## 8 LONG TERM INVESTMENTS

Investment in related parties - unquoted			
Held at cost			
Chemi Visco Fiber Limited	8.1	-	-
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	8.2	-	-
<b>8.1 Chemi Visco Fiber Limited</b>			
5,625,000 (2022: 5,625,000) fully paid ordinary shares		56,250	56,250
Less: Provision for diminution in value of investment		(56,250)	(56,250)
Relevant information:			
Percentage of investment in equity held 7.91% (2022: 7.91%) (Chief Executive : Mr. Usman Ghani)		-	-

**8.1.1** This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is significant uncertainty regarding future earnings and related cash flows.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	(Rupees in thousand)	
<b>8.2 Ittehad Salt Processing (Private) Limited</b>			
250,000 (2022: 250,000) fully paid ordinary shares		-	-
Relevant information:			
Percentage of investment in equity held 100%			
(2022: 100%) (Chief Executive : Mr. Ahmed Mustafa)			
Location: Pakistan			
<b>9 STORES, SPARES AND LOOSE TOOLS</b>			
Store		112,824	86,628
in hand		83	512
in transit		112,907	87,140
Spares		437,009	413,819
in hand		53,132	31,567
in transit		490,141	445,386
Less: Provision for obsolete stores and spares	9.2	603,048	532,526
		50,459	36,959
		552,589	495,567
<b>9.1</b> Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.			
<b>9.2 Movement of provision for obsolete stores and spares</b>			
Opening balance		36,959	21,837
Provision during the period / year		13,500	18,011
Written off during the period/year against disposal/scrap sale		-	(2,889)
		50,459	36,959
<b>10 STOCK IN TRADE</b>			
Raw materials:			
in hand	24	1,041,419	1,018,757
in transit	10.1	29,538	404,602
		1,070,957	1,423,359
Packing materials - in hand		34,633	24,011
Work in process	24	63,900	53,901
Finished goods	10.2	1,069,252	667,255
		2,238,742	2,168,526

- 10.1** This represents stock in transit which was still on the way to port at the period end.
- 10.2** The finished goods also includes stock in transit amounting to Rs. Nil (2022: Rs. 6.36 million) which was still on the way to port at the year end.
- 10.3** Stock-in-trade up to a maximum amount of Rs. 2,238.74 million (2022: 2,168.526 million) are under hypothecation of commercial banks as security for short term borrowings.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>11 TRADE DEBTS</b>			
Unsecured			
Considered good - foreign		478,410	306,196
Secured			
Considered doubtful		2,234	2,234
Less: Provision for doubtful debts		(2,234)	(2,234)
		-	-
Unsecured			
Considered good		1,708,310	1,481,272
Considered doubtful		60,234	60,234
		1,768,544	1,541,506
		2,246,954	1,847,702
Less: Provision for doubtful debts	11.1	60,234	60,234
		<u>2,186,720</u>	<u>1,787,468</u>
<b>11.1 Movement of expected credit loss is as follows:</b>			
Opening balance		62,468	57,476
Adjustment on account of:			
Expected credit loss for the period / year		-	4,992
Closing balance		<u>62,468</u>	<u>62,468</u>
<b>12 LOANS AND ADVANCES</b>			
Advances - (Unsecured - considered good)			
To employees	12.1 - 3	20,798	19,390
Advance to supplies and services (Unsecured)			
Considered good		89,422	122,984
Considered doubtful		1,374	1,374
		90,796	124,358
Other advance		-	135,000
Against import		1,545	1,554
		113,139	280,302
Less: Expected credit loss against advances	12.4	1,374	1,374
		<u>111,765</u>	<u>278,928</u>

- 12.1** This includes advance to employees against salaries in accordance with the terms of their employment. These advances are unsecured, interest free and are deductible from their salaries.
- 12.2** This also includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.
- 12.3** This includes advances amounting to Rs. 15.192 million (2022: Rs. 15.192 million) deposited to the Court against various cases for gratuity of employees and the Company is expecting favourable outcome and therefore, considered good.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>12.4 Movement of expected credit loss is as follows:</b>			
Opening balance		1,374	1,374
Addition during the year		-	-
Closing balance		1,374	1,374

### 13 CASH AND BANK BALANCES

Cash in hand		1,238	463
Cash at banks			
Current accounts		627,761	177,507
Saving accounts	13.1	108,454	18,181
		737,453	196,151

- 13.1** The saving accounts carry mark-up at the rates ranging from 12.25% to 13.25% (June 30, 2022: 4.5% to 12.25%) per annum.

