



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ITTEFAQ IRON INDUSTRIES LIMITED
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ittefaq Iron Industries Limited ("the Company") as at 31 December 2020 and the related condensed interim statement of profit or loss and statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity together with notes forming part thereof (here-in-after referred to as the interim financial information) for the half year period then ended. Management is responsible for the preparation and presentation of this interim financial in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures for the condensed interim statement of profit or loss and other comprehensive income for the quarters ended 31 December 2020 and 31 December 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2020.

Scope of review

We conducted our review in accordance with international standard on review engagement 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of the 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 aspects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Rashid Sarwar (FCA).

SARWARS
CHARTERED ACCOUNTANTS



PLACE : LAHORE
25 FEBRUARY 2021

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (UNAUDITED)

	Notes	Unaudited 30 / Dec / 2020 Rupees	Audited 30 / Jun / 2020 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	5	1,443,433,640	1,443,433,640
Share premium	6	774,507,925	774,507,925
Equity portion of loan from directors	7	111,374,254	116,622,256
Surplus on revaluation of property, plant and equipment		598,962,318	600,648,346
Un-appropriated profit		1,163,385,722	1,044,147,834
		<u>4,091,663,859</u>	<u>3,979,360,001</u>
NON-CURRENT LIABILITIES			
Long-term finances	8	204,954,961	199,706,959
Liabilities against asset subject to finance lease		48,618,351	48,618,353
Deferred taxation		174,413,516	170,667,342
Deferred Liabilities		50,438,293	44,847,611
		<u>478,425,121</u>	<u>463,840,265</u>
CURRENT LIABILITIES			
Trade and other payables		616,042,813	501,148,745
Unclaimed dividends		7,241,933	9,286,705
Mark-up accrued on borrowings		65,443,217	66,092,112
Short-term borrowings	9	1,586,028,640	1,378,552,864
Current portion of against asset subject to finance lease		5,661,300	10,025,781
		<u>2,280,417,903</u>	<u>1,965,106,207</u>
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>6,850,506,883</u>	<u>6,408,306,473</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,881,977,268	1,868,322,054
Right to use assets	12	74,283,487	78,193,144
Long-term deposits		18,972,226	18,972,226
		<u>1,975,232,981</u>	<u>1,965,487,424</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		293,361,916	305,300,914
Stock in trade	13	1,822,544,464	1,619,455,614
Trade debts		1,627,668,782	1,615,818,104
Loans and advances		482,545,909	389,288,457
Trade deposits and prepayments		244,751,972	131,051,855
Tax refunds due from government	14	322,497,715	304,689,641
Cash and bank balances		81,903,144	77,214,464
		<u>4,875,273,902</u>	<u>4,442,819,049</u>
		<u>6,850,506,883</u>	<u>6,408,306,473</u>

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


Chief Executive Officer


Chief Financial Officer


Director

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT /
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Half year ended		Quarter ended	
	31/Dec/2020	31/Dec/2019	31/Dec/2020	31/Dec/2019
	Rupees	Rupees	Rupees	Rupees
Sales - net	2,556,365,310	1,446,518,972	1,379,959,574	626,448,221
Cost of sales	(2,292,975,309)	(1,438,192,922)	(1,210,077,562)	(678,125,682)
Gross (Loss) / Profit	263,390,001	8,326,050	169,882,012	(51,677,461)
Other income	1,367,031	2,725,065	851,748	2,057,233
Operating expenses				
Distribution and marketing cost	(44,264,495)	(44,356,741)	(26,326,980)	(31,300,894)
Administrative and selling expenses	(35,279,347)	(46,262,850)	(16,184,053)	(26,537,340)
Other operating cost	(9,927,771)	(630,668)	(7,081,820)	(220,000)
Finance cost	(17,676,949)	(56,121,014)	(9,141,029)	(30,607,636)
	(107,148,562)	(147,371,273)	(58,733,882)	(88,665,870)
Profit / (Loss) before taxation	157,608,470	(136,320,158)	111,999,878	(138,286,098)
Taxation	(45,304,612)	(16,697,565)	(37,389,293)	(8,496,857)
Profit / (Loss) after taxation	112,303,858	(153,017,723)	74,610,585	(146,782,955)
Total comprehensive Profit / (Loss)	112,303,858	(153,017,723)	74,610,585	(146,782,955)
Earning/Loss per share - basic and diluted	0.78	(1.06)	0.52	(1.02)

