

Annual Report 2021

Innovation - Growth - Prosperity



ITTEHAD CHEMICALS LIMITED

INNOVATION is a powerful lever to address the challenges of a growing world. It allows us to use resources more efficiently, produce more with less and deliver better methodologies to help company drive growth and improve quality of life.

Investing in innovation is an essential ingredient of ICL's corporate philosophy and it comes in many forms - from traditional R&D to new products, markets and business models.

At ICL, we believe in creating value through constant **INNOVATION** and sustainable **GROWTH**, leading to the **PROSPERITY** and well-being of the generations to come.



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Innovation is the fuel for growth. When a company runs out of innovation, it runs out of growth.



Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

CHIEF FINANCIAL OFFICER

Mr. Aamir Shehzad Mughal

COMPANY SECRETARY

Mr. Abdul Mansoor Khan

REGISTERED OFFICE/HEAD OFFICE

39-Empress Road, P.O. Box 1414, Lahore-54000.
Tel: 042 - 36306586 - 88, Fax: 042 – 36365697
Website: www.ittehadchemicals.com, E-mail: info@ittehadchemicals.com

FACTORY/ PLANT

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

SHARES REGISTRAR

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

BANKERS

Banks - Conventional Side
Askari Bank Limited
Allied Bank Limited
Faysal Bank Limited
Habib Metro Bank Limited
MCB Bank Limited
National Bank of Pakistan
JS Bank Limited
Pak Libya Holding Co. (Pvt.) Ltd.
Pakistan Kuwait Inv. Co. (Pvt.) Ltd.
Pak Brunei Inv. Company Ltd
The Bank of Punjab
United Bank Limited

Banks - Islamic Window Operations
Al-Baraka Bank (Pakistan) Limited
The Bank of Punjab (Taqwa Islamic Banking)
Dubai Islamic Bank (Pak) Limited
Bank Alfalah Limited – Islamic Banking

AUDITORS

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

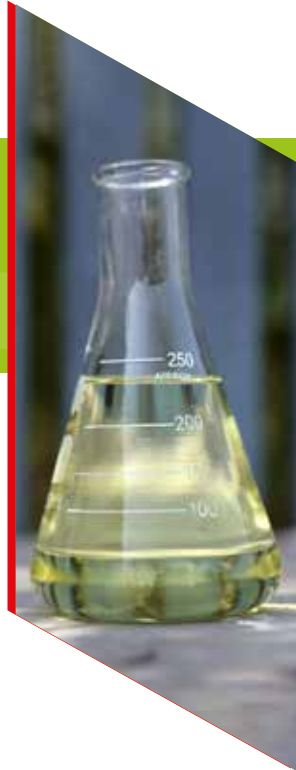
LEGAL ADVISOR

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

Product Profile

CAUSTIC SODA

Caustic Soda is mainly used as a raw material in soap manufacturing and also for mercerization of cotton in the textile industry. ICL produces caustic Soda in liquid form (50% & 31%) and also in the form of flakes, supplied in 25kg bags.



SODIUM HYPOCHLORITE

Sodium hypochlorite is widely used as a bleaching agent and for disinfection and sanitization purposes. Sodium hypochlorite is supplied by ICL in rubber-lined tankers of 10 to 30 MT.

LIQUID CHLORINE

Liquid Chlorine is used in water treatment, paper industry, manufacturing of pharmaceuticals and agro chemicals. ICL supplies liquid chlorine in 100 Kg and 900 Kg cylinders.



HYDROCHLORIC ACID

Hydrochloric acid has a very diverse range of applications. Some of the main applications include steel industry, manufacturing of gelatin, textile, dyestuff and synthetic rubber. ICL produces 33% HCL which is mainly transported in rubber-lined tankers of up to 30 MT.

CALCIUM CHLORIDE

Calcium chloride is produced primarily for use in Oil and Gas industry. The product is supplied in 25KG and 1000 KG bags to customers in Pakistan and in the Middle East.



SODIUM SULPHATE:

Sodium Sulphate is used in manufacturing of detergents, textile and glass products. ICL produces 99% sodium sulphate, supplied in 50 kg bags.

LABSA (Linear Alkylbenzene Sulfonic Acid)

LABSA is an anionic surfactant widely used in production of laundry detergents and industrial cleaners. ICL supplies 96% LABSA in 215 KG drums and also in bulk tankers.



SLES (Sodium Lauryl Ether Sulfate)

SLES is primarily used in production of personal hygiene products such as shampoos, handwash, cosmetic products and oral hygiene products. ICL produces 3 grades of SLES being SLES1, SLES2 and SLES3. SLES is supplied in 160 Kg drums and also in bulk tankers.

ICL Vision

An "ITTEHAD" of PAKISTAN'S best TALENT & TECHNOLOGY that serves as a catalyst to deliver SUSTAINABLE CHEMICAL products to its CUSTOMERS thus optimizing returns for INVESTORS

ICL Mission

Key ingredients of ICL Mission are:

- Create an environment to attract and retain the best talent
- Optimize cost and securitize energy through latest technology
- Serving the customers to their satisfaction levels
- Ensuring that we are environment friendly & Zero injury company
- CSR is our forte

Motivation is the catalyzing ingredient for every successful innovation

-Clayton M. Christensen



ICL Core Values

Integrity:

We conduct ourselves in accordance with the highest moral and ethical standards, and in full compliance with all applicable laws.

Respect:

We treat our employees and all our stakeholders with professionalism, respect and dignity, creating an environment where people can express their professional opinions, contribute, innovate and excel.

Teamwork

We are committed to promoting a culture of teamwork and cooperation among our employees to enhance their productivity and well-being

Accountability

We hold ourselves accountable for our actions to our employees, our management, our shareholders and to the community that we operate in.

Enabling Technologies for Sustainability & Growth

ICL has always taken pride in being the industry leader in embracing latest technology and innovations. We are one of the first few companies in Pakistan to have deployed a fully integrated SAP ERP system. During the last one year, we have taken several initiatives to improve our business process efficiencies and to ensure best value-delivery to all our stakeholders. Some of the important milestones achieved were:

- 1- Deployment of Trukkr portal to integrate transporters and their vehicles.
- 2- Sales Portal for online ordering and tracking
- 3- Deployment of Business Intelligence Module for management reporting & Stewardship
- 4- Provision for Toll Manufacturing Process
- 5- Integrated Out-bound Logistics Process

Deployment of Trukkr Portal to integrate transporters and their vehicles.

Transportation of chemicals to our valued customers plays an important role in the company's overall service delivery. In order to incorporate the company's transporters and their vehicles in our management system, Trukkr.pk deployed their proprietary Logistics Management System (LMS) at the company. Our in-house IT experts worked with the service provider (Trukkr) to ensure a smooth roll out of the system without any disruption to the normal operations. The system is integrated with SAP and allows for the company's transporters to digitally interact with company's stakeholders to fulfill orders. This interaction includes bidding done by transporters for any specific trip as well as assigning vehicle and driver to any specific order, which has allowed to optimize costs as well as processes to save significant man hours in executing orders.

The Trukkr system also enables real-time product delivery tracking and reporting mechanism, which gives our customers live updates on the location of their shipments during transit along with its ETA (expected time of arrival). This helps ICL ensure timely delivery of its products to the customer and also reduces the chances of pilferage and product quality degradation during transport. ICL is proud to be the first in the chemical manufacturing industry in Pakistan to implement a real-time shipment monitoring system.



Trips Summary

168

On Going

35

Scheduled

Requests

Refresh

+ Add Request

Search by trip number



TRP#58768

Send for acceptance



Requested for 30, Aug 3:30 PM



MS Rubber lined Tanker (5),

View

Sales Portal for Online Ordering

B2B businesses like ICL, traditionally operated through offline sales channels only with order generation typically done via phone or during one-to-one interaction with the clients. Taking the covid-19 situation as an opportunity, ICL has developed an online ordering system where our customers have been given access to an online sales portal for ordering company's products without having to call or visit our offices. Implementation of sales portal has greatly reduced the time needed for the customer to place an order and it also gives them an automated account of their transactions with the company without having to ask for account statements on regular basis.



ICL ITTEHAD CHEMICALS LIMITED
SALES

Wide Range of Industrial Chemicals

- Caustic Soda (Liquid / Flakes)
- Sodium Hypochlorite
- Liquid Chlorine
- Hydrochloric Acid
- Labsa
- Zinc Sulphate


The banner features the ICL logo on the left and a grid of six hexagonal images on the right showing various chemical products: a bottle of liquid, blue crystalline flakes, white granules, a beaker with yellow liquid, and grey granules.

Fleet Summary

Tue Wed Thu Fri Sat Today

20 
Transporters

2 
Vehicles

3 
Drivers

Locations Map

Search Trip

On-Going Trips



Business Intelligence (BI) Module – Management Reporting & Stewardship

In order to optimize the decision making at various levels, ICL has implemented Qlik Sense Business intelligence module to provide the decision makers with the right set of information. The system is integrated with SAP and provides customized analytics based on user selected criteria. Based on the success of this tool for sales and distribution, company plans to implement similar solutions for finance, production planning and inventory management in the coming years.




Provision for Toll Manufacturing Process through ERP

ICL greatly values flexibility in its business operations. Our guiding principle is to understand specific requirements of our customers and to fulfill them in best possible way. Some of our key clients requested us to provide them with toll manufacturing services for specific products. The process of toll manufacturing involves same steps in plant operations but requires an entirely different treatment when handled within the ERP system starting from raw material handling, storage, conversion and the shipment of the end product. Our capable in-house IT team, working with supply chain, finance and operations department, not only handled the development and deployment process in-house but also implemented it in a seamless manner without any disruption to the normal operations.



Integrated Out-bound Logistics

In view of its commitment to sustainability and to reduce paper usage in its operations, ICL implemented an integrated out-bound logistics process through SAP. All the information sharing, approvals and reporting for outward product movement is now done through SAP. In addition to reducing the use of paper this has also resulted in significant improvement in end-to-end processing time.

A photograph of an industrial facility with several large white tanker trucks parked in a line. The trucks have yellow and black hazard stripes on their sides. In the background, there are industrial structures with yellow railings and a green roof. The sky is blue with some clouds.

Innovation is
change that
unlocks new value.



ICL goes green

Ittehad Chemicals Limited, a pioneer in manufacturing of chemicals in Pakistan, firmly believes in “Green Manufacturing” whereby manufacturing processes are optimized to minimize their environmental impact. Our company operates on the concept of a double bottom line, where, not only do we strive to maximize our profit margins but also to minimize our environmental impact. By the grace of Allah, and through concerted efforts of our management and employees, ICL has been able to achieve multiple landmarks in this regard. Some of our key achievements during last one year were:

Efficiency Improvement of Gas Fired Power Plant:

Energy is as an essential factor of production for our industry. ICL currently operates a 30 MW (6 x 5 MW) gas-fired, engine based power plant adjacent to its plant facility at Kala Shah Kaku. Over the last few years, due to advancements in internal combustion engine technology, the efficiency of engine designs have improved significantly. A need was felt to enhance the efficiency of our power plant to reduce carbon emissions and to maximize the power output from given amount of fuel. Engine OEM (M/S Wartsila) was contracted for the job. Based on their detailed study and recommendations, the company has signed the agreement for efficiency enhancement of the power plant. The project shall be implemented in a phased manner with minimum disruption to plant operations. Once fully implemented, this shall enhance the plant capacity by almost 20% and fuel efficiency by 9%, thus reducing carbon emissions significantly and minimizing our dependence on the national grid.



Waste Water Treatment Plant:

Being a socially responsible company, ICL is one of the first chemical manufacturer in the industry to initiate work on a full capacity waste water treatment plant. This shall reduce the impact of effluent discharge to the waste water streams in the area and also help us conserve ground water.



Notice of Annual General Meeting

NOTICE is hereby given that the 30th Annual General Meeting of the shareholders of **Ittehad Chemicals Limited** will be held on Wednesday, October 27, 2021, at 11:00 a.m. at the Registered Office at 39 - Empress Road, Lahore to transact the following business:

Ordinary Business

1. To confirm the Minutes of Extraordinary General Meeting held on May 21, 2021.
2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the Financial Year ended June 30, 2021 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
3. To approve Interim Cash Dividend already paid at Rs. 2 per share i.e. 20% as declared by the Board of Directors during the Financial Year ended June 30, 2021.
4. To appoint Auditors for the year 2021-22 and to fix their remuneration.

M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment.

Special Business:

5. To consider, and if thought fit, to pass with or without modification, the following resolution as a Special Resolution for increase in Authorized Capital of the Company: -

Resolved that the Authorized Capital of the Company be and is hereby increased from Rupees 1,250,000,000 to Rupees 2,000,000,000 by creation of 75,000,000 additional ordinary shares of Rs. 10/- each and for that purpose Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company be and are hereby accordingly amended to read as under:-

Clause V of the Memorandum of Association:

The Authorized Share Capital of the Company is Rupees 2,000,000,000 (Rupees Two Billion) divided into 175,000,000 (One Hundred and Seventy Five Million) Ordinary Shares of face value of Rs. 10/- each and 25,000,000 (Twenty Five Million) Preference Shares of face value of Rs. 10 each. The Company shall have the power to increase, reduce or reorganize the Authorized capital of the Company and divide shares in the Authorized capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.

Article 5 of the Articles of Association:

The Authorized Share Capital of the Company is Rupees 2,000,000,000 (Rupees Two Billion) divided into 175,000,000 (One Hundred and Seventy Five Million) Ordinary Shares of face value of Rs. 10/- each and 25,000,000 (Twenty Five Million) Preference Shares of face value of Rs. 10 each. The Company shall have the power to increase, reduce or reorganize the Authorized capital of the Company and divide shares in the Authorized capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.

6. Any other business with the permission of the Chair.

By Order of the Board

Abdul Mansoor Khan
Company Secretary

Lahore
September 21, 2021

Notes:-

- i. The Share Transfer Books of the Company will remain closed from October 20, 2021 to October 27, 2021 (both days inclusive). Transfers received in order by our Share Registrars, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on October 19, 2021 will be considered in time for the purpose of attending and vote in Annual General Meeting.
- ii. A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not less than 48 hours before the time of meeting.
- iii. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with the Participant(s) ID Number and CDC account numbers at the time of attending the Annual General Meeting for identification purpose.
- iv. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose
- v. Members are requested to notify the change of address immediately, if any, to Company's Shares Registrar.
- vi. Under Section # 72 of the Companies Act, 2017, the shareholders who hold shares in physical form are required to replace their physical shares with book-entry form within the period to be notified by the SECP. Hence, the shareholders who hold shares in physical form are advised to convert their physical shares in electronic form at their earliest.
- vii. The Annual Report for the Financial Year ended June 30, 2021 will be placed on Company's website www.ittehadchemicals.com in due course of time.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on October 27, 2021.

AGENDA ITEM # 5: INCREASE IN AUTHORIZED CAPITAL OF THE COMPANY

The Present Authorized Capital of the Company is Rs. 1,250,000,000 (Rupees One Billion and Two Hundred Fifty Million only) divided into 100,000,000 (One Hundred Million) Ordinary Shares and 25,000,000 (Twenty Five Million) Preference Shares of face value of Rs. 10 each. Presently, the Company's Paid-up Capital is Rupees 847,000,000 divided into 84,700,000 ordinary shares of Rupees 10 each. The Board of Directors in its meeting held on September 21, 2021 proposed to increase the Authorized Capital of the Company by creating 75 Million Ordinary shares of Rupees 10 each (Rupees 750 Million) in order to facilitate the Company to consider any future issuance of ordinary shares for financing the upcoming projects and capital expenditure. The Directors have no personal interest in this proposal except as shareholders of the Company.

STATEMENT UNDER REGULATION 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS 2017:-

Name of the investee Company	Ittehad Salt Processing (Pvt.) Limited
(a) total investment approved;	Rupees 300,000,000
b) amount of investment made to date	Rupees 100,000
(c) reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time;	No deviation. The Company is a wholly owned subsidiary of Ittehad Chemicals Limited. The investment will be made as per requirements of the subsidiary.
(d) material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.	No Change.

Chairman's Review

Dear stakeholders

It is a great pleasure to express the efforts of the Board of Directors in leading the Company towards strategic directions during the Financial Year ended June 30, 2021.

By the grace of Almighty Allah, your company has achieved highest ever net sales revenue of Rupees Eleven (11) Billion this year despite the numerous challenges faced due to the global pandemic - COVID-19. The performance of the Board and its Committees has been commendable in steering the Company forward. With strong commitments, Board ensured high performance and steady growth.

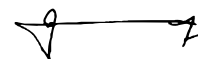
During the year under review, the Company has acquired entire equity of a Group Company M/s Ittehad Salt Processing (Private) Limited (the "ISPPL"); hence making ISPPL as its wholly owned subsidiary. The shareholders' approval for this purpose was sought in the Extra-Ordinary General Meeting held on May 21, 2021. 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.