### 14 SHARE CAPITAL

#### 14.1 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
		2,000,000	2,000,000

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

27,100,000 (June 30, 2022: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash		271,000	271,000
24,900,000 (June 30, 2022: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash		249,000	249,000
48,000,000 (June 30, 2022: 48,000,000) fully paid bonus shares of Rs. 10/- each		480,000	480,000
		1,000,000	1,000,000



**14.2.1 Movement of share capital is as follows:**

	Number of Shares (thousand)	Rupees (thousand)
Opening balance	1,000,000	847,000
Bonus shares issued during the period / year	-	153,000
Closing balance	1,000,000	1,000,000

(Un-audited)  
December 31,  
2022(Audited)  
June 30,  
2022**15 LONG TERM FINANCING**

Note — (Rupees in thousand) —

## Secured:

## Banking Companies

MCB Bank Limited - SBP Refinance	15.1	-	48,205
Samba Bank Limited - TERF	15.2	91,878	71,866
Bank of Punjab	15.3	249,907	274,771
Allied bank Ltd - LTF	15.4	100,000	-
		441,785	394,842

## Other Financial Institutions

Pak Libya Holding Company (Private) Limited	15.5	200,697	217,000
Pak Brunei Investment Company Limited	15.6	166,668	200,000
Pak Brunei Investment Co. Limited (WWTP)	15.7	110,000	110,000
Pak Libya Holding Company ((Private) Limited	15.8	200,000	-
		677,365	527,000
		1,119,150	921,842
Less: Current portion shown under current liabilities		233,504	251,144
		885,646	670,698

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

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

**15.2** The Group has obtained this loan under the scheme of Temporary Economic Refinance Facility (TERF) to the extent of Rs. 500 million. This finance is secured against 667 million ranking charge over fixed assets of the Group inclusive of 25% margin. This carries mark up at SBP TERF rate plus 3% per annum. The loan has not fully disbursed yet. The loan is repayable in sixteen (16) equal quarterly installments starting from 1 year (grace period) after initial draw down.

**15.3** The Group has obtained this loan to the extent of Rs. 313.717 million. The SBP has approved Rs. 246.144 million under Temporary Economic Refinance Facility (TERF). So, the remaining amount of Rs.67.573 million is treated as demand finance. This finance is secured against the 1st pari

passu charge of Rs. 400 million over fixed assets of the Group. These carry mark up at SBP rate 4% plus 1% spread of Bank per annum under TERF and for the remaining amount carry 6 month KIBOR plus 1.5% per annum. The loan is repayable in Ten (10) equal semi-annual installments having grace period of Six months after the disbursement date.

- 15.4** The Group has obtained this loan to the extent of Rs. 200 million. This finance is secured against 1st Hypo & mortgage charge over present and future fixed assets (Land, Building & Machinery) with 25% risk margin. This carries mark up at rate 6 months KIBOR plus 1% per annum. The loan has not fully disbursed yet. The loan is repayable in eight (08) bi-annual installments, markup payable on quarterly basis from the date of disbursement.
- 15.5** The Group has obtained this loan under long term finance facility to the extent of Rs. 217 million. This finance is secured against ranking charge convertible / upgraded to first pari passu charge inclusive of 25% margin on all present and future fixed assets of the Group and carries mark up at 3 months KIBOR plus 1.5% per annum. The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.
- 15.6** The Group has obtained this loan under long term finance facility to the extent of Rs. 300 million. This finance is secured against hypothecation / mortgage charge over all present and future fixed assets of the Group with 25% margin and carries mark up at three months average KIBOR plus 1.40%. The loan was disbursed in January 2019 and is repayable in nine equal semi-annual instalments commencing from February 2020.
- 15.7** The Group has obtained this loan under long term finance facility to the extent of Rs. 110 million. This finance is secured against first pari passu hypothecation and mortgage charge on all moveable and immovable fixed assets of the Group. This carries mark up at 3 months KIBOR plus 1.40% per annum. The loan is repayable in sixteen (16) equal quarterly installments with 1st installment falling due at the end of 15th month.
- 15.8** The Group has obtained this loan under long term finance facility to the extent of Rs. 200 million. This finance is secured against Initially Ranking Charges of Rs. 267 million, inclusive of 25% margin on all assets of the group (excluding land and building), convertible to 1st Pari Passu charge within 180 days of disbursement. This carries mark up at 3 months KIBOR plus 1.50% per annum. The loan is repayable in sixteen (16) equal quarterly installments. First installment will fall due at the end of 12th month from the date of first draw down.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
<b>16 LONG TERM DIMINISHING MUSHARAKA</b>	Note	(Rupees in thousand)	
Secured:			
Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	16.2	350,000	437,500
The Bank of Punjab - TAQWA (LABSA)	16.3	260,756	313,321
Al Baraka Bank (Pakistan) Limited	16.4	160,312	213,750
		<u>771,068</u>	<u>964,571</u>
Current portion shown under current liabilities		<u>(387,005)</u>	<u>(387,005)</u>
		<u>384,063</u>	<u>577,566</u>