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


Chief Executive Officer


Director


Chief Financial Officer

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	----- Six months ended -----	
	31/Dec/2020	31/Dec/2019
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	157,608,470	(136,320,158)
Adjustments for non-cash charges / items:		
Depreciation of property, plant and equipment	65,166,117	57,113,009
Provision for gratuity	7,854,316	7,121,325
WWF and WPPF	9,927,771	-
Gain on sale of fixed asset	481,001	-
Finance cost	17,676,949	56,121,014
	101,106,154	120,355,348
Loss before working capital changes	258,714,624	(15,964,810)
Working capital changes		
(Increase) / Decrease in current assets		
Stores, spare parts and loose tools	11,938,998	(123,139,100)
Stock in trade	(203,088,850)	287,526,538
Trade debts	(11,850,678)	26,288,592
Loans and advances	(93,257,452)	(32,274,212)
Trade deposits and prepayments	(113,700,117)	(39,146,360)
Tax refunds due from government	(17,808,074)	(138,530,765)
(Decrease) in trade and other payables	120,142,070	35,243,498
	(307,624,103)	15,968,191
Cash (used in) / generated from operations	(48,909,479)	3,381
Income tax paid	(67,487,570)	(58,805,902)
Finance cost paid	(18,325,844)	(33,658,646)
Gratuity paid	(2,263,634)	(2,235,870)
Net cash (used in) / generated from operating activities	(136,986,527)	(94,697,037)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(52,627,294)	(26,174,407)
Capital work in progress	(12,044,024)	-
Proceeds from disposal of fixed assets	32,000	-
Security deposits	-	-
Net cash in / (out) flow from investing activities	(64,639,318)	(26,174,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(2,044,772)	(6,118,835)
Loan from directors	5,248,002	13,059,463
Short term borrowings	207,475,776	114,090,015
Repayment of lease liabilities	(4,364,481)	(9,267,483)
Net cash in / (out) flow from financing activities	206,314,525	111,763,160
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,688,680	(9,108,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	77,214,464	136,050,186
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	81,903,144	126,941,902

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


Chief Executive Officer


Director


Chief Financial Officer

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED DECEMBER 31, 2020 (UNAUDITED)

	Share capital	Reserves			Equity portion of loan from directors	Total equity
		Capital		Revenue		
		Share premium	Surplus on revaluation of operating asset	Un-appropriated profit		
				Rupees		
Balance as at 30 June 2019	1,443,433,640	774,507,925	628,655,446	1,226,215,557	26,118,927	4,098,931,495
Profit after taxation for the year	-	-	-	(238,925,792)	-	(238,925,792)
Other comprehensive income						
Employee retirement benefits						
Remeasurements of	-	-	-	3,847,947	-	3,847,947
Less: Related deferred ta	-	-	-	(1,115,905)	-	(1,115,905)
	-	-	-	2,732,042	-	2,732,042
Present value adjustment of interest free loan from directors	-	-	-	-	116,622,256	116,622,256
Amortization of unwinding of interest on loan from directors	-	-	-	26,118,927	(26,118,927)	-
Transfer from revaluation surplus (net of deferred tax) - note 10	-	-	(28,007,100)	28,007,100	-	-
Balance as at 30 June 2020	1,443,433,640	774,507,925	600,648,346	1,044,147,834	116,622,256	3,979,360,001
Profit after taxation for the year	-	-	-	112,303,858	-	112,303,858
Other comprehensive income						
Employee retirement benefits						
benefit plan	-	-	-	-	-	-
Less: Related deferred ta	-	-	-	-	-	-
Amortization of unwinding of interest on loan from directors				5,248,002	(5,248,002)	-
Transfer from revaluation surplus (net of deferred tax)			(1,686,028)	1,686,028		-
Balance as at 30 December 2020 un-audited	1,443,433,640	774,507,925	598,962,318	1,163,385,722	111,374,254	4,091,663,859