As envisaged, the expanded capacity of LABSA / SLES Plant by 46,000 M. Tons per annum would come on stream during the ongoing Financial Year as planned. Further the work on up gradation of power plant engines to increase capacity and to improve fuel efficiency is also in progress. Moving ahead, the Board would continue to explore new opportunities for future growth and would remain focus on improving existing lines of business with the ultimate objective of maximizing shareholders' wealth in the long run.

During the year under review, the Company arranged a Corporate Briefing Session at its registered office which highlighted the Company's strategy, operations and performance. The Board recognizes the importance of building a strong relationship with all its stakeholders. The Management has also taken steps to encourage its employees, suppliers, customers and their families to get vaccinated against pandemic - COVID-19 as well as have also setup free Vaccination Camps for facilitating the vaccination.

Last but not the least, I would like to acknowledge the immense contribution and commitment of each member of the Board and the employees of the Company, which ensured the Company's sustained growth

Lahore
September 21, 2021



Muhammad Siddique Khatri
Chairman

Directors' Report

The Directors of the Company take pleasure to present the Annual Report along with Audited Financial Statements for the Financial Year ended June 30, 2021 and Auditor's Report thereon.

ECONOMY OVERVIEW

The impact of pandemic Covid-19 appears to be quite uncertain across globe. It has affected the production, distribution and life style. On supply side, the pandemic has hampered the domestic and international supply chain, causing a shortage of inputs and other necessities. On demand-side, decreased domestic and international demand has resulted in massive layoffs giving rise to poverty scares. Lately, there have been signs of a fragile recovery of Pakistan economy during fiscal year 2021 due to rebounding domestic demand and healthier export growth. Besides, the government has implemented a comprehensive set of measures including the largest ever economic stimulus package, a construction package, an expansion of the social safety net to protect the vulnerable segments of the society and supportive monetary policy stance along with targeted financial initiatives. These measures helped the economy in lessening the negative impact of the pandemic to a certain extent.

Turning to FY 2022, conditions remain subdued in the first quarter as the loosening of lockdown restrictions in late June resulted in an increase in resurgence in Covid-19 cases. Consequently, some key economic regions resumed partial lockdowns in July and August, which affected economic activity somewhat. GDP growth in FY 2022 (July 2021–June 2022) is set to slow down following FY 2021's rebound. Major risks to the outlook include the possibility of new waves of infections, the emergence of new vaccine-resistant strains new variants of the virus, rising debt and geopolitical tensions.

FINANCIAL PERFORMANCE

By the grace of almighty Allah, over the last three (03) years, sales of the Company have exhibited upward trajectory at a sizeable rate primarily on account of product line extension as LABSA sales have contributed significantly. During the year under review, the Company posted net sales revenue of Rupees 11,124 Million with an increase of 26% (2020: Rupees 8,857 Million). The cost of sales stood at Rupees 9,238 Million (2020: Rupees 7,675 Million) bringing gross profit to Rupees 1,886 Million (2020: Rupees 1,182 Million). The annual gross profit margin improved to 17% from 13% vis à vis corresponding period of last year. After taking fair value gain Rupees 113 Million on investment property as detailed in Note # 9 of the Audited Financial Statements, the bottom line showed a net profit after tax amounting to Rupees 657 Million (2020: Rupees 61 Million) which yielded earning(s) per share Rupees 7.75 per share (2020: Rupees 0.72 per share).

FINANCIAL HIGHLIGHTS

The comparative financial results for the years ended Jun 30, 2020 & 2021 are as under:

	Financial Year ended June 30	
	2021	2020
	Rupees in "000"	
Net Sales	11,123,793	8,856,601
Gross Profit	1,885,509	1,181,643
Operating Profit	1,093,005	496,032
Profit/(Loss) before Tax	980,110	77,727
Profit after Tax	656,767	60,800
Earnings Per Share – re-stated (Rupees)	7.75	0.72

PROFIT AND APPROPRIATIONS

	Financial Year ended June 30	
	2021	2020
	Rupees in '000'	
Total Comprehensive Income for the Year	655,382	65,324
Add: - Un-appropriated profit brought forward	1,904,070	1,853,951
Adjustment in Retained Earnings – Net (IFRS 9)	–	–
Adjustment in Retained Earnings – Net (IFRS 16)	–	(15,205)
Profit available for appropriation	2,559,452	1,904,070
Appropriations:		
Final Cash Dividend paid @ 10% for the Financial Year 2019-20 (2018-19: Nil)	(84,700)	–
Interim Cash Dividend paid @ 20% for the Financial Year 2020-21	(169,400)	–
Profit available for appropriation	2,305,352	1,904,070

CASH DIVIDEND

The Board of Directors has declared interim cash dividend already paid at Rupees two (02) per share i.e. 20% during the Financial Year ended June 30, 2021. However, the Board has not recommended any Final dividend / Bonus shares considering the prevailing challenges and in order to timely cope with financial obligations (as a result of recent CAPEX).

VIS CREDIT RATING COMPANY LIMITED
(Formerly JCR-VIS Credit Rating Company Limited)

As announced on November 19, 2020, VIS Credit Rating Company Limited has maintained the entity ratings of Ittehad Chemicals Limited (ICL) at 'A- /A-2'(Single A Minus / A-Two) with "Positive" outlook. The rating draw comfort from manageable financial risk appetite emanating from its moderately leveraged capital structure, improved capitalization indicators and adequate debt service coverage. The medium to long-term rating of 'A-' signifies good credit quality with strong protection factors. The short-term rating of 'A-2' denotes good certainty of timely payments coupled with sound liquidity and company fundamentals.

CORPORATE BRIEFING SESSION (CBS)

As per the requirement of the Pakistan Stock Exchange, it is mandatory for all listed companies to hold at least one Corporate Briefing Session (CBS) for stakeholders during a Financial Year. During the year under review, the Company arranged a CBS on February 22, 2021 at its Registered Office through Video Link facility which highlighted the Company's strategy, operations and performance. The Board recognizes the importance of building a strong relationship with all stakeholders. Corporate briefings are interactive sessions and provides Management an opportunity to convey stakeholders overall performance and future outlook of the Company.

BOARD AND ITS COMMITTEES' MEETINGS AND ATTENDANCE

As per requirements of Clause # 34 (2) (i, ii, iii) of Listed Companies (Code of Corporate Governance) Regulations 2019 (the "CCG"), the composition of the Board and its Committees has been given in "Statement of Compliance" annexed with this Annual Report. During the year, Four (04) Board meetings, Four (04) Audit Committee meetings, Two (02) HR & Remuneration Committee Meetings and one (01) Risk Management Committee Meeting were held. The attendance at the Board and its Committees meeting is hereunder:



Innovation is the ability to see change as an opportunity - not a threat.

Name of Director	Number of Meetings attended			
	Board of Directors	Audit Committee	HR & R Committee	Risk Management Committee
Mr. Muhammad Siddique Khatri	4	N/A	N/A	1
Mr. Abdul Sattar Khatri	4	N/A	N/A	1
Mr. Waqas Siddiq Khatri	4	N/A	2	1
Mr. Abdullah Mustafa	4	4	2	N/A
Mrs. Farhana Abdul Sattar Khatri	4	N/A	N/A	N/A
Mr. Pervaiz Ahmad Khan	4	4	2	N/A
Mr. Pervez Ismail	4	4	N/A	N/A

The names of Members of Board Committees are also disclosed under the head “Corporate Information” as required under the Clause # 34 of CCG.

DIRECTORS’ REMUNERATION

The Company doesn’t pay any kind of remuneration to Independent / Non-executive directors; however the Board has approved payment of Meeting Attendance Fee Rupees 30,000 for each Board and its Committees Meetings as well as reimbursement of expenses incurred (if any) for boarding, lodging and travelling to independent and Non-Executive Directors only.

DIRECTORS’ TRAINING PROGRAMS

The Board has ensured the Compliance with the regulation # 19 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director’s Training Program.

CODE OF CONDUCT

Behavior reflecting high ethical, moral and legal conducts is expected from all employees of the Company regardless of their title or location which is an individual responsibility; however, Company has defined certain standards of obligations. The Code of Conduct has been disseminated to all its employees throughout the Company and placed on the website of the Company.

COMPLIANCE WITH THE LISTED COMPANIES CODE OF CORPORATE GOVERNANCE REGULATIONS 2019

The compliance with the best practices of Code of Corporate Governance is always ensured by the Board. A statement to this effect is annexed.

There's a way
to do it better -
find it.

- Thomas A. Edison



CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Following are the statements on Corporate and Financial Reporting Framework:

- i. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Act 2017. These statements present the Company's state of affairs fairly, the results of its operations, cash flow and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. The key operating and financial data for the last six years is annexed.
- viii. Information about outstanding taxes and levies is given in Notes to the Accounts.
- ix. The value of investments of the Provident Fund based on its audited accounts as on Jun 30, 2021 is given in Note # 43 of the Financial Statements.
- x. All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- xi. The Company has complied with requirements as stipulated in Code relating to related party transactions.
- xii. The trading made by directors, CEO, CFO, Company Secretary and their spouses and minor children in the Company's share during the year and the number of shares, if any, held by them are annexed.

Exploration is the engine that drives innovation. Innovation drives economic growth. - Edith Widder



HEALTH, SAFETY AND ENVIRONMENT

We are committed to provide a safe and healthy work environment to our employees. The Company meets applicable laws and government regulations as well as Company’s own standards. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for Occupational Health & Safety Management System ISO 45001:2018, Quality Management System (QMS) ISO 9001:2015, Environment Management System (EMS) ISO 14001:2015, and Halal Food Management System PS 3733:2019 by ACTS – Al-Waiz certification and Training Services (Pvt.) Limited.



CORPORATE SOCIAL RESPONSIBILITY

Our main CSR focuses are Health Care, Education and community development. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift. During the year under review, Company contributed Rupees 9,522,155 to various charitable organizations.



EXTERNAL AUDITORS

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment for the year 2021-22. The Board of Directors has endorsed the Audit Committees' recommendation for the re-appointment of M/s. BDO Ebrahim & Co., Chartered Accountants as Auditors of the Company for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2021 is annexed.

FUTURE OUTLOOK

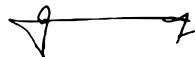
The appropriate decisions of the Board enabled greatly in leading the Company towards the right direction. Looking forward, the progress on the Capacity expansion of LABSA / SLES Plant by 46,000 M. Tons per annum is underway as planned. Further, up-gradation of power plant engines to increase capacity and to improve fuel efficiency is also in progress and the first engine has just added during the month of September 2021. The ongoing geopolitical scenario, global economic landscape, higher energy cost and slowdown in domestic economic activity amidst the COVID-19 pandemic are the challenges for the industry.

ACKNOWLEDGMENT

Board is thankful to the valuable Shareholders, 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
September 21, 2021



Muhammad Saddique Khatri
Chairman



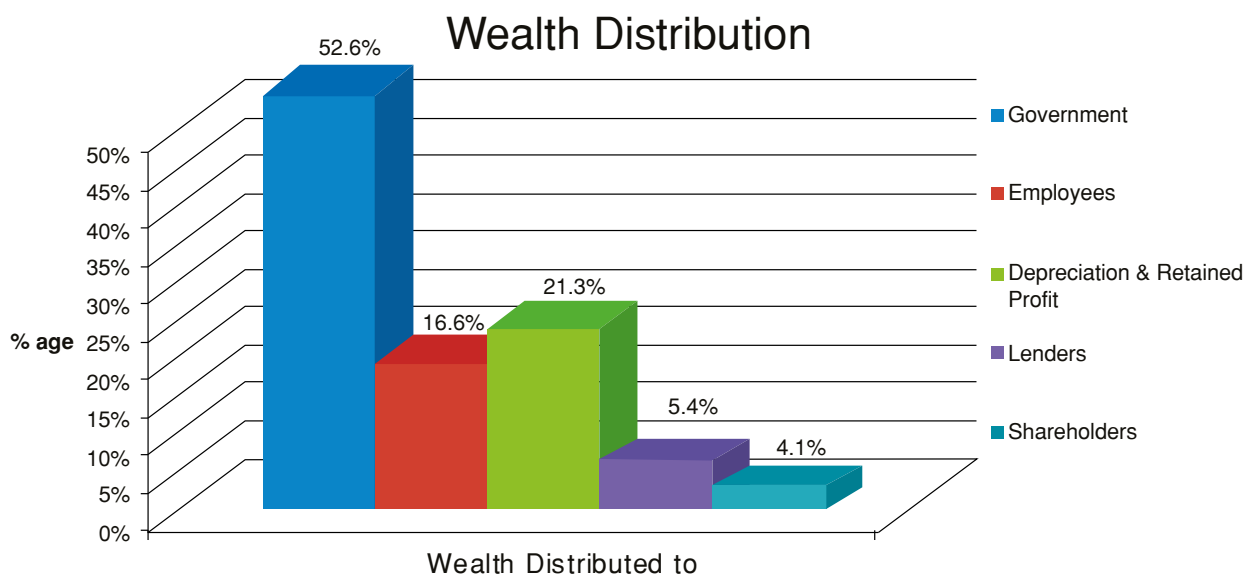
Abdul Sattar Khatri
Chief Executive Officer

Operating and Financial Highlights

	Unit	2021	2020	2019	2018	2017	2016
PROFIT AND LOSS							
Sales	Rs. in mln	11,124	8,857	6,644	5,743	4,990	4,557
Gross Profit	Rs. in mln	1,886	1,182	1,379	963	820	791
Operating Profit	Rs. in mln	1,093	496	756	504	384	372
Profit / (loss) before tax	Rs. in mln	980	78	505	361	220	224
Profit after tax	Rs. in mln	657	61	405	415	233	167
EBITDA	Rs. in mln	1,606	1,069	1,248	859	718	685
Earning per share - Basic and Diluted	Rs.	7.75	0.72	4.78	4.91	3.37	2.64
BALANCE SHEET							
Operating Fixed assets (NBV)	Rs. in mln	5,723	5,872	6,335	5,452	4,128	3,638
Current Assets	Rs. in mln	4,042	2,968	2,915	2,031	2,065	2,014
Current Liabilities	Rs. in mln	3,875	2,508	3,461	3,007	2,436	2,126
Long Term Liabilities	Rs. in mln	1,797	2,579	2,012	1,023	944	1,344
Share capital	Rs. in mln	847	847	847	770	770	650
Shareholders' Equity	Rs. in mln	3,482	3,081	3,031	2,737	2,421	1,985
INVESTOR INFORMATION							
Gross Profit Margin	%	16.95	13.34	20.75	16.77	16.43	17.35
Net Profit Margin	%	5.90	0.69	6.10	7.23	4.68	3.67
Return on Equity	%	20.01	1.99	14.05	16.11	10.59	9.40
Price Earning Ratio Restated		4.91	36.60	5.64	6.44	9.28	9.89
Net Asset Per Share	Rs.	41.11	36.38	35.78	35.54	31.45	30.53
Long -Term Debt to Equity Ratio		0.51	0.60	0.66	0.50	0.49	0.71
Current Ratio		1.04	1.18	0.84	0.68	0.85	0.95
Quick Ratio		0.64	0.74	0.50	0.45	0.49	0.48
Interest Coverage Ratio		4.85	1.03	2.96	3.27	2.17	2.25
Debtor Turnover	No. of Times	11.25	13.05	11.81	12.86	10.67	10.76
Inventory Turnover	No. of Times	5.91	6.95	4.40	7.16	4.80	3.78
Dividend Payout	%	25.79	139.31	-	20.39	38.58	56.8
Bonus Shares	%	-	-	-	10.00	-	-
Dividend Per Share		2.00	1.00	-	1.10	1.30	1.50

Statement of Value Added

	Year ended June 30	
	2021	2020
	(Rs. in Million)	
Wealth Generated:		
Total revenue net of discount and allowances	13,227	10,513
Bought-in-material and services	9,056	7,339
	<u>4,172</u>	<u>3,173</u>
Wealth Distributed:		
To Employees		
Salaries, benefits and other costs	693	654
To Government		
Income tax, sales tax and worker welfare fund	2,196	1,467
To Providers of capital		
To shareholders (Dividend & Bonus Shares)	169	85
To Financial Institutes (Mark up/interest on borrowed funds)	225	480
Retained for Reinvestment and Growth		
Depreciation and retained profits	888	487
	<u>4,172</u>	<u>3,173</u>



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: Ittehad Chemicals Limited
Year ending: June 30, 2021

The company has complied the requirements of the Regulations in the following manner:-

- The total number of directors are seven (07) as per the following:

Category	Numbers
Male	06
Female	01

- The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Pervaiz Ahmed Khan Mr. Pervez Ismail
Executive Directors	Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Muhammad Siddique Khatri Mr. Abdullah Mustafa
Female Director	Mrs. Farhana Abdul Sattar Khatri (Non-Executive)

- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- The Company is Compliant with the regulation # 19 of CCG, presently six (06) Board Members out of seven (07) have attained certification offered by SECP approved Institutes for Director's Training Program;
- The Board has approved appointment of CFO, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Pervez Ismail	Chairman
Mr. Abdullah Mustafa	Member
Mr. Pervaiz Ahmad Khan	Member

b) HR and Remuneration Committee

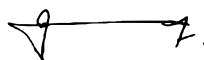
Names	Designation held
Mr. Pervaiz Ahmad Khan	Chairman
Mr. Waqas Siddiq Khatri	Member
Mr. Abdullah Mustafa	Member

c) Risk Management Committee

Names	Designation held
Muhammad Siddique Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Waqas Siddiq Khatri	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the aforesaid committees during Financial Year ended June 30, 2021 were as per following:
- a) Audit Committee: Four (04) Audit Committee Meetings held (one (01) in each quarter)
 - b) HR and Remuneration Committee: Two (02) meetings
 - c) Risk Management Committee: One (01) meeting
115. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with; and
19. The Company has fully ensured the compliance of mandatory provisions of the Code. Since the Code requires “comply or explain approach” towards the non-mandatory provisions of the Code; hence, we confirm that all requirements of optional provisions also complied with except presently the Board has not constituted a separate Nomination Committee and the functions are being performed by the HR & RC and the fractional requirement for Independent directors has not been rounded up as one keeping in view the requisite qualification, experience and expertise of the present Board of Directors.