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	—	—

(Rupees in thousand)

**16.1 Movement of long term Diminishing Musharaka is as follows:**

Banking Companies		
Balance as at July 01	964,571	1,351,575
Obtained during the period / year	-	-
Repayments made during the period / year	<u>(193,503)</u>	<u>(387,004)</u>
	771,068	964,571
Current portion shown under current liabilities	<u>(387,005)</u>	<u>(387,005)</u>
	<u>384,063</u>	<u>577,566</u>

**16.2** This finance has been obtained from an Islamic Financial Institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Group and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal installments with the one year grace period commencing from February 2020.

**16.3** This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Group and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020.

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

**17 LEASE LIABILITIES**

Against right of use assets		
Lease liabilities	18,106	25,419
Payments / adjustments during the year	<u>(4,111)</u>	<u>(7,312)</u>
Less: Current portion	<u>(9,502)</u>	<u>(8,807)</u>
	<u>4,493</u>	<u>9,300</u>

**17.1 Maturity analysis-contractual undiscounted cash flow**

Less than one year	(10,336)	(9,997)
One to five year	(4,008)	(9,194)
Total undiscounted lease liability	<u>(14,344)</u>	<u>(19,191)</u>

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

17.3 The above liabilities were obligations under leases with various lessors for lease of buildings.

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

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	(Rupees in thousand)	
<b>19 DEFERRED GRANT</b>		
Deferred grant	47,936	49,791
Current portion shown under current liability	(13,381)	(19,697)
	34,555	30,094

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

**18.2 Following is the movement in government grant:**

Opening balance	49,791	5,115
Addition during the period / year	9,112	61,526
Amortized during the period / year	(10,967)	(16,850)
Closing balance	47,936	49,791

**19 GIDC PAYABLE**

GIDC payable		620,458	619,344
Current portion shown under current liability	19.1	(620,458)	(619,344)
		-	-

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

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

The Group has paid seven (7) instalments during the prior period and balance provision of GIDC as at the reporting date is Rs. 620.458 million (June 30, 2022: 619.344 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Group has filed a writ petition in the Sindh High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Sindh High Court has granted a stay for recovery of arrears and

matter is pending for adjudication. There is an aggregate differential of Rs. 352.920 million which is subjudice and that will be remain as provision until the matter is settled. Further, there is an aggregate differential of Rs. 170.291 million between provision as per books of account and liability based on monthly instalment billed by SNGPL for unpaid portion of Cess levied through GIDC Act, 2011 and GIDC Ordinance, 2014, which is not recognized by the Group based on the advice of its legal expert as per their view it will not be collected as per GIDC Act, 2015.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
(Rupees in thousand)			
<b>20 TRADE AND OTHER PAYABLES</b>			
Trade creditors		1,133,824	935,564
Accrued liabilities	20.1 & 3	2,534,092	1,932,601
Advances from customers (unsecured)		151,794	224,815
Security deposits	20.2	38,500	40,200
Retention money		6,304	5,331
Income tax deducted at source		1,591	15,577
Workers' Profit Participation Fund		57,725	39,013
Workers Welfare Fund		36,729	16,322
Other liabilities		35,931	22,543
		<u>3,996,490</u>	<u>3,231,966</u>

**20.1** These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 66.382 million (June 30, 2022: Rs. 27.774 million).

**20.2** This amount represents security deposits received from vendors and dealers for goods/ services. Whole amount is utilizable for the Group's business and has been utilized for the purpose of business in accordance with written agreements in terms of section 217 of the Companies Act, 2017.

**20.3** Sui Northern Gas Pipelines Limited has charged cost of supply relating to the RLNG supplies in the billing month of February 2018 based on interim order passed by Oil and Gas Regulatory Authority. The Group along with other industrial units in Punjab decided to file writ petition for deferment of said order. The Honourable Lahore High Court issued stay order with reference to the petition filed. The matter is pending adjudication, however, the Group has made a provision amounting Rs. 382.23 million on prudence basis since February 2018.