 Chief Executive Officer


 Chief Financial Officer


 Director

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

1 STATUS AND ACTIVITIES

Ittefaq Iron Industries Limited ("the Company") was incorporated on 13 April 2007 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 20 February 2004. On 5 January 2017 the Company is converted into an unquoted public company. The Company was listed on Pakistan Stock Exchange on 3 July 2017. The principal business of the Company is the manufacturing of iron bars, girders and related products. The registered office of the Company is situated at 40 B / II, Gulberg III, M. M. Alam Road, Lahore.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IAS 34 and IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

3 BASIS OF MEASUREMENT

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

5 SHARE CAPITAL

Authorized capital

300,000,000 (2019: 300,000,000) Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up share capital

121,750,000 (2019: 121,750,000) Ordinary shares of Rs. 10 each
 fully paid in cash

9,471,240 (2019: 9,471,240) Ordinary shares of Rs. 10 each
 for consideration other than cash

13,122,124 (2019: 13,122,124) Ordinary shares of Rs. 10 each
 issued as bonus shares

Un-Audited	Audited
31/Dec/2020	30 / Jun / 2020
Rupees	Rupees
3,000,000,000	3,000,000,000
1,217,500,000	1,217,500,000
94,712,400	94,712,400
131,221,240	131,221,240
1,443,433,640	1,443,433,640

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Un-Audited 31/Dec/2020 Rupees	Audited 30 / Jun / 2020 Rupees
6 CAPITAL RESERVES		
Share premium	774,507,925	774,507,925
6.1 This represents premium of Rs. 20.20 per share received by the Company adjusted by the transaction cost of Rs. 68.842 million on initial public offering ('IPO') of 41,750,000 shares of Rs. 10 each in the year 2017. This reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017.		
7 EQUITY PORTION OF LOAN FROM DIRECTORS		
At beginning of the year	116,622,256	26,118,927
Less: Unwinding of interest on loan from directors	(5,248,002)	(26,118,927)
Less: Re-computation of present value of loans - note 7.1	-	116,622,256
At end of the year	111,374,254	116,622,256
7.1 It represents equity portion relating to interest free loan from directors amounting to Rs. 316.329 million (2019: Rs. 316.329 million). This loan have been discounted at using effective rate of interest and classified separately in equity portion and long-term loans.		
8 LOAN FROM DIRECTORS		
<i>Unsecured and interest free loans</i>		
Loans from directors - note 8.1	204,954,961	199,706,959
8.1 Loans from directors		
Loans from directors	316,329,215	316,329,215
Present value adjustments reported in equity portion of long-term finances - note 7	(111,374,254)	(116,622,256)
Net present value of loans from directors	204,954,961	199,706,959
8.2 Terms and conditions		
This represents unsecured interest free loans from directors amounting to Rs. 316.329 million (2019: Rs. 316.329 million). These loans have been discounted to arrive at their present values using effective rate of interest of the Company and classified separately in 'equity portion of loans from directors' and 'long-term finances from directors'.		
9 SHORT TERM BORROWINGS		
Cash finances		
- Bank of Punjab Limited	149,686,536	149,686,536
- National Bank of Pakistan	166,945,609	166,945,609
	316,632,145	316,632,145
FATR / FIM		
- Bank of Punjab Limited	200,000,000	200,000,000
- National Bank of Pakistan	694,989,535	694,989,535
- Soneri Bank Limited	157,346,563	166,931,697
- Elahi Group of Companies	217,060,397	-
	1,269,396,495	1,061,921,232
	1,586,028,640	1,378,553,377