Muhammad Saddique Khatri
Chairman



Abdul Sattar Khatri
Chief Executive Officer

Lahore
September 21, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ITTEHAD CHEMICALS LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ittehad Chemicals Limited for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

Lahore
Dated: September 21, 2021



Chartered Accountants
Engagement Partner: Muhammad Imran

The background features a collage of financial data visualizations. In the foreground, a smartphone is positioned on the left, displaying a line graph. Behind it, several bar charts and a pie chart are visible, all rendered in a light, semi-transparent style. The overall aesthetic is clean and professional, typical of a corporate financial report cover.

Financial Statements

for the year ended 30 June 2021

Independent Auditors' Report to the Members of Ittehad Chemicals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ITTEHAD CHEMICALS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2021, and statement of profit or loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Capital expenditures	
	<p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2021.</p> <p>The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter.</p> <p>Refer to notes 5.1 to the financial statements.</p>	<p>Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria.</p> <p>We also assessed the useful economic lives assigned with reference to the Company's historical experience.</p> <p>We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p>

S. No	Key audit matters	How the matter was addressed in our audit
		<p>The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	<p>Inventory valuation</p>	
	<p>As at June 30, 2021, the Company held Rs. 1,564.22 million in inventories. Given the size of the inventory balance relative to the total assets of the Company and the estimates and judgements described below, the valuation of inventory required significant audit attention.</p> <p>As disclosed in Note 5.8 and 5.9, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> • Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items; • The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required. • Refer to Note 5.8, 5.9, 12 & 13 of the financial statements – Inventory. 	<ul style="list-style-type: none"> • Our audit procedures involved assessing the Company's accounting policies over recognizing and valuation of inventory in compliance with applicable accounting standards. We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value. An analytical review was also performed on inventory. • We assessed the Company's disclosures in the financial statements in respect of inventory.

S. No	Key audit matters	How the matter was addressed in our audit
3.	Contingencies	
	<p>As disclosed in note 33.1 to the financial statements, the Company is involved in certain legal and tax proceedings against the Company. The appeals were filed by the Company against these orders at respective forum.</p> <p>Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements.</p> <p>No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Company.</p> <p>There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matter.</p>	<p>In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmations directly from legal and tax advisors.</p> <p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> • We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Company and the other parties involved in the disputes. • We read the minutes of the Board meetings, and inspected the company's legal expenses, in order to ensure all cases have been identified. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. • We followed the progress of each case and the Company's estimate of the cost to be incurred; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and
4.	Revenue recognition	
	<p>The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of the goods have been transferred to customers and the customer can direct the use of and substantially obtain all the benefits from the goods, resulting in a significant risk associated with revenue from an audit perspective.</p>	<p>Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework. We developed an understanding of relevant business process and performed the following procedures:</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of control of the goods to customers and

S. No	Key audit matters	How the matter was addressed in our audit
	<p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p> <p>Refer to note 5.24 to the financial statements for accounting policies and the relevant detailed disclosures respectively.</p>	<p>the customers can direct the use of and substantially obtain all the benefits from the goods, was supported by substantive audit procedures including, amongst others:</p> <ul style="list-style-type: none"> • Performing predictive analytical tests on the different revenue streams. • Testing a sample of sales transactions around year end to ensure inclusion in the correct period. • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers. • Scanning for any manual journal entries relating to revenue recorded during the year which were considered to be material are met other specific risk based criteria for inspecting underline documentation.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the

public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran.

LAHORE
DATED: September 21, 2021



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Statement of Financial Position

as at 30 June, 2021

	Note	2021	2020
Rupees in thousand			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	5,722,682	5,872,413
Capital work in progress	7	417,167	46,476
		6,139,849	5,918,889
Intangible assets	8	6,445	6,445
Investment property	9	307,500	195,000
Long term investments	10	100	19
Long term deposits	11	51,007	52,042
		6,504,901	6,172,395
CURRENT ASSETS			
Stores, spares and loose tools	12	442,955	418,741
Stock in trade	13	1,121,263	685,118
Trade debts	14	1,167,876	799,171
Loans and advances	15	341,458	208,399
Trade deposits and short term prepayments	16	33,878	5,003
Tax refunds due from the Government	17	529,200	419,605
Taxation - net	18	66,459	297,623
Cash and bank balances	19	338,635	134,501
		4,041,724	2,968,161
TOTAL ASSETS		10,546,625	9,140,556
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	20.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	20.2	847,000	847,000
Reserves	21		
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		2,305,352	1,904,070
Surplus on revaluation of fixed assets	22	1,392,042	972,734
		4,874,394	4,053,804
NON CURRENT LIABILITIES			
Long term financing	23	287,969	334,580
Long term diminishing musharaka	24	964,570	1,407,081
Lease liabilities	25	17,899	40,387
Deferred liabilities	26	448,301	364,794
Deferred grant	27	1,038	3,260
GIDC payable	28	77,012	426,196
		1,796,789	2,576,298
CURRENT LIABILITIES			
Trade and other payables	29	2,139,661	1,201,550
Unclaimed dividend		5,303	1,020
Mark-up accrued	30	38,618	78,374
Short term borrowings	31	1,161,440	1,138,575
Current portion of long term liabilities	32	530,420	90,935
		3,875,442	2,510,454
CONTINGENCIES AND COMMITMENTS	33		
TOTAL EQUITY AND LIABILITIES		10,546,625	9,140,556

The annexed notes from 1 to 62 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Statement of Profit or Loss Account

For the year ended 30 June, 2021

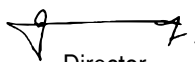
	Note	2021 Rupees in thousand	2020
Sales	34	11,123,793	8,856,601
Cost of sales	35	(9,238,284)	(7,674,958)
Gross profit		1,885,509	1,181,643
Selling and distribution expenses	36	(576,501)	(501,041)
General and administrative expenses	37	(200,583)	(208,306)
Other operating expenses	38	(109,700)	(60,662)
Other income	39	94,280	84,398
		(792,504)	(685,611)
Operating profit		1,093,005	496,032
Financial charges	40	(225,395)	(480,180)
Fair value gain on investment property	9	112,500	61,875
Profit before taxation		980,110	77,727
Taxation	41	(323,343)	(16,927)
Profit after taxation		656,767	60,800
Earnings per share - Basic and diluted (Rupees)	44	7.75	0.72

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Comprehensive Income


For the year ended 30 June, 2021

	Note	2021 Rupees in thousand	2020
Profit after taxation for the year		656,766	60,800
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss account			
Remeasurement of defined benefit liability	26.3	(1,919)	6,228
Related tax effect		534	(1,704)
		(1,385)	4,524
Revaluation surplus on free hold land	22	419,308	-
		417,923	4,524
Items that may be reclassified subsequently to profit or loss			
		-	-
Total comprehensive income for the year		1,074,690	65,324

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Cash Flows

For the year ended 30 June, 2021

		2021	2020
	Note	— Rupees in thousand —	
Cash flows from operating activities			
Net cash flows from operating activities before working capital changes	46	1,661,276	1,166,084
Decrease / (increase) in current assets			
Stores, spares and loose tools		(42,214)	(22,992)
Stock in trade		(436,145)	103,586
Trade debts		(381,764)	(132,249)
Loans and advances		(133,059)	8,252
Trade deposits and short term prepayments		(28,875)	5,727
Tax refunds due from the Government		34,457	98,191
		(987,600)	60,515
Increase in current liabilities			
Trade and other payables		559,797	(20,730)
Cash generated from operations		1,233,473	1,205,869
Taxes paid		(97,326)	(100,833)
Gratuity paid		(34,442)	(5,773)
Financial charges paid		(265,151)	(527,360)
Net cash generated from operating activities		836,554	571,903
Cash flows from investing activities			
Additions to operating fixed assets		(22,308)	(5,582)
Additions to capital work in progress		(576,365)	(135,470)
Proceeds from sale of operating fixed assets		249,916	1,170
Long term investment		(81)	(19)
Long term deposits		1,035	(136)
Net cash used in investing activities		(347,803)	(140,037)
Cash flows from financing activities			
Proceeds from long term financing		142,316	98,495
Repayments of long term financing		(82,576)	(221,783)
Proceeds from long term diminishing musharaka		-	49,981
Repayments of long term diminishing musharaka		(108,944)	(87,500)
Repayment of finance lease liabilities		(8,462)	(5,486)
Dividend paid		(249,817)	(20)
Short term borrowings - net		22,866	(240,944)
Net cash used in financing activities		(284,617)	(407,257)
Net increase in cash and cash equivalents		204,134	24,609
Cash and cash equivalents at the beginning of the year		134,501	109,892
Cash and cash equivalents at the end of the year	19	338,635	134,501

The annexed notes from 1 to 62 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer

Statement of Changes in Equity

For the year ended 30 June, 2021

Note	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves		Total
			Capital Reserves	Revenue Reserves	
			Share premium	Unappropriated profit	
(Rupees in thousand)					
Balance as at July 01, 2019	847,000	972,734	330,000	1,838,746	3,988,480
Transaction with owners:					
Profit for the year	-	-	-	60,800	60,800
Remeasurement of defined benefit liability - net	-	-	-	4,524	4,524
				65,324	65,324
Balance as at June 30, 2020	847,000	972,734	330,000	1,904,070	4,053,804
Transaction with owners:					
Final cash dividend on ordinary shares @ Rs. 1 per share	-	-	-	(84,700)	(84,700)
Interim Final cash dividend on ordinary shares @ Rs. 2 per share	-	-	-	(169,400)	(169,400)
	-	-	-	(254,100)	(254,100)
Total comprehensive income for the year					
Profit for the year	-	-	-	656,767	656,767
Remeasurement of defined benefit liability - net	-	-	-	(1,385)	(1,385)
Revaluation surplus for the year	-	419,308	-	-	419,308
	-	419,308	-	655,382	1,074,690
Balance as at June 30, 2021	847,000	1,392,042	330,000	2,305,352	4,874,394

The annexed notes from 1 to 62 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Notes to the Financial Statements

For the year ended 30 June, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 39, Empress Road, Lahore. The manufacturing facility of the Company is located at G.T Road Kala Shah Kaku District 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 financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 5.1, 5.4, 5.6, 5.7 and 5.22 respectively.

The preparation of financial statements in conformity with approved financial reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 42.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency for the Company.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Company has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

4.1 Effective in current year and not relevant to the Company

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.	January 01, 2020
IFRS 16	Leases - The objective of the amendment is to give timely relief to lessees to covid-19-related rent concessions while still enabling them to provide useful information about their leases to investors.	January 01, 2020
IFRS 7	Financial Instruments "disclosures"	January 01, 2020
IFRS 9	Financial Instruments	January 01, 2020
IAS 1	Presentation of Financial Statements - amendments to its definition of material to make it easier for companies to make materiality judgements.	January 01, 2020
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2020
IAS 41	Agriculture.	January 01, 2020

4.1 The following International Financial Reporting Standards (IFRS Standards) and amendments not yet effective

IFRS 16	COVID-19 - Related Rent Concessions	January 01, 2021
	The International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate.	

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

Effective date
(annual periods
beginning on or after)

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There is no substantive change to the other terms and conditions of the lease.

The standard is not likely to have any effect on Company's financial statements.

IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 9	Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.	January 01, 2022
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of current and non-current liabilities.	January 01,2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendment regarding the definition of accounting estimates, the standard defines the concept of a "change in accounting estimates.	
IAS 12	Income taxes - Amendment regarding to clarify how companies account for deferred tax on leases and decommissioning obligations.	January 01,2023
IAS 16	Property, Plant and equipment - The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	January 01,2022

The IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The standard is not likely to have any effect on Company's financial statements.

The following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1 First time adoption of International Financial Reporting Standard

IFRS 17 Insurance Contracts

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

5.1 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is carried at revalued amount and capital work-in-progress which is stated at cost less impairment losses. Cost comprises of actual cost including, interest expense and trial run operational results.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 6. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the statement of profit or loss.

b) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of

expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

5.2 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

5.3 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any.

5.4 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 5.24.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

5.5 Leases

Right of use assets

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5.6 Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as "Fair value through OCI".

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

5.7 Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries

which are recognized in other income. Gains and losses on disposal of investment is included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

5.8 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company's requirements, adequate provision is made for any excess book value over estimated realisable value.

5.9 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw and packing materials	- Moving average cost
Raw and packing materials in transit	- Invoice value plus other expenses incurred thereon
Work in process	- Cost of material as above plus proportionate production overheads
Finished goods	- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Adequate provision is made for slow moving and obsolete items.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

5.10 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.

5.11 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been

enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

5.12 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to profit and loss account in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

5.13 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.14 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.15 Operating lease/Ijarah

Operating lease/Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor/Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease/Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

5.16 Deferred grant

The deferred grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

5.17 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

5.18 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

5.19 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

5.20 Financial instruments

5.20.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are

measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one

or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

5.20.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

5.20.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

5.20.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

5.21 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.22 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in profit and loss account currently.

5.23 Employee benefits

The Company's employees benefits comprise of provident fund, gratuity scheme and compensated absences for eligible employees.

5.23.1 Staff retirement benefits

a) Defined contribution plan (Provident Fund)

A recognized provident fund scheme is in operation, which covers all permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995. The Company and the employees make equal contributions to the fund.

b) Defined benefit plan (Gratuity Fund)

The Company operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2021 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss account. During the year, the Company has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Company has withdrawn gratuity on permanent basis for officers and above. However, labours / workers will be entitled for gratuity as per current policy.

5.23.2 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

5.23.3 Defined contribution plan (new)

The Company has planned to operate an approved provident fund scheme, effective from July 01, 2021, for all its eligible employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation their job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred.

5.24 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers**Sale of goods**

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

5.25 Related party transactions

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

5.26 Borrowing costs

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

5.27 Segment reporting

An operating segment is a component of the Company that engages in business activities from

which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

5.28 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.29 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

5.30 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.31 Capital reserves - Share premium

This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

	Note	2021 Rupees in thousand	2020
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	5,709,033	5,842,860
Right of use assets	6.12	13,649	29,553
		<u>5,722,682</u>	<u>5,872,413</u>

6.1 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	Total
	(Rupees in thousand)								
Net carrying value basis year ended June 30, 2021									
Opening net book value (NBV)	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Additions / Transfer (at cost)	419,308	20,796	-	186,049	1,169	240	5,262	14,466	647,290
Disposals (NBV)	-	(2,922)	-	(270,075)	-	(14)	(80)	(1,905)	(274,996)
Depreciation charge	-	(23,658)	(77)	(461,846)	(6,903)	(387)	(3,219)	(10,031)	(506,121)
Closing net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Gross carrying value basis year ended June 30, 2021									
Cost	1,592,895	410,275	3,906	6,861,819	144,558	10,898	71,331	112,851	9,208,533
Accumulated depreciation	-	(188,307)	(3,208)	(3,073,776)	(105,440)	(7,314)	(55,060)	(66,395)	(3,499,500)
Net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Net carrying value basis year ended June 30, 2020									
Opening net book value (NBV)	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	55,350	6,334,613
Additions (at cost)	-	17,465	-	110,079	357	175	1,984	57	130,117
Disposals / transfers (NBV)	-	(1)	-	(54,317)	-	-	(5)	(488)	(54,811)
Depreciation charge	-	(24,153)	(86)	(520,002)	(7,881)	(413)	(3,531)	(10,993)	(567,059)
Closing net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Gross carrying value basis year ended June 30, 2020									
Cost	1,173,587	407,432	3,906	7,677,211	143,389	10,737	66,395	107,070	9,589,727
Accumulated depreciation	-	(179,680)	(3,131)	(3,343,296)	(98,537)	(6,992)	(52,087)	(63,144)	(3,746,867)
Net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Depreciation rate % per annum	-	10	10	10 to 33	15	10	15 to 30	20	

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 have been held for establishment of head office and factory.