No payment has so far been made against the provision made regarding the cost of supply amounting to Rs. 382.23 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

## 21 SHORT TERM BORROWINGS

Secured

From banking companies and financial institutions			
Running finances	21.1	434,752	865,911
Term finance	21.2	1,150,000	924,942
		<u>1,584,752</u>	<u>1,790,853</u>

**21.1** Short term running finance facilities from various banks aggregated to Rs. 1,570 million (2022: Rs. 1,570 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2022: one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Group and hypothecation charge over stores, spares and stocks of chemicals.

**21.2** Term finance facilities from various banks aggregated to Rs. 1,125 million (2022: Rs. 1,125 million) and carry mark-up ranging from matching KIBOR plus 1.00% to 1.00% per annum (2022: matching KIBOR plus 0.70% to 1.00% per annum ) on utilized limits. These facilities are secured against ranking and first pari passu charge over present and future current assets of the Group.

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingent liabilities

- Letters of guarantee outstanding as at December 31, 2022 were Rs. 482.528 million (June 2022: Rs. 470.908 million).
- Other contingencies are not materially different from those as disclosed in preceding annual financial statements for the year ended June 30, 2022.

### 22.2 Commitments

Commitments as on December 31, 2022 were as follows:

- Against letters of credit amounting to Rs. 1,112.90 million (June 30, 2022: Rs. 1,427.79 million).
- Commitments for lease payments has been made under the relevant note.

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021
(Rupees in thousand)			

## 23 SALES

Sales				
Manufacturing (Note: 23.1)	13,773,914	8,015,146	7,322,473	4,192,226
Trading	18,043	14,298	-	-
	13,791,957	8,029,444	7,322,473	4,192,226
Less: Sales tax	1,677,746	1,146,089	862,366	598,788
Less: Commission	95,088	85,573	52,553	44,991
	1,772,834	1,231,662	914,919	643,779
	12,019,123	6,797,782	6,407,554	3,548,447

**23.1** This amount includes export sales amounting to Rs. 1,696.530 million (2021: Rs. 780.788 million).

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2022	2021	2022	2021
<b>24 COST OF SALES</b>				
Raw materials consumed	5,381,402	2,439,536	2,520,468	1,229,140
Other overheads:				
Stores, spares and consumables	132,729	158,046	79,753	82,347
Packing materials consumed	114,497	79,957	63,176	37,993
Salaries, wages and other benefits	356,398	293,362	176,286	146,543
Fuel and power	3,871,053	2,819,287	1,656,400	1,463,555
Repair and maintenance	28,298	20,911	15,032	11,683
Rent, rates and taxes	6,333	4,634	3,186	2,301
Insurance	9,040	6,700	4,674	3,338
Depreciation	293,740	231,217	148,024	115,755
Vehicle running expenses	12,569	8,199	6,135	4,297
Telephone, telex and postage	483	486	244	264
Printing and stationery	1,156	127	1,060	54
Provision for slow moving stores and spares	13,500	9,000	9,000	4,500
Other expenses	2,587	1,101	1,486	595
	<u>4,842,383</u>	<u>3,633,027</u>	<u>2,164,456</u>	<u>1,873,225</u>
Opening work in process	53,902	43,626	65,461	46,469
Closing work in process	(63,900)	(48,634)	(63,900)	(48,634)
	<u>(9,998)</u>	<u>(5,008)</u>	<u>1,561</u>	<u>(2,165)</u>
Cost of goods manufactured	10,213,787	6,067,555	4,686,485	3,100,200
Cost of stores traded	7,178	12,350	-	-
Opening stock of finished goods	667,255	444,948	1,171,551	426,447
Closing stock of finished goods	(1,069,252)	(556,183)	(1,069,252)	(556,183)
	<u>(401,997)</u>	<u>(111,235)</u>	<u>102,299</u>	<u>(129,736)</u>
	<u>9,818,968</u>	<u>5,968,670</u>	<u>4,788,784</u>	<u>2,970,464</u>
<b>25 SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and benefits	23,930	21,337	12,069	10,122
Travelling and conveyance	1,009	429	897	172
Vehicle running expenses	2,353	1,569	1,272	832
Advertisement	338	678	-	114
Telephone, telex and postage	403	586	200	293
Marketing service charges	52,125	33,443	26,694	17,511
Freight	657,701	259,478	401,480	136,671
Rent, rates and taxes	287	262	152	131
Printing and stationery	512	230	66	178
Fee and subscription	97	52	68	33
Fuel and power	1,979	1,452	858	626
Repair and maintenance	740	817	440	469
Insurance	4,842	2,440	2,444	1,214
Depreciation	946	1,003	517	491
	<u>747,262</u>	<u>323,776</u>	<u>447,157</u>	<u>168,857</u>