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

10 CONTINGENCIES AND COMMITMENTS

Contingencies

- Deputy Commissioner Inland Revenue, Lahore issued a show cause notice dated 9 November 2017 alleging that the Company has not charged further tax under section 3(1A) of the Sales Tax Act, 1990 at the rate of 2% on the supplies made to the unregistered persons. Against the aforesaid order, the Company filed writ petition bearing # 105986/2017 before the Honorable Lahore High Court, Lahore which was decided in favour of the Company vide judgment dated 19 December 2017. Tax Department challenged the judgment vide appeal No. 135102/2018 before the Division Bench of the Honorable Lahore High Court, Lahore which is pending adjudication.
- Federal Government through SRO # 568(I)/2014 dated 26 June 2014 imposed a regulatory duty on import of billets through a demand notice dated 29 April 2015. The Company has filed a writ petition bearing # 180139/2018 before the Honorable Lahore High Court, Lahore. The Hon'able Court had granted an interim relief to the Company against the recovery. The said petition is pending adjudication.
- The Company is in litigation with National Bank of Pakistan ('NBP') wherein NBP had filed a suit bearing # COS 22222/2019 before the Honorable Lahore High Court, Lahore against the Company for recovery of Rs. 887.812 million. The Company had also filed counter suits against NBP which are detailed as below:
 - (a) The Company had filed a suit bearing # COS 217367/2018 before the Honorable Lahore High Court, Lahore against NBP's claims of certain facilities of letters of credit.
 - (b) The Company along with other claimants had filed a suit bearing # COS 18377/2019 before the Honorable Lahore High Court, Lahore for recovery of Rs. 942.500 million on account of damages. The said petition is pending adjudication.
 - (c) The Company had filed a suit before Banking Court IV, Lahore against NBP's attempt to include the name of the Company on 'electronic credit information bureau' ('E-CIB') of State Bank of Pakistan. The said court had allowed an interim relief to the Company by issuing a stay order. The matter is pending adjudication.

The management and legal counsel of the Company is of the view that these cases are likely to be decided in favour of the Company.

- Law suit regarding dual claim of Sales Tax/FED against GD's amounting Rs. 77,029,122/- is filed against company by FBR, which has been rectified by the company on immediate basis in its return. Further, FBR demand to pay amount of principle in the form of penalty and default surcharge of amounting Rs. 21,568,154 to department in offense of dual adjustment so claim by the company, against which company file appeal before commissioner (Appeals-V) Lahore: wherein, stay has been granted by appellate Tribunal Inland Revenue.
- Bank guarantees amounting to Rs. 96,727,562 (2019: Rs. 96,727,562) had been issued in favours of the Company by various financial institutions.

	Un-Audited 31/Dec/2020 Rupees	Audited 30 / Jun / 2020 Rupees
Commitments		
- Irrevocable letters of credit	724,661,825	30,513,385
- Capital expenditure contracted for but not incurred	-	26,994,876

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Un-Audited 31/Dec/2020 Rupees	Audited 30 / Jun / 2020 Rupees
11 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	1,869,933,244	1,765,316,930
Capital work-in-progress	12,044,024	103,005,124
	1,881,977,268	1,868,322,054
11.1 Operating fixed assets		
Balance at the beginning of the period	1,765,316,930	1,691,741,237
Add: Addition during the period	167,363,954	189,693,410
Less: Depreciation during the period	(61,256,460)	(115,912,717)
Less: Adjustments during the period	(1,491,180)	(205,000)
Balance at the end of the period	1,869,933,244	1,765,316,930
12 RIGHT-OF-USE ASSETS		
Plant and machinery acquired on lease	78,193,144	72,280,000
Add: Further expense incurred by the Company	-	5,934,573
	78,193,144	78,214,573
Less: Depreciation on right-of-use assets (On no. of days basis)	(3,909,657)	(21,429)
	74,283,487	78,193,144
Useful life	10 years	10 years
13 STOCK IN TRADE		
Raw material	194,584,221	690,097,755
Finished goods	1,627,960,243	929,357,859
	1,822,544,464	1,619,455,614
14 TAX REFUNDS DUE FROM GOVERNMENT		
Income tax recoverable	166,056,817	140,127,688
Sales tax refundable	156,440,898	164,561,953
	322,497,715	304,689,641
14.1 Income tax recoverable		
At beginning of the period	140,127,688	43,087,567
Add: Advance income tax / deductions during the period	67,487,570	130,982,205
Less: Adjustments	(41,558,441)	(33,942,084)
	166,056,817	140,127,688

15 TRANSACTIONS WITH RELATED PARTIES

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

Related Party	Basis of relationship	Nature of transaction	Un-Audited 31/Dec/2020	Audited 30 / Jun / 2020
			Rupees	Rupees
Chief executive	Shareholder	Remuneration	2,149,455	6,946,294
Directors	Shareholders	Remuneration	10,146,042	3,776,370
Executives	Related parties	Remuneration	3,834,219	7,668,437
			16,129,716	18,391,101

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

16 AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on 25 February 2021.

17 CORRESPONDING FIGURES

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

17.2 Figures have been rounded off to the nearest of rupees.


Chief Executive Officer


Director


Chief Financial Officer