6.3 This includes transfer from capital work-in-progress amounting to Rs. 205.675 million (2020: Rs. 124.534 million).

6.4 Free hold land was revalued by independent valuers M/s. Harvestor Services (Private) Limited as at May 25, 2006, M/s. Dimen Associates (Private) Limited as at June 30, 2009, M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012, M/s. Unicorn International Surveyors as at June 30, 2015, M/s. Harvestor Services (Private) Limited as at June 30, 2018 and M/s Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value. The revaluation resulted in surplus aggregating to Rs. 1392.42 million (2020: Rs. 972.374 million). Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 1392.42 million (2020: Rs. 972.734 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.853 million (2020: Rs. 200.853 million).

6.5 The forced sale value of free hold land was Rs. 1353.960 million as at June 30, 2021.

6.6 The depreciation charge for the year has been allocated as follows:

	2021	2020
	Rupees in thousand	
Cost of sales	496,283	556,719
Selling and distribution expenses	2,289	2,688
General and administrative expenses	14,262	13,340
	<u>512,834</u>	<u>572,747</u>

Note

6.7 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
Vehicles							
Suzuki Mehran - 9125	590	397	193	250	57	Negotiation	Mr. Kafait Ullah
Toyota Corolla LEE-09-1780	1,449	1,316	133	400	267	Negotiation	Mr. Umar Ahmed Rasool
Honda Civic LEF-3701	2,492	1,964	528	750	222	Negotiation	Mr. Muhammad Azam
Toyota Vitz LEB-12-2802	1,003	849	154	423	269	Negotiation	Mr. Asim Mehmood
Toyota Altis BCY-949	2,362	1,712	650	1,500	850	Negotiation	Mr. Wasiq Siddique Khatri
Motor Cycle KBH-766	27	25	2	8	6	Negotiation	Mr. Shahid
Motor Cycle KHQ 1834 - Karachi Office	49	36	13	8	(5)	Negotiation	Mr. Shahid
Suzuki Bolan - LE-16 9261	714	481	233	550	317	Negotiation	Mr. Muhammad Attique
Plant and machinery							
							Mr. Tanveer Iqbal and Mr. Ihsan Ullah
Electrolyzer # IEM I (P&M)	965,962	706,517	259,445	246,027	(13,418)	Negotiation	
	974,648	713,297	261,351	249,916	(11,435)		
Misc Assets (Building)	17,953	15,031	2,922	-	(2,922)	Scraped	
Misc Assets (P&M)	35,885	25,162	10,723	-	(10,723)	Scraped	
Total - 2021	1,028,486	753,490	274,996	249,916	(25,080)		
Total - 2020	182,612	127,801	54,811	1,170	(53,641)		

6.8 Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

6.9 One vehicle has been disposed off to Mr. Wasiq Siddique Khatri, who is an associated person and son of the director of the Company.

6.10 Fair value measurement (revalued property, plant and equipment)

6.10.1 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value.

6.10.2 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

6.11 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per canal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
6.12 Right of use assets			
The following is the statement of right-of-use assets:			
Building			
Year ended June 30,			
Net carry value basis			
		29,553	30,463
	6.13	-	4,779
	6.14	(9,192)	-
		(6,712)	(5,689)
		<u>13,649</u>	<u>29,553</u>
Gross carry value basis			
		41,653	62,658
		(28,004)	(33,105)
		<u>13,649</u>	<u>29,553</u>
		10%	10%

6.13 At the last reporting period the Company has remesured the right of use of assets and corresponding liabilities by using the revised discount rate.

6.14 The Company has vacated two premises during the year and accordingly disposal adjustment has been made in these financial statements.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
7 CAPITAL WORK IN PROGRESS			
This comprises of:			
		12,247	8,315
		243,548	20,872
	7.2	161,372	17,289
		<u>417,167</u>	<u>46,476</u>

	Advances	Building	Plant and machinery	Total
Note	Rupees in thousand			
7.1 Movement of carrying amount				
Year ended June 30, 2021				
Opening balance	17,289	8,315	20,872	46,476
Additions (at cost)	159,733	23,508	393,124	576,365
Transferred / Adjustment	(15,650)	(2,111)	17,761	-
Transferred / Adjustment	-	3,332	(3,332)	-
Transferred to operating fixed assets	-	(20,797)	(184,878)	(205,675)
Closing balance	161,372	12,247	243,547	417,166
Year ended June 30, 2020				
Opening balance	17,289	15,059	3,193	35,541
Additions (at cost)	-	24,740	110,730	135,470
Transferred to operating fixed assets	-	(31,484)	(93,051)	(124,535)
Closing balance	17,289	8,315	20,872	46,476

7.2 Advances includes balances amounting to Rs. 1.639 million (2020: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This also includes an advances amounting to Rs. 76.00 million (2020: Nil) against purchase of land at Faisalabad Industrial Estate Development and Management Company to establish a chemical plant at Allama Iqbal Industrial City.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
8 INTANGIBLE ASSETS			
Computer software and licences	8.1	-	-
Goodwill	8.2	6,445	6,445
		6,445	6,445
8.1 Computer software and licences			
Net carrying value as at 1 July			
Opening balance as on July 01,		-	-
Amortization charge	37	-	-
Net book value as at June 30,		-	-
Gross carrying value as at 30 June			
Cost		22,542	22,542
Accumulated amortization		(22,542)	(22,542)
Net book value		-	-
Amortization % per annum			
		33.33%	33.33%
The amortization charge for the year has been allocated as follows:			
Administrative expenses		-	-

8.2 Goodwill

This represents excess of the amount paid over fair value of net assets of subsidiary company (now merged with and into the Company) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on

cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 5 % p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2021 Rupees in thousand	2020
9 INVESTMENT PROPERTY			
Freehold land	9.1	307,500	195,000
9.1 The movement in this account is as follows:			
Opening balance		195,000	133,125
Fair value gain on revaluation shown in "income statement"		112,500	61,875
	9.2	<u>307,500</u>	<u>195,000</u>

9.2 Fair value measurement (Investment property)

This comprises commercial property that is freehold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2021 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

Fair value measurement of investment property is based on assumptions considered to be based on level 2 inputs.

Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

9.3 The forced sale value of investment property is Rs. 261.375 million (2020: Rs. 174.750 million).

	Note	2021 Rupees in thousand	2020
10 LONG TERM INVESTMENTS			
Investment in related parties - unquoted			
Held at cost			
Chemi Visco Fiber Limited	10.1	—	—
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	10.2	100	19
		<u>100</u>	<u>19</u>
10.1 Chemi Visco Fiber Limited			
5,625,000 (2020: 5,625,000) fully paid ordinary shares		56,250	56,250
Less: Provision for diminution in value of investment	10.1.1	(56,250)	(56,250)

	Note	2021 Rupees in thousand	2020
Relevant information:			
Percentage of investment in equity held 7.91% (2019: 7.91%) (Chief Executive : Mr. Usman Ghani)		—	—
10.1.1 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. Further, the financial statements of the entity indicate that the fair value of the net assets is negative.			
10.2 Ittehad Salt Processing (Private) Limited 10,000 (2020: 1,900) fully paid ordinary shares	10.3	100	19
Relevant information:			
Percentage of investment in equity held 100% (2020: 19%) (Chief Executive : Mr. Ahmed Mustafa) Location: Pakistan			
10.3 This represents investment made in subsidiary and the Company has been incorporated on December 03, 2019. The principal line of business of the subsidiary is to carry on business of exploring, operating and working on mines to extract minerals, salt, sand and stone etc. The Company has purchased/acquired remaining shares of related party during the year through special resolution of members dated May 26, 2021 and it has become wholly owned subsidiary of the Company.			
10.4 Investment in Ittehad Salt Processing (Private) Limited represents 10,000 (2020: 1,900) fully paid ordinary shares of Rs. 10 each. The Company currently holds 100% shareholding interest in subsidiary, out of which 5 shares amounting to Rs. 50 are held in the name of 5 nominee directors of the Company.			
11 LONG TERM DEPOSITS			
Long term deposit	11.1	51,007	52,042
11.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or mark-up and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Company. Majority of the long-term deposits relates to deposits given to government utility departments with undetermined life period for the impact of discounting hence these are not remeasured.			
12 STORES, SPARES AND LOOSE TOOLS			
Stores:			
in hand	12.1	61,140	60,047
in transit		—	8,361
		61,140	68,408
Spares:			
in hand	12.1	339,564	355,220
in transit		64,089	3,821
		403,653	359,041
		464,793	427,449
Less: Provision for obsolete stores and spares	12.2	21,838	8,708
		442,955	418,741

12.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

	Note	2021 Rupees in thousand	2020
12.2 Movement of provision for obsolete stores and spares			
Opening balance		8,708	7,830
Adjustment on account of write off during the year		(4,871)	(11,122)
Provision made during the year		18,000	12,000
		<u>21,837</u>	<u>8,708</u>
13 STOCK IN TRADE			
Raw materials:			
in hand	35	358,577	233,605
in transit	13.1	251,324	4,871
		<u>609,901</u>	<u>238,476</u>
Packing materials			
in hand		22,788	9,931
in transit		-	5,308
Work in process	35	43,626	38,912
Finished goods	13.2 & 35	444,948	392,491
		<u>1,121,263</u>	<u>685,111</u>

13.1 This represents stock in transit which was still on the way to port at the year end.

13.2 The finished goods also includes stock in transit amounting to Rs. 25.19 million (2020: 19.542 million) which was still on the way to port at the year end.

13.3 Stock-in-trade up to a maximum amount of Rs. 1,121.263 million (2020: Rs. 685.118) are under hypothecation of commercial banks as security for short term borrowings.

14 TRADE DEBTS

Unsecured			
Considered good - Foreign		90,342	77,530
Secured			
Considered doubtful	14.2	2,234	17,234
Less: Provision for doubtful debt		2,234	17,234
		-	-
Unsecured			
Considered good - Local		1,077,534	721,641
Considered doubtful		55,242	55,242
		<u>1,132,776</u>	<u>776,883</u>
		<u>1,223,118</u>	<u>854,413</u>
Less: Provision for doubtful debts	14.1	55,242	55,242
		<u>1,167,876</u>	<u>799,171</u>
14.1 Movement of provision for doubtful debts is as follows:			
Opening balance		72,476	64,107
Adjustment on account of:			
Recovery of doubtful debts		(15,000)	-
Provision made for doubtful debts		-	8,369
Net adjustment		(15,000)	8,369
Closing balance		<u>57,476</u>	<u>72,476</u>

14.2 This represents receivable from Punjab Chemicals Stores and Honest Enterprises which is secured against mortgage of property and also a memorandum of understanding (MOU) signed between the parties. Upon recovery of Rs. 15.00 million (2020: Nil) during the year the Company has withdrawn the application filed under section 20 of the Arbitration Act, 1940. However, remaining amount has been kept fully impaired on prudence basis.

	Note	2021 Rupees in thousand	2020
15 LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	15.1 & 2	19,575	8,039
Advance to supplies and services (Unsecured)			
Considered good	15.5	320,541	198,465
Considered doubtful		1,374	1,374
		321,915	199,839
Against import		1,342	1,895
		342,832	209,773
Less: Provision for doubtful advances	15.6	1,374	1,374
		341,458	208,399

15.1 This includes advance to employees against salaries in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.

15.2 This 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.

15.3 This includes advances amounting to Rs. 15.394 million (2020: Rs. 4.170 million) deposited to the Court against various cases for gratuity of employees and the Company is expecting favourable outcome and therefore, considered good.

15.4 Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.

15.5 This includes advances an amount of Rs. 236.842 million (2020: Rs. 171.510 million) provided to Sui Northern Gas Pipelines Limited against running bills and are settled as and when the monthly bills are issues. These advances do not carry any interest or mark-up.

15.6 Movement of provision for doubtful debts is as follows:

Opening balance		1,374	1,374
Addition during the year		—	—
Closing balance		1,374	1,374

16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits - (Considered good)	16.1	25,108	1,137
Security deposits	16.2	1,625	-
Prepayments		7,145	3,866
		33,878	5,003

16.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

16.2 This includes security deposit against rented premises. These deposits do not carry any interest or mark-up and are recoverable within one year as the respective premises are vacated during the year.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
17 TAX REFUNDS DUE FROM THE GOVERNMENT			
(Considered good)			
Income tax		503,724	359,672
Sales tax		25,476	59,933
		<u>529,200</u>	<u>419,605</u>
18 TAXATION - NET			
Advance income tax		233,704	299,069
Less: Provision for taxation	41	167,245	1,446
		<u>66,459</u>	<u>297,623</u>
19 CASH AND BANK BALANCES			
Cash in hand		977	643
Cheques in hand		213,462	114,232
Cash at banks			
Current accounts	19.1	63,817	19,626
Saving accounts	19.2	60,379	-
		<u>124,196</u>	<u>19,626</u>
		<u>338,635</u>	<u>134,501</u>

19.1 Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.

19.2 The balance in saving accounts carries mark up which ranges from 3% to 5.5% (2020: Nil) per annum.

20 SHARE CAPITAL

20.1 Authorized share capital

2021	2020			
Number of ordinary shares of Rs. 10/- each				
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
<u>125,000,000</u>	<u>125,000,000</u>		<u>1,250,000</u>	<u>1,250,000</u>

20.2 Issued, subscribed and paid up capital

2021	2020			
Number of ordinary shares of Rs. 10/- each				
27,100,000	27,100,000	Fully paid in cash	271,000	271,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
32,700,000	32,700,000	Fully paid bonus shares	327,000	327,000
<u>84,700,000</u>	<u>84,700,000</u>		<u>847,000</u>	<u>84,700,000</u>

20.2.1 Movement of share capital is as follows:

	Number of Shares	Rupees (thousand)
Opening balance	84,700,000	84,700,000
Shares issued during the year	-	-
Closing balance	<u>84,700,000</u>	<u>84,700,000</u>

20.2.2 The Company took over the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatised on July 03, 1995.

20.2.3 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

	Note	2021 Rupees in thousand	2020
21 RESERVES			
Capital			
Share premium	21.1	330,000	330,000
Revenue			
Un-appropriated profit		2,305,352	1,904,070
		<u>2,635,352</u>	<u>2,234,070</u>

21.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

21.2 Movement of reserves have been reflected in the statement of changes in equity.

22 SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		972,734	972,734
Revaluation surplus arising during the year		419,308	–
	22.1	<u>1,392,042</u>	<u>972,734</u>

22.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2021 by an independent valuer M/s. Harvestor Services (Private) Limited on the basis of market value.

23 LONG TERM FINANCING

Secured:

Banking Companies			
MCB Bank Limited- SBP Refinance	23.1	142,613	92,561
Other Financial Institutions			
Pak Libya Holding Company (Private) Limited	23.3	43,841	–
Pak Brunei Investment Company Limited	23.3	233,333	266,667
		<u>277,174</u>	<u>266,667</u>
		419,787	359,228
Less: Current portion shown under current liabilities	32	131,818	24,648
		<u>287,969</u>	<u>334,580</u>

23.1 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%.

23.2 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. This loan is not fully disbursed yet . The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.

23.3 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. Principal payment against outstanding facility was deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. A repayment of Rs. 33.33 million was made on February 03, 2021.

	Note	2021 Rupees in thousand	2020
24 LONG TERM DIMINISHING MUSHARAKA			
Secured;			
Banking Companies			
The Bank of Punjab - TAQWA	24.1	612,500	612,500
The Bank of Punjab - TAQWA	24.2	418,450	420,519
Al-Baraka Bank (Pakistan) Limited	24.3	320,625	427,500
		1,351,575	1,460,519
Less: Current portion shown under current liabilities	32	387,005	53,438
		<u>964,570</u>	<u>1,407,081</u>

24.1 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 is repayable in eight semi annual equal instalments with the one year grace period commencing from February 2020. Principal payment against outstanding facility was deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. The repayment of principle is deferred by the bank for one year starting from August 15, 2020.

24.2 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. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. The repayment of principle is deferred by the bank for one year starting from December 14, 2020.

24.3 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 but yet not fully disbursed with a grace period of six months. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. During the year, Rs. 106.875 million was repaid.