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021

## 26 EARNINGS PER SHARE - BASIC AND DILUTED

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

Profit after taxation - (Rs. in thousand)	754,808	183,422	617,878	191,982
Weighted average number of ordinary shares - (in thousand)	100,000	100,000	100,000	100,000
Earnings per share - basic and diluted - (Rs.)	7.55	1.83	6.18	1.92

## 27 TRANSACTIONS WITH RELATED PARTIES

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

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2022	2021	2022	2021
(Rupees in thousand)			

**Transaction with:**  
**Relationship with the Company**  
**Basis of relation**  
**Nature of transaction**

<b>Subsidiary company</b>				
Ittehad Salt Processing (Pvt.) Limited				
Investment made	-	2,400	-	2,400
<b>Related party</b>				
Chemi Multifabrics Limited				
<b>Family relation</b>				
Marketing service charges	52,125	33,443	26,695	17,511
<b>Retirement benefit plans</b>				
Contribution to staff retirement benefit plans	330	293	167	142
<b>Key management personnel</b>				
Remuneration and other benefits	51,494	49,539	25,650	24,769
Loan and advance	-	10,010	-	10,010



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

## **28 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

There were no financial instruments held by the Group which are measured at fair value as of December 31, 2022 and June 30, 2022.

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

## **29 FINANCIAL RISK MANAGEMENT**

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

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

The consolidated condensed interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended June 30, 2022.

The Group's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2022.

## **30 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE**

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

## 31 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in thousand) -----							
<b>On-Balance sheet financial instruments</b>							
<b>As at December 31, 2022</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	-	-	-	-	-	-	-
Long-term deposits	53,258	-	53,258	-	-	-	-
Trade debts - net of provisions	2,186,720	-	2,186,720	-	-	-	-
Loans and advances	20,798	-	20,798	-	-	-	-
Trade deposits	16,716	-	16,716	-	-	-	-
Short Term Investments	34,500	-	34,500	-	-	-	-
Cash and bank balances	737,453	-	737,453	-	-	-	-
	<b>3,049,445</b>	<b>-</b>	<b>3,049,445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	1,119,150	1,119,150	-	-	-	-
Long term diminishing musharaka	-	771,068	771,068	-	-	-	-
Lease liabilities	-	13,995	13,995	-	-	-	-
Trade and other payables	-	3,710,151	3,710,151	-	-	-	-
Mark-up accrued	-	123,386	123,386	-	-	-	-
Short-term borrowings	-	1,584,752	1,584,752	-	-	-	-
	<b>-</b>	<b>7,322,502</b>	<b>7,322,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at June 30, 2022</b>							
<b>Financial assets at amortised cost</b>							
Long term investment	2,500	-	2,500	-	-	-	-
Long-term deposits	51,758	-	51,758	-	-	-	-
Trade debts - net of provisions	1,787,468	-	1,787,468	-	-	-	-
Loans and advances	19,390	-	19,390	-	-	-	-
Trade deposits	19,400	-	19,400	-	-	-	-
Cash and bank balances	194,542	-	194,542	-	-	-	-
	<b>2,075,058</b>	<b>-</b>	<b>2,075,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Long term financing	-	921,842	921,842	-	-	-	-
Long term diminishing musharaka	-	964,571	964,571	-	-	-	-
Lease liabilities	-	18,107	18,107	-	-	-	-
Trade and other payables	-	2,895,989	2,895,989	-	-	-	-
Gratuity	-	102,645	102,645	-	-	-	-
Mark-up accrued	-	82,867	82,867	-	-	-	-
Short-term borrowings	-	1,790,853	1,790,853	-	-	-	-
	<b>-</b>	<b>6,776,874</b>	<b>6,776,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 32 CORRESPONDING FIGURES

- 32.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.
- 32.2** In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Group for year ended June 30, 2022 and the corresponding figures in the condensed interim statement of profit or loss and the condensed interim comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Group for the half year ended December 31, 2021.

### 33 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on February 16, 2023 by the Board of Directors of the Group.

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

The Board of Directors of the Group in its meeting held on February 16, 2023 has recommended interim cash dividend at 10% i.e Rs. 1 per share. These financial statements do not reflect this appropriation.

### 35 GENERAL

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

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

This page will intentionally blank

[www.ittehadchemicals.com](http://www.ittehadchemicals.com)



**Registered Office/Head Office:**  
39-Empress Road, Lahore  
Pakistan.  
Tel: +92 42 3630 6586 - 88

**Factory:**  
G.T. Road, Kala Shah Kaku,  
District Sheikhpura, Pakistan.  
Tel: +92 42 3795 0222 - 25