	Note	2021 Rupees in thousand	2020
25 LEASE LIABILITIES			
Against right-of-use assets			
Lease liabilities		50,562	50,562
Payments / adjustments during the year		(25,143)	–
		25,419	50,562
Less: Current portion		(7,520)	(10,175)
		<u>17,899</u>	<u>40,387</u>
25.1 Maturity analysis-contractual undiscounted cash flow			
Less than one year		(9,343)	(13,936)
One to five year		(19,443)	(45,822)
Total undiscounted lease liability		<u>(28,786)</u>	<u>(59,758)</u>
25.2 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.			
25.3 The above liabilities were obligations under leases with various lessors for lease of buildings.			
26 DEFERRED LIABILITIES			
Deferred taxation	26.1	360,786	222,414
Provision for gratuity	26.3	87,515	142,380
		<u>448,301</u>	<u>364,794</u>
26.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		507,749	581,670
Deductible temporary differences			
Provision for gratuity		(39,539)	(38,955)
Provision for doubtful debts		(16,668)	(21,018)
Provision for WPPF		(13,086)	(786)
Provision for obsolete stores and spares		(6,075)	(2,383)
Lease liability		(7,071)	(13,833)
Tax credits		(64,524)	(282,281)
		<u>360,786</u>	<u>222,414</u>
26.2 The gross movement in the deferred tax liability during the year is as follow:			
Balance as at July 1,		222,414	205,678
Charge to profit and loss account		138,906	15,032
Credit in other comprehensive income		(534)	1,704
		<u>360,786</u>	<u>222,414</u>

26.3 Provision for gratuity

a) General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2021 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2021 Percentage Per annum	2020 Percentage Per annum
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	10	8.5
Expected rate of increase in salary	9	7.50
	2021	2020
	Rupees in thousand	Rupees in thousand
c) Reconciliation of payable to defined benefit plan		
Present value of obligation	87,515	142,380
Liability recognized in balance sheet	87,515	142,380
d) Movement of the liability recognized in the statement of financial position		
Opening net liability	142,380	120,312
Charge for the year	26,380	34,069
Gains and losses arising on Plan settlements	5,896	5,896
Benefits due but not paid	(54,618)	(54,618)
Remeasurement chargeable to other comprehensive income	1,919	(6,228)
Contribution paid to outgoing employees	(34,442)	(5,773)
Closing net liability	87,515	142,380
e) Charge for the year		
Current service cost	18,063	17,336
Interest cost	8,317	16,733
Gains and losses arising on plan settlements	5,896	-
Charge for the year	32,276	34,069

- f) The expected charge in respect of defined benefit plan for the year ending June 30, 2022 will be 18.227 million.

g) **Sensitivity analysis**

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
2021		
Discount rate	80,222	95,843
Salary increase	95,924	80,023
2020		
Discount rate	129,911	156,763
Salary increase	156,919	129,553
h) Maturity profile		
Time in year		
1	4,020	6,968
2	7,590	8,350
3	4,543	11,471
4	4,579	21,615
5-11 onwards	852,455	1,057,540

The average duration of the defined benefit obligation is 9 years.

	Note	2021	2020
		Rupees in thousand	
i) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		1,919	(6,228)
Tax impact at 29% (2020: 29%) - net of export %age		(534)	1,704
		<u>1,385</u>	<u>(4,524)</u>
j)			
During the year, the Company has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Company has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per current policy.			

27 DEFERRED GRANT

Deferred Grant	5,115	5,934
Current portion of grant	(4,077)	(2,674)
	<u>1,038</u>	<u>3,260</u>
27.1		
Following is the movement in government grant during the year:		
Opening balance	5,935	-
Addition during the period	4,415	6,270
Amortized during the period	(5,235)	(335)
Closing balance	<u>5,115</u>	<u>5,935</u>

27.2 During the year, the Company received term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 98.495 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal Quarterly installments commencing from January 2021. ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Company recognized the Deferred Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

	Note	2021 Rupees in thousand	2020
28 GIDC PAYABLE			
GIDC payable		251,097	730,621
Less: Current portion shown under current liability	28.1	174,085	304,425
		<u>77,012</u>	<u>426,196</u>

28.1 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. 251.097 million containing Rs. 77.012 million as Long term portion and Rs. 174.085 million as current portion.

The Company has paid seven (7) instalments during the period and balance provision of GIDC as at the reporting date is Rs. 604.017 million (June 30, 2020: 730.621 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Company has filed a writ petition in the Lahore High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Lahore 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 subjudic 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.

29 TRADE AND OTHER PAYABLES

Trade creditors		407,719	88,539
Accrued liabilities	29.1 & 29.3	1,457,380	988,535
Advances from customers		74,108	56,705
Security deposits	29.2	62,824	59,224
Retention money		6,902	1,626
Workers' Profit Participation Fund	29.4	47,035	2,875
Workers Welfare Fund	29.5	28,018	3,983
Other liabilities		55,675	63
		<u>2,139,661</u>	<u>1,201,550</u>

29.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 8.139 million (2020: Rs. 21.648 million).

29.2 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. The amount have been kept in a separate bank account maintained for this purpose, however, the amount is being used for the purpose of business.

29.3 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 Honorable 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. 327.005 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. 327.005 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

	Note	2021 Rupees in thousand	2020
29.4 Workers' Profit Participation Fund			
Balance as at July 01,		2,875	28,117
Interest at prescribed rate		47	1,482
Less: Amount paid to fund		1,080	27,768
		1,842	1,831
Current year's allocation at 5%	38	45,193	1,044
		47,035	2,875

The Company retains the allocation of this fund for its business operations till the amounts are paid.

29.5 Workers' Welfare Fund			
Balance as at July 01,		3,983	4,299
Less: Amount paid to fund		-	4,299
		3,983	-
Current year's allocation at 2%	38	24,035	3,983
		28,018	3,983

The Company retains the allocation of this fund for its business operations till the amounts are paid.

30 MARK UP ACCRUED

Secured;			
Long term financing		8,358	11,817
Long term diminishing musharaka		21,975	40,069
Short term borrowings		8,285	26,488
		38,618	78,374

	Note	2021 Rupees in thousand	2020
31 SHORT TERM BORROWINGS			
Secured;			
Banking companies			
Running finances			
MCB Bank Limited	31.1	102,877	43,287
Askari Bank Limited	31.1	67,504	42,707
The Bank of Punjab	31.1	107,801	5,624
Samba Bank Limited	31.1	351,383	222,918
Habib Metro Bank Limited	31.1	156,875	–
		<u>786,440</u>	<u>314,536</u>
Export refinance			
MCB Bank Limited	31.2	–	100,000
Term finance			
Askari Bank Limited	31.3	100,000	100,000
Bank Al-Falah Limited	31.3	175,000	354,039
Pak Brunei Investment Company Limited	31.3	100,000	200,000
Al-Baraka Bank (Pakistan) Limited	31.3	–	70,000
		<u>375,000</u>	<u>724,039</u>
		<u>1,161,440</u>	<u>1,138,575</u>

31.1 Short term running finance facilities from various banks aggregated to Rs. 1,420 million (2020: Rs.1,220 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2020: 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.

31.2 Export refinance facility is obtained from MCB Bank Limited aggregated to Rs. 300 million (2020: 300 million) and carries mark-up at the rate SBP +1% spread per annum (Floating rate) (2020: SBP+ 1% spread 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 (Rs. 535 million). This loan obtained to finance raw material and to meet working capital requirement related to export business.

31.3 Term finance facilities from various banks aggregated to Rs. 700 million (2020: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.50% per annum (2020: Matching KIBOR plus 0.70% to 1.50 % per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Company.

31.4 Financing/credit facilities available

At the reporting date, the following financing facilities had been negotiated and were available.

Aggregate facilities for opening of letters of credit and short term loan amounting to Rs. 2125 million (2020: Rs. 1025 million) are available to the Company.

32 CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	23	131,818	24,648
Long term diminishing musharaka	24	387,005	53,438
Liabilities against assets subject to finance lease	25	7,520	10,175
Deferred grant	27	4,077	2,674
		<u>530,420</u>	<u>90,935</u>

33 CONTINGENCIES AND COMMITMENTS

33.1 Contingent liabilities

- a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2020: Rs. 54.510 million).
- b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2020: Rs. 4.080 million).
- c) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 12.077 million (June 30, 2020: Rs. 5.00 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2020: 1.20 million).
- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million (2020: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has

meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2020: 25.50 million).

- g) Letters of guarantee outstanding as at June 30, 2021 were Rs. 347.693 million (2020: Rs. 375.913 million).

33.2 Commitments

Commitments as on June 30, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 1,711.130 million (2020: Rs. 244.684 million).
 b) Against purchase of land and shops amounting to Rs. 1.639 million (2020: Rs. 1.639 million).
 c) Commitment for lease payment has been made under the relevant note.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
34 SALES			
Sales			
Manufacturing	34.1	13,127,733	10,428,441
Trading		5,410	26
		13,133,143	10,428,467
Less: Sales tax		1,848,622	1,446,450
Commission to selling agents		160,728	125,416
		2,009,350	1,571,866
		<u>11,123,793</u>	<u>8,856,601</u>

34.1 This amount includes export sales amounting to Rs. 512.619 million (2020: Rs. 566.332 million).

34.2 Country wise export sales is as follows:

Afghanistan	36,648	36,529
United Arab Emirates	201,755	163,295
Oman	274,216	366,508
	<u>512,619</u>	<u>566,332</u>

35 COST OF SALES

Raw materials consumed			
Opening stock		238,476	287,808
Purchases		3,969,104	2,287,776
		4,207,580	2,575,584
Closing stock	13	(609,901)	(238,476)
		3,597,679	2,337,108
Stores, spares and consumables		236,400	179,195
Packing materials consumed		168,026	136,586
Salaries, wages and other benefits	35.1	530,538	490,533
Fuel and power		4,169,077	3,848,536
Repair and maintenance		43,916	28,944
Rent, rates and taxes		379	345
Insurance		13,991	15,214
Depreciation	6.6	496,283	556,719
Vehicle running expenses		13,316	13,744
Telephone, telex and postage		938	834
Printing and stationery		293	176
Provision for slow moving stores and spares	12.2	18,000	12,000
Other expenses		1,741	2,217
		<u>9,290,577</u>	<u>7,622,151</u>

	Note	2021 Rupees in thousand	2021
Work in process			
Opening		38,912	38,143
Closing	13	(43,626)	(38,912)
		(4,714)	(769)
Cost of goods manufactured		9,285,863	7,621,382
Cost of stores traded		4,878	51
Finished goods			
Opening		392,491	446,016
Closing	13	(444,948)	(392,491)
		(52,457)	53,525
		<u>9,238,284</u>	<u>7,674,958</u>

35.1 This amount includes Rs. 26.76 million (2020: Rs. 28.136 million) in respect of employees' retirement benefits.

36 SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	36.1	34,620	31,908
Travelling and conveyance		572	877
Vehicle running expenses		1,975	2,241
Advertisement		74	4
Telephone, telex and postage		1,130	1,093
Marketing service charges		53,936	42,143
Freight		472,463	413,056
Rent, rates and taxes		509	481
Printing and stationery		566	377
Fee and subscription		102	337
Fuel and power		2,270	1,872
Repair and maintenance		1,617	2,120
Insurance		4,378	1,844
Depreciation	6.6	2,289	2,688
		<u>576,501</u>	<u>501,041</u>

36.1 This amount includes Rs. 2.147 million (2020: Rs. 2.258 million) in respect of employees' retirement benefits.

37 GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	37.1	128,107	131,806
Traveling and conveyance		7,038	8,640
Vehicle running expenses		9,061	7,257
Telephone, telex and postage		3,123	3,166
Rent, rates and taxes		2,586	378
Printing and stationery		915	792
Fee and subscription		3,688	2,767
Legal and professional charges		9,450	10,511
Fuel and power		4,858	4,454
Provision for doubtful debts and advances		-	8,369
Repair and maintenance		2,833	3,278
Depreciation	6.6	14,262	13,340
Bad debts written off		1,021	-
Donations	37.2	9,522	10,781
Other expenses		4,119	2,767
		<u>200,583</u>	<u>208,306</u>

37.1 This amount includes Rs. 3.91 million (2020: Rs. 4.202 million) in respect of employees' retirement benefits.

	Note	2021 Rupees in thousand	2020
Rana Al-habib Memorial Hospital Foundation		600	1,200
Dastkari School KSK		1,380	1,350
Kiran Foundation		600	300
Akhuwat Foundation		500	-
		<u>3,080</u>	<u>2,850</u>

372.1 Interest of the Directors or their spouses in the donations made during the year is as follows:

Donation amounting to Rs. 0.600 million (2020: Rs. 0.300 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Company is the patron of the school and Mr. Waqas Siddiq Khatri, an executive director of the company, is also the member of the Board of Trustees.

372.2 Donations other than mentioned above were not made to any done in which any director of the Company or his spouse had any interest at any time during the year.

38 OTHER OPERATING EXPENSES

Auditors' remuneration			
Consolidation fee		100	-
Audit fee		800	800
Half yearly review fee		250	189
Tax and certification charges		50	115
Out of pocket expenses		167	213
		<u>1,367</u>	<u>1,317</u>
Loss on sale of fixed assets		13,422	-
Loss on decommissioned fixed assets	38.1	13,645	54,318
Workers' profit participation fund	29.4	45,193	1,044
Workers welfare fund	29.5	24,035	3,983
Loss on foreign exchange		12,038	-
		<u>109,700</u>	<u>60,662</u>

38.1 This represents an amount of Rs. 13.645 million (2020: 54.318 million) on account of scrapping of plant and machinery as no future economic benefits are expected from its use.

39 OTHER INCOME

Income from financial assets			
Gain on foreign exchange		-	10,774
Return on saving accounts		5,805	-
Income from non- financial assets			
Gain on sale of fixed assets		1,989	677
Gain on disposal of leased asset (disposal)		7,489	-
Gain on discounting of GIDC payable		25,486	-
Sale of scrap		33,276	72,611
Interest on re-financing scheme		5,235	336
Recovery of doubtful debts	14.1	15,000	-
		<u>88,475</u>	<u>73,624</u>
		<u>94,280</u>	<u>84,398</u>

	Note	2021 Rupees in thousand	2020
40 FINANCIAL CHARGES			
Mark-up / interest on:			
Long term financing		33,294	56,466
Long term diminishing musharaka		127,429	224,729
Interest on lease finance		3,282	7,792
Short term borrowings		40,296	178,897
Worker's profit participation fund		48	1,482
		204,349	469,366
Bank charges and commission		12,002	10,814
Unwinding of discount on GIDC payment		9,044	—
		<u>225,395</u>	<u>480,180</u>
41 TAXATION			
Current -normal	41.3	165,798	1,446
Current - FTR		4,942	—
Prior year		13,697	449
Deferred tax		138,906	15,032
		<u>323,343</u>	<u>16,927</u>

41.1 The tax charge represents normal tax (2020: minimum) under the income Tax Ordinance, 2001. Numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented for comparative, however, current year reconciliation is as follows:

41.2 Relationship between Tax Expense and Accounting Profit

Accounting profit	980,110	—
Applicable tax rate 29% (2020: 29%)	29%	—
Tax at the applicable rate of 29% (2020: 29%)	284,232	—
Tax effect of inadmissible expenses/ losses	242,215	—
Tax effect of admissible expenses	(180,872)	—
Income taxed at different rates	7,867	—
Prior years adjustment	13,697	—
Tax effect of losses and other allowances	(182,703)	—
Effect of temporary difference	138,907	—
Tax charge for the year	<u>323,343</u>	<u>—</u>

41.3 As per provisions of Income Tax Ordinance, 2001, tax credit equal to 5% of the amount invested in the acquisition of plant and machinery for purposes of balancing, modernization and replacement (BMR) is admissible against the income tax payable subject to certain conditions. Accordingly, an amount of Nil (2020: Rs. 90.602 million) has been adjusted against minimum (2020: alternative corporate tax) provision and amounting to Nil (2020: Rs. 4.515 million) against final tax regime during the year.

41.4 The rate of tax has been fixed at 29% for Tax Year 2021 and onwards by taxation authorities.

41.5 Comparison of tax provision against tax assessments

Years	Excess/ (Short)	Tax provision	Tax assessment/ tax return
	(Rupees in thousand)		
2019-20	1,446	1,446	—
2018-19	—	—	—
2017-18	—	—	—

41.6 As at June 30, 2021, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

42 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 5. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 5.11 to these financial statements.

b) Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 26.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 6 to these financial statements, the Company has revalued its free hold land as on June 30, 2021.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) Provision for doubtful receivables

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

g) Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

43 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Company in 1995, under the title of "Ittehad Chemicals Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund at year end was Rs. 8.795 million (2020: Rs. 8.333 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2021, investment out of the Fund have been made in accordance with provision of the Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

The cost / fair value of the investments was Rs. 7.129 million (2020: Rs. 7.319 million) at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
2021		
Deposit in scheduled banks	7,319	100
2020		
Deposit in scheduled banks	7,129	100

44 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 - (Rupees in thousand)	656,767	60,800
Weighted average number of ordinary shares - (in thousand)	84,700	84,700
Earnings per share - (Rupees)	7.75	0.72

45 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		
	Financing	Equity reserves	Total
	(Rupees in thousands)		
Balance as at July 1, 2020	2,958,770	1,020	2,959,790
Borrowings from Banking Companies (short and long)	165,182	-	165,182
Repayment of financing	(91,038)	-	(91,038)
Repayments of long term diminishing musharaka	(108,944)	-	(108,944)
Dividend paid on ordinary shares	-	(249,817)	(249,817)
Balance as at June 30, 2021	2,923,970	(248,797)	2,675,173

	Note	2021 Rupees in thousand	2020
46 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		980,110	77,727
Adjustments for items not involving movement of funds:			
Depreciation	6.6	512,833	572,747
Provision for staff retirement gratuity	26	32,276	34,069
Loss on sale of fixed assets	6.7	25,078	53,641
Loss / (Gain) on Disposal of Leased assets	39	(7,489)	-
Gain on revaluation of investment property	9.1	(112,500)	(61,875)
Foreign exchange gain	39	12,038	(10,774)
Gain on discounting of GIDC	39	(25,486)	8,369
Bad debts written off	37	1,021	-
Provision for obsolete stores and spares	35	18,000	12,000
Financial charges	40	225,395	480,180
Net cash flow before working capital changes		<u>1,661,276</u>	<u>1,166,084</u>

47 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors, associate persons 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 except for those which are specifically disclosed elsewhere.

47.1 Transactions with related parties

Relation with the Company	Nature of transaction	2021	2020
Other related party			
Chemi Multifabrics Limited	Marketing service charges	53,936	42,143
Subsidiary			
Ittehad Salt Processing (Private) Limited	Investment made	81	19
Associate person	Disposal of fixed assets (NBV)	650	-
Staff retirement fund	Contribution to staff retirement	541	528
Directors and employees	Remuneration to directors and key management personnel	90,615	83,138
Key management personnel	Loans & advances	-	-
	Payment of loans & advances	-	-

47.2 Basis of relationship with the company

Name of related party	Relationship	Basis of Association
Chemi Viscofiber Limited	Other related party	Shareholding
Chemi Multifabrics Limited	Other related party	N/A
Ittehad Salt Processing (Private) Limited	Other related Party	Shareholding
Chemi Dyestuffs Industries (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

47.3 Year end balance

Chemi Multifabrics Limited (Payable)	8,139	21,648
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47.4 The details of compensation paid to key management personnel are shown under the heading of “Remuneration of Chief Executive, Directors and Executive (note 52)”. There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

47.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

48 FINANCIAL INSTRUMENTS

Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

48.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
	Rupees in thousand	
Long term deposits	51,007	52,042
Long term investments	100	19
Trade debts - net of provision	1,167,876	799,171
Loans and advances - net of provision	19,575	8,039
Trade deposits	25,108	1,137
Bank balances	337,658	133,858
	<u>1,601,324</u>	<u>994,266</u>

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer’s financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Export	90,342	77,530
Domestic	1,077,534	721,641
	<u>1,167,876</u>	<u>799,171</u>

Trade receivables by geographical split is as follows:

	Sales			Trade debts	
	LC	Others	Total	Outstanding balance	
(Rupees in thousand)					
				2021	2020
Country					
Afghanistan	–	36,648	36,648	–	–
United Arab Emirates	–	201,755	201,755	18,928	35,437
Oman	–	274,216	274,216	71,414	42,093
Total	–	512,619	512,619	90,342	77,530

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2021	2020
— Rupees in thousand —		
Dealers	253,046	259,148
End-user customers	914,830	540,023
	1,167,876	799,171
The aging of trade receivable at the reporting date is:		
Not past due	944,968	562,198
Past due 1-30 days	141,877	120,320
Past due 30-150 days	81,031	116,653
Past due more than 150 days	–	–
	1,167,876	799,171

The company's most significant customers, are dealers from whom the receivable was Rs. 253.046 million (2020: Rs. 259.147 million) and foreign debtors amounting to Rs. 90.342 million (2020: Rs.77.53 million) of the total carrying amount as at 30 June 2021.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable ground to believe that the amounts will be recovered in short course of time.

On the prudence basis an amount of Rs. Nil (2020: 8.369 million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 57.476 million (2020: Rs. 72.476 million) has been provided for as doubtful debts as fully explained on note 14.1.

The Company's bank balances can be assessed with reference to external credit ratings as follows:

Cash and bank balances

The Company held cash and cash equivalents amounting to Rs. 338.635 million. These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Company considers its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries and deposits with government entities. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

	Rating Agency	Ratings	
		Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-falah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
SAMBA Bank	JCR-VIS	A1-	AA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA
Pak Brunie Investment Company Limited	JCR-VIS	A-1+	AA+

48.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
(Rupees in thousand)						
2021						
Financial liabilities						
Long term financing	419,787	494,272	63,540	96,135	148,950	185,647
Long term diminishing musharaka	1,351,575	1,590,086	252,623	244,167	462,962	630,334
Lease liabilities	25,419	28,786	9,343	-	19,443	-
Trade and other payables	1,927,676	1,927,676	1,927,676	-	-	-
Mark-up accrued	38,618	38,618	38,618	-	-	-
Short term borrowing	1,161,440	1,186,230	1,186,230	-	-	-
	<u>4,924,515</u>	<u>5,265,668</u>	<u>3,478,030</u>	<u>340,302</u>	<u>631,355</u>	<u>815,981</u>
2020						
Financial liabilities						
Long term financing	359,228	452,648	14,199	38,754	141,476	258,219
Long term diminishing musharaka	1,460,519	1,831,837	61,810	115,248	497,862	1,156,917
Lease liabilities	50,562	59,758	13,936	-	13,936	31,886
Trade and other payables	1,078,763	1,504,957	1,504,957	-	-	-
Mark-up accrued	78,374	78,374	78,374	-	-	-
Short term borrowing	1,138,575	1,161,475	1,161,475	-	-	-
	<u>4,166,021</u>	<u>5,089,049</u>	<u>2,834,751</u>	<u>154,002</u>	<u>653,274</u>	<u>1,447,022</u>

48.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

a) Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

	Note	2021 Rupees in thousand	2020
Trade debts		90,342	77,530
Gross balance sheet exposure		90,342	77,530
Outstanding letters of credit	33.2	(1,711,130)	(244,684)
Net exposure		<u>(1,620,788)</u>	<u>(167,154)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
USD to PKR	163.53	166.63	158.30	168.75

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

Effect on profit or loss

Loss	<u>9,034</u>	<u>7,753</u>
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The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Company's interest - bearing financial instruments is as follows:

	Effective rates	Carrying amount	
		2021 Rupees in thousand	2020
Financial liabilities			
Variable rate instruments:			
Long term loans	6.93%	424,902	359,228
Long term diminishing musharaka	8.99%	1,351,575	1,460,519
Short term borrowings	8.55%	1,161,440	1,138,575
		<u>2,937,917</u>	<u>2,958,322</u>

Effective interest rates are mentioned in the respective notes to the financial statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,379)</u>	<u>29,379</u>
As at June 30, 2020		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,583)</u>	<u>29,583</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

48.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

49 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

50 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 June 30, 2021 and June 30, 2020.

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.

51 FINANCIAL INSTRUMENTS BY CATEGORY

2021							
New carrying amount under IFRS 9				Fair value			
Note	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2021							
Financial assets at amortised cost							
Long-term deposits	11	51,007	—	51,007	—	—	—
Long term investment		100	—	100	—	—	—
Trade debts - net of provisions	14	1,167,876	—	1,167,876	—	—	—
Loans and advances	15	19,575	—	19,575	—	—	—
Trade deposits	16	25,108	—	25,108	—	—	—
Cash and bank balances	19	338,635	—	338,635	—	—	—
		1,602,301	—	1,602,301	—	—	—
Financial liabilities at amortised cost							
Long term financing	23	—	419,787	419,787	—	—	—
Long term diminishing musharaka	24	—	1,351,575	1,351,575	—	—	—
Lease liabilities	25	—	25,419	25,419	—	—	—
Gratuity	26	—	87,515	87,515	—	—	—
GIDC payable	28	—	77,012	77,012	—	—	—
Trade and other payables	29	—	1,927,676	1,927,676	—	—	—
Mark-up accrued	30	—	38,618	38,618	—	—	—
Short-term borrowings	31	—	1,161,440	1,161,440	—	—	—
		—	5,089,042	5,089,042	—	—	—

2020							
New carrying amount under IFRS 9				Fair value			
Note	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2020							
Financial assets at amortised cost							
Long term investments	10	19	—	19	—	—	—
Long-term deposits	11	52,042	—	52,042	—	—	—
Trade debts - net of provisions	14	799,171	—	799,171	—	—	—
Loans and advances	15	8,039	—	8,039	—	—	—
Trade deposits	16	1,137	—	1,137	—	—	—
Cash and bank balances	19	134,501	—	134,501	—	—	—
		994,909	—	994,909	—	—	—
Financial liabilities at amortised cost							
Long term financing	23	—	359,228	359,228	—	—	—
Long term diminishing musharaka	24	—	1,460,519	1,460,519	—	—	—
Lease liabilities	25	—	50,562	50,562	—	—	—
Gratuity		—	142,380	142,380	—	—	—
GIDC payable	28	—	426,196	426,196	—	—	—
Trade and other payables	29	—	1,078,763	1,078,763	—	—	—
Mark-up accrued	30	—	78,374	78,374	—	—	—
Short-term borrowings	31	—	1,138,575	1,138,575	—	—	—
		—	4,734,597	4,734,597	—	—	—

51.1 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 financial statements.

51.2 Due to the Company's long standing business relationships with these counter parties 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.

52 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration	4,913	4,320	4,033	3,447	92,649	77,368
House rent allowance	2,211	1,944	1,815	1,551	41,692	34,816
Medical expenses	246	216	202	172	4,632	3,868
Bonus (performance)	690	500	580	390	11,669	9,137
Gratuity	-	-	-	-	-	-
	<u>8,060</u>	<u>6,980</u>	<u>6,630</u>	<u>5,560</u>	<u>150,642</u>	<u>125,189</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>57</u>	<u>50</u>

52.1 The Company also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobiles phones in accordance with their terms of employment.

52.2 Aggregate amount charged in these financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 1.2 million (2020: Rs. 1.230). The Directors fees for attending Board, HR&R Committee and Audit Committee meetings were paid as prescribed in Articles of Association.

52.3 Remuneration to Non-Executive Director relates to amount paid for part time involvement in the Company.

53 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2021	2020	2021	2020	
Caustic Soda Liquid	150,000	170,000	95,795	81,907	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	5,569	5,232	
LABSA / SLES	24,000	24,000	18,899	11,771	
Liquid Chlorine	13,200	13,200	7,943	6,886	
Hydrochloric Acid	250,000	200,000	215,297	182,763	
Sodium Hypochlorite	49,500	49,500	25,125	22,152	
Zinc Sulphate	600	600	90	7	
Sodium Sulphate (Anhydrous)	4,000	4000	1,532	814	
Sulphuric Acid	3,300	3,300	89	329	
Calcium Chloride Prills	30,000	30,000	19,138	24,283	
Humic Acid	120	120	22	18	

54 NUMBER OF EMPLOYEES

	2021	2020
Number of employees at June 30,		
Permanent		
Head office	74	71
Factory	411	437
Contractual		
Head office	2	3
Factory	134	138
Average number of employees during the year		
Permanent		
Head office	73	67
Factory	424	456
Contractual		
Head office	3	4
Factory	136	140

55 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

	Note	2021	2020
		Rupees in thousand	
The proportion of debt to equity at the year end was:			
Total Borrowings (notes 23, 24, and 31)		2,932,802	2,968,497
Less: Balances with banks (note 19)		338,635	134,501
Net debt		2,594,167	2,833,996
Total equity		4,874,394	4,053,804
Total capital		7,468,561	6,887,800
Gearing ratio		0.35	0.41

56 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made during the year except security of dealers and vendors amounting to Rs. 59.224 million which has been reclassified as a separate line items from advance from customers.

57 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

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

58 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held September 21, 2021 has not recommended any further cash dividend hence the dividend declared in the meeting of the Board held on February 19, 2021 remains the final dividend for the year ended June 30, 2021 at 20% i.e Rs 2 per share (June 30, 2020: 10% i.e 1 per share). The respective effect of the transaction is incorporated in the Statement of Changes in equity.

59 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum.

The management considers presently this outbreak does not have any impact on the amounts being reported in the Company's statement of financial position as at June 30, 2021. While this is still an evolving situation as at the time of issuing these financial statements yet, to date the operations of the Company have continued uninterrupted during this pandemic, future effects cannot be predicted. However, we have been informed by the management that it will continue to monitor the potential impact

and will take all steps possible to mitigate any effects.

60 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

Description	Explanation	Note	2021	2020
			Rupees in thousand	
Loan and advance obtained	Interest bearing		1,526,575	1,884,558
Shariah bank deposit			-	-
Segment revenue (shariah compliant business)			-	-
Bank balance as at June 30,	Placed under shariah permissible		87,252	14,712
Income on bank deposit			992	-
Mark up paid on Islamic mode of Financing			162,471	330,455
Gain / (loss) or dividend income			-	-
Exchange gain			-	-

Relationship with banks having Islamic windows

Bank Name

Nature of transaction

Al- Baraka Bank (Pakistan) Limited

The Bank of Punjab
Dubai Islamic Bank (Pakistan Limited
Bank Alfalah Limited - Islamic
Meezan Bank Limited

Long term diminishing musharaka and short term borrowings

Profit earned or interest paid on any conventional loan or advance has been disclosed in the relevant note to these financial statements.

61 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 21 September 2021 by the Board of Directors of the Company.

62 GENERAL

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



Chief Executive



Director



Chief Financial Officer

The background of the page is a collage of various financial charts and graphs, including bar charts, line graphs, and a pie chart, all rendered in a light, faded grey tone. A prominent green rectangular box is overlaid on the center of the page, containing the title text in white. The overall aesthetic is professional and data-oriented.

Consolidated Financial Statements

for the year ended 30 June 2021

Directors' Report on The Consolidated Financial Statements

The Directors take pleasure in presenting their Report on the Consolidated Financial Statements of the Ittehad Chemicals Limited ("The Holding Company") and its wholly owned subsidiary company "Ittehad Salt Processing (Pvt.) Limited" (the "ISPPL"), for the year ended June 30, 2021.

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. During the year under review, the holding Company has acquired entire equity of Group Company M/s Ittehad Salt Processing (Private) Limited (the "ISPPL"); hence making ISPPL as ICL's wholly owned subsidiary. The shareholders' approval for this purpose was sought in an Extra-Ordinary General Meeting held on May 21, 2021. 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. Following are the Directors of the Subsidiary Company:-

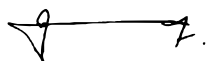
Directors' Name	Status
Mr. Ahmed Mustafa	Nominee Director
Mrs. Uzma Abdul Hai	Nominee Director
Mr. Abdullah Mustafa	Nominee Director
Mr. Hammad Yousuf Khatri	Nominee Director
Mr. Wasiaq Siddiq Khatri	Nominee Director

Following casual vacancies occurred and were filled during the period under review:-

Incoming Directors	Outgoing Directors	Appointment Date
Mr. Abdullah Mustafa	Mr. Abdul Ghaffar Cheema	May 26, 2021
Mr. Hammad Yousuf Khatri	Mrs. Samina Ghaffar	May 26, 2021
Mr. Wasiaq Siddiq Khatri	Mr. Shoaib Razzaq	May 26, 2021

The Consolidated Financial Statements showed Earnings per share Rs. 7.75 for the year ended June 30, 2021. Adequate internal financial controls are placed 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. Major risks to the outlook include the possibility of new wave of corona virus infections, the emergence of new vaccine-resistant strains and impediment in issue of Mining License by Punjab Minerals and Mines Department.

Lahore
September 21, 2021



Muhammad Siddique Khatri
Chairman



Abdul Sattar Khatri
Chief Executive Officer

Independent Auditors' Report to the Members of Ittehad Chemicals Limited

Report on the Audit of the consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Ittehad Chemicals Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	Capital expenditures	
	<p>The Group continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2021.</p> <p>Refer to notes 6.1 to the financial statements.</p> <p>The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Group's accounting policy, in particular for assets constructed by the Group and the useful economic lives assigned by management are appropriate. For these reasons, we considered it to be a key audit matter.</p> <p>Refer to notes 5.1 to the consolidated financial statements.</p>	<p>Our audit work included assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria.</p> <p>We also assessed the useful economic lives assigned with reference to the Group's historical experience.</p> <p>We reviewed the minutes of the Group's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p>

S. No	Key audit matters	How the matter was addressed in our audit
		<p>The adequacy of the disclosures presented in the consolidated financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	Inventory valuation	
	<p>As at June 30, 2021, the Group held Rs. 1564.22 million in inventories. Given the size of the inventory balance relative to the total assets of the Group and the estimates and judgements described below, the valuation of inventory required significant audit attention.</p> <p>As disclosed in Note 5.7 and 5.8, inventory is held at the lower of cost and net realizable value determined using the moving average cost method / average cost-plus production overheads. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost.</p> <p>The determination of whether inventory will be realized for a value less than cost requires management to exercise judgement and apply assumptions. Management undertakes the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> • Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items; • The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized if required. • Refer to Note 5.7, 5.8, 12 & 13 of the consolidated financial statements – Inventory. 	<ul style="list-style-type: none"> • Our audit procedures involved assessing the Group's accounting policies over recognizing and valuation of inventory in compliance with applicable accounting standards. We tested the costing of the inventory and performed net realizable value testing to assess whether the cost of the inventory exceeds net realizable value. An analytical review was also performed on inventory. • We assessed the Group's disclosures in the consolidated financial statements in respect of inventory.

S. No	Key audit matters	How the matter was addressed in our audit
3.	<p data-bbox="284 360 475 389">Contingencies</p> <p data-bbox="284 400 866 548">As disclosed in note 34.1 to the consolidated financial statements, the Group is involved in certain legal and tax proceedings against the Group. The appeals were filed by the Group against these orders at respective forum.</p> <p data-bbox="284 577 866 842">Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the consolidated financial statements.</p> <p data-bbox="284 871 866 1048">No provision has been made in the consolidated financial statements for the liability that may arise in the event of a decision against the Group as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Group.</p> <p data-bbox="284 1077 866 1165">There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matter.</p>	<p data-bbox="885 400 1455 548">In response to the risk of completeness of the disclosures and the completeness of the provisions in the consolidated financial statements, we obtained external confirmations directly from legal and tax advisors.</p> <p data-bbox="885 570 1455 681">We undertook number of procedures to verify the appropriateness of contingencies in the consolidated financial statements. This included, among others:</p> <ul data-bbox="885 710 1455 1720" style="list-style-type: none"> <li data-bbox="885 710 1455 858">• We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved in the disputes. <li data-bbox="885 880 1455 990">• We read the minutes of the Board meetings, and inspected the Group's legal expenses, in order to ensure all cases have been identified. <li data-bbox="885 1013 1455 1123">• We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. <li data-bbox="885 1145 1455 1256">• We followed the progress of each case and the Group's estimate of the cost to be incurred; <li data-bbox="885 1278 1455 1367">• We considered the impact on future case costs from changes arising in the regulatory environment; <li data-bbox="885 1389 1455 1499">• We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; <li data-bbox="885 1521 1455 1610">• Checked orders by relevant authority on previous lawsuits / cases appearing in the consolidated financial statements; and <li data-bbox="885 1632 1455 1720">• Obtained legal advice on the above cases with the legal advisors to ensure that the outflow is possible and not probable.

S. No	Key audit matters	How the matter was addressed in our audit
4.	Revenue recognition	
	<p>The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of the goods have been transferred to customers and the customer can direct the use of and substantially obtain all the benefits from the goods, resulting in a significant risk associated with revenue from an audit perspective.</p> <p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p> <p>Refer to note 5.23 to the consolidated financial statements for accounting policies and the relevant detailed disclosures respectively.</p>	<p>Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework.</p> <p>We developed an understanding of relevant business process and performed the following procedures:</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of control of the goods to customers and the customers can direct the use of and substantially obtain all the benefits from the goods, was supported by substantive audit procedures including, amongst others: • Performing predictive analytical tests on the different revenue streams. • Testing a sample of sales transactions around year end to ensure inclusion in the correct period. • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers. • Scanning for any manual journal entries relating to revenue recorded during the year which were considered to be material are met other specific risk based criteria for inspecting underline documentation.

Information Other than the consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran.

Lahore
Dated: September 21, 2021


BDO Ebrahim & Co
Chartered Accountants

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Consolidated Statement of Financial Position

as at 30 June, 2021

	Note	2021	2020
Rupees in thousand			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	5,722,682	5,872,413
Capital work in progress	7	417,167	46,476
		6,139,849	5,918,889
Intangible assets	8	6,697	6,445
Investment property	9	307,500	195,000
Long term investments	10	-	19
Long term deposits	11	51,007	52,042
		6,505,053	6,172,395
CURRENT ASSETS			
Stores, spares and loose tools	12	442,955	418,741
Stock in trade	13	1,121,263	685,118
Trade debts	14	1,167,876	799,171
Loans and advances	15	341,458	208,399
Trade deposits and short term prepayments	16	33,878	5,003
Tax refunds due from the Government	17	529,200	419,605
Taxation - net	18	66,459	297,623
Cash and bank balances	19	338,731	134,501
		4,041,820	2,968,161
TOTAL ASSETS		10,546,873	9,140,556
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	20.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	20.2	847,000	847,000
Reserves	21		
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		2,305,352	1,904,070
Surplus on revaluation of fixed assets	22	1,392,042	972,734
Loan from directors	23	219	-
		4,874,613	4,053,804
NON CURRENT LIABILITIES			
Long term financing	24	287,969	334,580
Long term diminishing musharaka	25	964,570	1,407,081
Lease liabilities	26	17,899	40,387
Deferred liabilities	27	448,301	364,794
Deferred grant	28	1,038	3,260
GIDC payable	29	77,012	426,196
		1,796,789	2,576,298
CURRENT LIABILITIES			
Trade and other payables	30	2,139,690	1,201,550
Unclaimed dividend		5,303	1,020
Mark-up accrued	31	38,618	78,374
Short term borrowings	32	1,161,440	1,138,575
Current portion of long term liabilities	33	530,420	90,935
		3,875,471	2,510,454
CONTINGENCIES AND COMMITMENTS	34		
TOTAL EQUITY AND LIABILITIES		10,546,873	9,140,556

The annexed notes from 1 to 63 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Profit or Loss Account

For the year ended 30 June, 2021

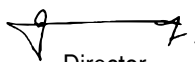
	Note	2021 Rupees in thousand	2020
Sales	35	11,123,793	8,856,601
Cost of sales	36	(9,238,284)	(7,674,958)
Gross profit		1,885,509	1,181,643
Selling and distribution expenses	37	(576,501)	(501,041)
General and administrative expenses	38	(200,583)	(208,306)
Other operating expenses	39	(109,700)	(60,662)
Other income	40	94,280	84,398
		(792,504)	(685,611)
Operating profit		1,093,005	496,032
Financial charges	41	(225,395)	(480,180)
Fair value gain on investment property	9	112,500	61,875
Profit before taxation		980,110	77,727
Taxation	42	(323,343)	(16,927)
Profit after taxation		656,767	60,800
Earnings per share - Basic and diluted (Rupees)	45	7.75	0.72

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 63 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Comprehensive Income

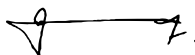
For the year ended 30 June, 2021

	Note	2021 Rupees in thousand	2020
Profit after taxation for the year		656,767	60,800
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss account			
Remeasurement of defined benefit liability	27.3	(1,919)	6,228
Related tax effect		534	(1,704)
		(1,385)	4,524
Revaluation surplus on free hold land	22	419,308	-
		417,923	4,524
Items that may be reclassified subsequently to profit or loss			
		-	-
Total comprehensive income for the year		<u>1,074,690</u>	<u>65,324</u>

The annexed notes from 1 to 63 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Cash Flows

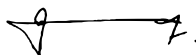
For the year ended 30 June, 2021

	Note	2021	2020
		Rupees in thousand	
Cash flows from operating activities			
Net cash flows from operating activities before working capital changes	47	1,661,276	1,166,084
Decrease / (increase) in current assets			
Stores, spares and loose tools		(42,214)	(22,992)
Stock in trade		(436,145)	103,586
Trade debts		(381,764)	(132,249)
Loans and advances		(133,059)	8,252
Trade deposits and short term prepayments		(28,875)	5,727
Tax refunds due from the Government		34,457	98,191
		(987,600)	60,515
Increase in current liabilities			
Trade and other payables		559,797	(20,730)
Cash generated from operations		1,233,473	1,205,869
Taxes paid		(97,326)	(100,833)
Gratuity paid		(34,442)	(5,773)
Financial charges paid		(265,151)	(527,360)
Net cash generated from operating activities		836,554	571,903
Cash flows from investing activities			
Additions to operating fixed assets		(22,308)	(5,582)
Additions to capital work in progress		(576,365)	(135,470)
Proceeds from sale of operating fixed assets		249,916	1,170
Long term investment		-	(19)
Investment in subsidiary - net		15	-
Long term deposits		1,035	(136)
Net cash used in investing activities		(347,707)	(140,037)
Cash flows from financing activities			
Proceeds from long term financing		142,316	98,495
Repayments of long term financing		(82,576)	(221,783)
Proceeds from long term diminishing musharaka		-	49,981
Repayments of long term diminishing musharaka		(108,944)	(87,500)
Repayment of finance lease liabilities		(8,462)	(5,486)
Dividend paid		(249,817)	(20)
Short term borrowings - net		22,866	(240,944)
Net cash used in financing activities		(284,617)	(407,257)
Net increase in cash and cash equivalents		204,230	24,609
Cash and cash equivalents at the beginning of the year		134,501	109,892
Cash and cash equivalents at the end of the year	19	338,731	134,501

The annexed notes from 1 to 63 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June, 2021

Note	Issued, subscribed and paid-up capital	Directors' loans	Reserves			Total
			Capital Reserves		Revenue Reserves	
			Surplus on revaluation of fixed assets	Share premium	Unappropriated profit	
(Rupees in thousand)						
Balance as at July 01, 2019	847,000		972,734	330,000	1,838,746	3,988,480
Transaction with owners:						
Profit for the year	-	-	-	-	60,800	60,800
Remeasurement of defined benefit liability - net	-	-	-	-	4,524	4,524
					65,324	65,324
Balance as at June 30, 2020	847,000	-	972,734	330,000	1,904,070	4,053,804
Transaction with owners:						
Final cash dividend on ordinary shares @ Rs. 1 per share -	-	-	-	-	(84,700)	(84,700)
Interim Final cash dividend on ordinary shares @ Rs. 2 per share	-	-	-	-	(169,400)	(169,400)
	-	-	-	-	(254,100)	(254,100)
Total comprehensive income for the year						
Profit for the year	-	-	-	-	656,767	656,767
Remeasurement of defined benefit liability - net	-	-	-	-	(1,385)	(1,385)
Revaluation surplus for the year	-	-	419,308	-	-	419,308
	-	-	419,308	-	655,382	1,074,690
Directors' loan	-	219	-	-	-	219
Balance as at June 30, 2021	847,000	219	1,392,042	330,000	2,305,352	4,874,613

The annexed notes from 1 to 63 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2021

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.

1.3 Basis of consolidation

These Consolidated financial statements comprise the financial statements of the Holding Company and its Subsidiary Company as at June 30, 2021 (together referred to as “the Group”).

A Company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiary is consolidated from the date on which the Holding Company obtains control, and continue to be consolidated until the date when such control ceases. The effective date of consolidation is May 26, 2021.

The financial statements of the subsidiary is prepared for the same reporting period as the Holding/parent Company, using consistent accounting policies.

All inter-company balances, transactions and unrealized gains and losses resulting from inter-company transactions and dividends are eliminated in full.

The assets, liabilities, income and expenses of subsidiary company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary company’s shareholders’ equity in the consolidated financial statements.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The geographical locations and addresses of the Group’s business units, including production facilities are as under:

2.1 Holding company

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

Regional office

Karachi
Faisalabad
Islamabad

Office address

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

2.2 Subsidiary company

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

3 BASIS OF PREPARATION**3.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in freehold land, investment property, investments and exchange differences as referred to in notes 5.1, 5.4, 5.6 and 5.21 respectively.

The preparation of consolidated financial statements is in conformity with approved financial reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 43.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the functional and presentation currency for the Group.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Group has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

4.1 Effective in current year and not relevant to the Company

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.	January 01, 2020
IFRS 16	Leases - The objective of the amendment is to give timely relief to lessees to covid-19-related rent concessions while still enabling them to provide useful information about their leases to investors.	January 01, 2020
IFRS 7	Financial Instruments “disclosures”	January 01, 2020
IFRS 9	Financial Instruments	January 01, 2020
IAS 1	Presentation of Financial Statements - amendments to its definition of material to make it easier for companies to make materiality judgements.	January 01, 2020
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2020
IAS 41	Agriculture.	January 01, 2020

4.2 The following International Financial Reporting Standards (IFRS Standards) and amendments not yet effective

IFRS 16	<p>COVID-19 - Related Rent Concessions</p> <p>The International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate.</p> <p>Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:</p> <ol style="list-style-type: none"> a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and c) there is no substantive change to the other terms and conditions of the lease. 	January 01, 2021
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The standard is not likely to have any effect on Company's financial statements.

IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 9	Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.	January 01, 2022
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of current and non-current liabilities.	January 01,2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendment regarding the definition of accounting estimates, the standard defines the concept of a "change in accounting estimates.	
IAS 12	Income taxes - Amendment regarding to clarify how companies account for deferred tax on leases and decommissioning obligations.	January 01,2023
IAS 16	Property, Plant and equipment - The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	January 01, 2022

The IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The standard is not likely to have any effect on Company's financial statements.

The following new standards and interpretations have been issued by the IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First time adoption of International Financial Reporting Standard
IFRS 17	Insurance Contracts

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented in these consolidated financial statements.

5.1 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is carried at revalued amount and capital work-in-progress which is stated at cost less impairment losses. Cost comprises of actual cost including, interest expense and trial run operational results.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 6. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the statement of profit or loss.

b) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

5.2 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Group and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

5.3 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment if any.

5.4 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 5.23.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

5.5 Leases

Right of use assets

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liability

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5.6 Investment

5.6.1 Investment in associates

Investment in associates where the Group holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as "Fair value through OCI".

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

5.6.2 Investments in subsidiary

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases. These consolidated financial statements include ICL and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

5.6.3 Acquisition - related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such measurement are recognized in profit or loss.

5.6.4 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the

carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

5.6.5 Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This means that amounts previously recognized in comprehensive income are reclassified to statement of profit or loss.

5.6.6 Investments in associated and jointly control entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the statement of profit or loss and comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

5.7 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the statement of financial position date. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realisable value.

5.8 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw and packing materials	- Moving average cost
Raw and packing materials in transit	- Invoice value plus other expenses incurred thereon
Work in process	- Cost of material as above plus proportionate production overheads
Finished goods	- Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Adequate provision is made for slow moving and obsolete items.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

5.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. The Group is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred.

5.10 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the consolidated statement of comprehensive income.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.11 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to consolidated statement of profit or loss in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 "Borrowing cost".

5.12 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.13 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

5.14 Operating lease/Ijarah

Operating lease/ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor/Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to consolidated statement of profit or loss on a straight-line basis over the period of the lease/Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Group has adopted the above said standard.

5.15 Deferred grant

The deferred grant is measured upon initial recognition as the difference between fair value of the loan and loan proceeds. The fair value of the loan is the present value of the loan proceed received, discounted using the prevailing market rates of interest for a similar instrument. Subsequently, the grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

5.16 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

5.17 Cash and cash equivalents

For the purposes of consolidated cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

5.18 Dividend and appropriation to reserve

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved.

5.19 Financial instruments**5.19.1 Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Group as at consolidated statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Group measures loss allowance at an amount equal to lifetime ECLs.

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

5.19.2 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

5.19.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

5.19.4 De-recognition

The financial assets are de-recognized when the Group loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

5.20 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.21 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in profit and loss account currently.

5.22 Employee benefits

The Group's employees benefits comprise of provident fund, gratuity scheme and compensated absences for eligible employees.

5.22.1 Staff retirement benefits

a) Defined contribution plan (Provident Fund)

A recognized provident fund scheme is in operation, which covers all permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Group in 1995. The Group and the employees make equal contributions to the fund.

b) Defined benefit plan (Gratuity Fund)

The Group operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at June 30, 2021 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the consolidated statement of profit or loss. During the year, the Group has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Group has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per current policy.

5.22.2 Compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

5.22.3 Defined contribution plan (new)

The Group has planned to operate an approved provident fund scheme, effective from July 01, 2021, for all its eligible employees. Equal monthly contributions are made, both by the Group and the employees to the fund at the rate of 8.33% of basic salary. Staff is eligible to opt for provident fund upon their confirmation their job. Obligation for contribution to defined contribution plan is recognized as an expense in the profit or loss as and when incurred.

5.23 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Group's activities as described below.

Revenue from contracts with customers

Sale of goods

- Sale of goods is recognized when the Group has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Group to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

5.24 Related party transactions

Transactions and contracts with the related parties are based on the policy that all transactions between the Group and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

5.25 Borrowing costs

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

5.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has only one reportable segment.

5.27 Contingencies

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.28 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

5.29 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.30 Capital reserves - Share premium

This reserve can be utilized by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

	Note	2021 Rupees in thousand	2020
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	5,709,033	5,842,860
Right of use assets	6.12	13,649	29,553
		5,722,682	5,872,413

6.1 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	(Rupees in thousand)							Total	
	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments		Vehicles
Net carrying value basis year ended June 30, 2021									
Opening net book value (NBV)	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Additions / Transfer (at cost)	419,308	20,796	—	186,049	1,169	240	5,262	14,466	647,290
Disposals (NBV)	—	(2,922)	—	(270,075)	—	(14)	(80)	(1,905)	(274,996)
Depreciation charge	—	(23,658)	(77)	(461,846)	(6,903)	(387)	(3,219)	(10,031)	(506,121)
Closing net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Gross carrying value basis year ended June 30, 2021									
Cost	1,592,895	410,275	3,906	6,861,819	144,558	10,898	71,331	112,851	9,208,533
Accumulated depreciation	—	(188,307)	(3,208)	(3,073,776)	(105,440)	(7,314)	(55,060)	(66,395)	(3,499,500)
Net book value	1,592,895	221,968	698	3,788,043	39,118	3,584	16,271	46,456	5,709,033
Net carrying value basis year ended June 30, 2020									
Opening net book value (NBV)	1,173,587	234,441	861	4,798,155	52,376	3,983	15,860	55,350	6,334,613
Additions (at cost)	—	17,465	—	110,079	357	175	1,984	57	130,117
Disposals / transfers (NBV)	—	(1)	—	(54,317)	—	—	(5)	(488)	(54,811)
Depreciation charge	—	(24,153)	(86)	(520,002)	(7,881)	(413)	(3,531)	(10,993)	(567,059)
Closing net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Gross carrying value basis year ended June 30, 2020									
Cost	1,173,587	407,432	3,906	7,677,211	143,389	10,737	66,395	107,070	9,589,727
Accumulated depreciation	—	(179,680)	(3,131)	(3,343,296)	(98,537)	(6,992)	(52,087)	(63,144)	(3,746,867)
Net book value	1,173,587	227,752	775	4,333,915	44,852	3,745	14,308	43,926	5,842,860
Depreciation rate % per annum	—	10	10	10 to 33	15	10	15 to 30	20	

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

6.3 This includes transfer from capital work-in-progress amounting to Rs. 205.675 million (2020: Rs. 124.534 million).

6.4 Free hold land was revalued by independent valuers M/s. Harvestor Services (Private) Limited as at May 25, 2006, M/s. Dimen Associates (Private) Limited as at June 30, 2009, M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012, M/s. Unicorn International Surveyors as at June 30, 2015, M/s. Harvestor Services (Private) Limited as at June 30, 2018 and M/s Harvestor Services (Private) Limited as at June 30, 2021 on the basis of market value. The revaluation resulted in surplus aggregating to Rs. 1392.42 million (2020: Rs. 972.374 million). Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 1392.42 million (2020: Rs. 972.734 million). Had there been no revaluation, the net book value of the free hold land would have been Rs. 200.853 million (2020: Rs. 200.853 million).

6.5 The forced sale value of free hold land was Rs. 1353.960 million as at June 30, 2021.

6.6 The depreciation charge for the year has been allocated as follows:

	2021	2020
	Rupees in thousand	
Cost of sales	496,283	556,719
Selling and distribution expenses	2,289	2,688
General and administrative expenses	14,262	13,340
	512,834	572,747

6.7 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
Vehicles							
Suzuki Mehran - 9125	590	397	193	250	57	Negotiation	Mr. Kafait Ullah
Toyota Corolla LEE-09-1780	1,449	1,316	133	400	267	Negotiation	Mr. Umar Ahmed Rasool
Honda Civic LEF-3701	2,492	1,964	528	750	222	Negotiation	Mr. Muhammad Azam
Toyota Vitz LEB-12-2802	1,003	849	154	423	269	Negotiation	Mr. Asim Mehmood
Toyota Altis BCY-949	2,362	1,712	650	1,500	850	Negotiation	Mr. Wasiq Siddique Khatri
Motor Cycle KBH-766	27	25	2	8	6	Negotiation	Mr. Shahid
Motor Cycle KHQ 1834 - Karachi Office	49	36	13	8	(5)	Negotiation	Mr. Shahid
Suzuki Bolan - LE-16 9261	714	481	233	550	317	Negotiation	Mr. Muhammad Attique
Plant and machinery							
Electrolyzer # IEM I (P&M)	965,962	706,517	259,445	246,027	(13,418)	Negotiation	Mr. Tanveer Iqbal and Mr. Ihsan Ullah
Misc Assets (Building)	974,648	713,297	261,351	249,916	(11,435)	Scraped	
Misc Assets (P&M)	17,953	15,031	2,922	-	(2,922)	Scraped	
	35,885	25,162	10,723	-	(10,723)	Scraped	
Total - 2021	1,028,486	753,490	274,996	249,916	(25,080)		
Total - 2020	182,612	127,801	54,811	1,170	(53,641)		

6.8 Certain assets were retired during the year and sold as bulk scrap. Consequently, it is not practicable to assign sale proceeds to these retired assets individually.

6.9 One vehicle has been disposed off to Mr. Wasiq Siddique Khatri, who is an associated person and son of the director of the Group.

6.10 Fair value measurement (revalued property, plant and equipment)

6.10.1 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Harvester Services (Private) Limited as at June 30, 2021 on the basis of market value.

6.10.2 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

6.11 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per canal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
6.12 Right of use assets			
The following is the statement of right-of-use assets:			
Building			
Year ended June 30,			
Net carry value basis			
Opening net book value (July 01,)		29,553	30,463
Remeasurement	6.13	-	4,779
Disposals	6.14	(9,192)	-
Depreciation charge		(6,712)	(5,689)
Closing net book value		13,649	29,553
Gross carry value basis			
Cost		41,653	62,658
Accumulated depreciation		(28,004)	(33,105)
Net book value		13,649	29,553
Depreciation rate % per annum		10%	10%

6.13 At the last reporting period the Group has remeasured the right of use of assets and corresponding liabilities by using the revised discount rate.

6.14 The Group has vacated two premises during the year and accordingly disposal adjustment has been made in these consolidated financial statements.

	Note	2021 Rupees in thousand	2020 Rupees in thousand
7 CAPITAL WORK IN PROGRESS			
This comprises of:			
Building		12,247	8,315
Plant and machinery		243,548	20,872
Advances	7.2	161,372	17,289
		417,167	46,476

	Advances	Building	Plant and machinery	Total
Note	Rupees in thousand			
7.1 Movement of carrying amount				
Year ended June 30, 2021				
Opening balance	17,289	8,315	20,872	46,476
Additions (at cost)	159,733	23,508	393,124	576,365
Transferred / Adjustment	(15,650)	(2,111)	17,761	-
Transferred / Adjustment	-	3,332	(3,332)	-
Transferred to operating fixed assets	-	(20,797)	(184,878)	(205,675)
Closing balance	161,372	12,247	243,547	417,166
Year ended June 30, 2018				
Opening balance	17,289	15,059	3,193	35,541
Additions (at cost)	-	24,740	110,730	135,470
Transferred to operating fixed assets	-	(31,484)	(93,051)	(124,535)
Closing balance	17,289	8,315	20,872	46,476

7.2 Advances includes balances amounting to Rs. 1.639 million (2020: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This also includes an advances amounting to Rs. 76.00 million (2020: Nil) against purchase of land at Faisalabad Industrial Estate Development and Management Company to establish a chemical plant at Allama Iqbal Industrial City.

	Note	2021	2020
		Rupees in thousand	
8 INTANGIBLE ASSETS			
Computer software and licences	8.1	-	-
Goodwill	8.2	6,697	6,445
		6,697	6,445
8.1 Computer software and licences			
Net carrying value as at 1 July			
Opening balance as on July 01,		-	-
Amortization charge		-	-
Net book value as at June 30,		-	-
Gross carrying value as at 30 June			
Cost		22,542	22,542
Accumulated amortization		(22,542)	(22,542)
Net book value		-	-
8.2 Goodwill			
Goodwill on acquisition of ISPL	8.2.1	252	-
Goodwill on merger	8.2.2	6,445	6,445
		6,697	6,445

	Note	2021 Rupees in thousand	2020
8.2.1 Goodwill on acquisition of ISPL			
Consideration			
Fair value of already held investment		19	-
For further acquisition		81	-
		100	-
Less: Fair Value of net assets acquired at May 26, 2021		(152)	-
Good will		252	-

8.2.2 This represents Rs. 6.445 million (2020: Rs. 6.445 million) excess of the amount paid over fair value of net assets of subsidiary company (now merged with and into the Group) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36. The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 5 % p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using applicable discount rate. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

9 INVESTMENT PROPERTY

Freehold land	9.1	307,500	195,000
9.1 The movement in this account is as follows:			
Opening balance		195,000	133,125
Fair value gain on revaluation shown in "income statement"		112,500	61,875
	9.2	307,500	195,000

9.2 Fair value measurement (Investment property)

This comprises commercial property that is freehold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2021 as determined by approved independent valuer M/s Harvester Services (Private) Limited. Fair value is determined having regard to recent market transactions for similar properties in the same location and condition.

Fair value measurement of investment property is based on assumptions considered to be based on level 2 inputs.

Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per kanal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

9.3 The forced sale value of investment property is Rs. 261.375 million (2020: Rs. 174.750 million).

	Note	2021 Rupees in thousand	2020
10 LONG TERM INVESTMENTS			
Investment in related parties - unquoted			
Held at cost			
Chemi Visco Fiber Limited	10.1	—	—
Investment in subsidiary company			
Held at cost			
Ittehad Salt Processing (Private) Limited	10.2	—	19
		—	19
10.1 Chemi Visco Fiber Limited			
5,625,000 (2020: 5,625,000) fully paid ordinary shares		56,250	56,250
Less: Provision for diminution in value of investment	10.1.1	(56,250)	(56,250)
Relevant information:			
Percentage of investment in equity held 7.91%			
(2019: 7.91%) (Chief Executive : Mr. Usman Ghani)			
		—	—

10.1.1 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. Further, the consolidated financial statements of the entity indicate that the fair value of the net assets is negative.

10.2 Ittehad Salt Processing (Private) Limited

10,000 (2020: 1,900) fully paid ordinary shares

10.3 — 19

Relevant information:

Percentage of investment in equity held 100%
(2020: 19%) (Chief Executive : Mr. Ahmed Mustafa)

Location: Pakistan

10.3 Investment in Ittehad Salt Processing (Private) Limited represents Nill (2020: 1,900) fully paid ordinary shares of Rs. 10 each. The Group currently holds 100% shareholding interest in subsidiary, out of which 5 shares amounting to Rs. 50 are held in the name of 5 nominee directors of the Group.

11 LONG TERM DEPOSITS

Long term deposit 11.1 51,007 52,042

11.1 This includes security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. These deposits do not carry any interest or mark-up and are not recoverable within one year. IFRS 9 requires long-term non interest bearing financial assets to be discounted at average borrowing rate of the Group. Majority of the long-term deposits relates to deposits given to government utility departments with undetermined life period for the impact of discounting hence these are not remeasured.

	Note	2021 Rupees in thousand	2020
12 STORES, SPARES AND LOOSE TOOLS			
Stores:			
in hand	12.1	61,140	60,047
in transit		-	8,361
		61,140	68,408
Spares:			
in hand	12.1	339,564	355,220
in transit		64,089	3,821
		403,653	359,041
		464,793	427,449
Less: Provision for obsolete stores and spares	12.2	21,838	8,708
		442,955	418,741

12.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

12.2 Movement of provision for obsolete stores and spares

Opening balance	8,708	7,830
Adjustment on account of write off during the year	(4,870)	(11,122)
Provision made during the year	18,000	12,000
	21,838	8,708

13 STOCK IN TRADE

Raw materials:			
in hand	36	358,577	233,605
in transit	13.1	251,324	4,871
		609,901	238,476
Packing materials			
in hand		22,788	9,931
in transit		-	5,308
Work in process	36	43,626	38,912
Finished goods	13.2 & 36	444,948	392,491
		1,121,263	685,118

13.1 This represents stock in transit which was still on the way to port at the year end.

13.2 The finished goods also includes stock in transit amounting to Rs. 25.19 million (2020: 19.542 million) which was still on the way to port at the year end.

13.3 Stock-in-trade up to a maximum amount of Rs. 1,121.263 million (2020: Rs. 685.118 million) are under hypothecation of commercial banks as security for short term borrowings.

	Note	2021 Rupees in thousand	2020
14 TRADE DEBTS			
Unsecured			
Considered good - Foreign		90,342	77,530
Secured			
Considered doubtful	14.2	2,234	17,234
Less: Provision for doubtful debt	14.1	2,234	17,234
		—	—
Unsecured			
Considered good - Local		1,077,534	721,641
Considered doubtful		55,242	55,242
		1,132,776	776,883
		1,223,118	854,413
Less: Provision for doubtful debts	14.1	55,242	55,242
		1,167,876	799,171
14.1 Movement of provision for doubtful debts is as follows:			
Opening balance		72,476	64,107
Adjustment on account of:			
Recovery of doubtful debts		(15,000)	—
Provision made for doubtful debts		—	8,369
Net adjustment		(15,000)	8,369
Closing balance		57,476	72,476

14.2 This represents receivable from Punjab Chemicals Stores and Honest Enterprises which is secured against mortgage of property and also a memorandum of understanding (MOU) signed between the parties. Upon recovery of Rs. 15.00 million (2020: Nil) during the year the Group has withdrawn the application filed under section 20 of the Arbitration Act, 1940. However, remaining amount has been kept fully impaired on prudence basis.

15 LOANS AND ADVANCES

Advances - (Unsecured - considered good)			
To employees	15.1 & 2	19,575	8,039
Advance to supplies and services (Unsecured)			
Considered good	15.5	320,541	198,465
Considered doubtful		1,374	1,374
		321,915	199,839
Against import		1,342	1,895
		342,832	209,773
Less: Provision for doubtful advances	15.6	1,374	1,374
		341,458	208,399

15.1 This includes advance to employees against salaries in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and payable on demand.

15.2 This 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.

15.3 This includes advances amounting to Rs. 15.394 million (2020: Rs. 4.170 million) deposited to the Court against various cases for gratuity of employees and the Group is expecting favourable outcome and therefore, considered good.

15.4 Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.

15.5 This includes advances an amount of Rs. 236.842 million (2020: Rs. 171.510 million) provided to Sui Northern Gas Pipelines Limited against running bills and are settled as and when the monthly bills are issues. These advances do not carry any interest or mark-up.

	Note	2021 Rupees in thousand	2020
15.6 Movement of provision for doubtful debts is as follows:			
Opening balance		1,374	1,374
Addition during the year		—	—
Closing balance		1,374	1,374
16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)	16.1	25,108	1,137
Security deposits	16.2	1,625	—
Prepayments		7,145	3,866
		33,878	5,003

16.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

16.2 This includes security deposit against rented premises. These deposits do not carry any interest or mark-up and are recoverable within one year as the respective premises are vacated during the year.

17 TAX REFUNDS DUE FROM THE GOVERNMENT

(Considered good)

Income tax		503,724	359,672
Sales tax		25,476	59,933
		529,200	419,605

18 TAXATION - NET

Advance income tax		233,704	299,069
Less: Provision for taxation	42	167,245	1,446
		66,459	297,623

19 CASH AND BANK BALANCES

Cash in hand		977	643
Cheques in hand		213,462	114,232
Cash at banks			
Current accounts	19.1	63,913	19,626
Saving accounts	19.2	60,379	—
		124,292	19,626
		338,731	134,501

19.1 Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.

19.2 The balance in saving accounts carries mark up which ranges from 3% to 5.5% (2020: Nil) per annum.

20 SHARE CAPITAL**20.1 Authorized share capital**

2021	2020		2021	2020
Number of ordinary shares of Rs. 10/- each		Note	Rupees in thousand	
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
<u>125,000,000</u>	<u>125,000,000</u>		<u>1,250,000</u>	<u>1,250,000</u>

20.2 Issued, subscribed and paid up capital

2021	2020			
Number of ordinary shares of Rs. 10/- each				
27,100,000	27,100,000	Fully paid in cash	271,000	271,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
32,700,000	32,700,000	Fully paid bonus shares	327,000	327,000
<u>84,700,000</u>	<u>84,700,000</u>		<u>847,000</u>	<u>847,000</u>

20.2.1 Movement of share capital is as follows:

	Number of Shares	Rupees (thousand)
Opening balance	84,700,000	84,700,000
Shares issued during the year	—	—
Closing balance	<u>84,700,000</u>	<u>84,700,000</u>

20.2.2 The Company took over the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatised on July 03, 1995.

20.2.3 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

21 RESERVES

	Note	2021	2020
		Rupees in thousand	
Capital			
Share premium	21.1	330,000	330,000
Revenue			
Un-appropriated profit		2,305,352	1,904,070
		<u>2,635,352</u>	<u>2,234,070</u>

21.1 This reserve can be utilized by the Group only for the purposes specified in section 81 of the Companies Act, 2017.

21.2 Movement of reserves have been reflected in the statement of changes in equity.

22 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2021	2020
Opening balance		972,734	972,734
Revaluation surplus arising during the year	22.1	419,308	—
		<u>1,392,042</u>	<u>972,734</u>

22.1 This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2021 by an independent valuer M/s. Harvestor Services (Private) Limited on the basis of market value.

	Note	2021	2020
		Rupees in thousand	
23 LOAN FROM DIRECTORS			
Unsecured			
Directors			
Others (other than banking companies)			
Directors		210	-
Chief Executive		9	-
		<u>219</u>	<u>-</u>
23.1 Movement of loan is as follows:			
Opening balance		-	
Obtained during the year			
Mr. Sohaib Razzaq		210	-
Mr. Ahmed Mustafa		9	-
		<u>219</u>	<u>-</u>
Repaid during the year		-	
Closing balance		<u>219</u>	<u>-</u>

23.2 This represents unsecured interest free long term loans from directors of the Group to meet the working capital and long term requirements. These are payable on discretion of the Group and will be paid as and when convenient to the Group. This has been disclosed/classified in accordance with TR -32 "Directors' Loan" clause 3.3 "Contractual Directors' loan that is interest free and repayable at the discretion of the Group, issued by the Institute of Chartered Accountants of Pakistan.

24 LONG TERM FINANCING

Secured:			
Banking Companies			
MCB Bank Limited- SBP Refinance	24.1	142,613	92,561
Other Financial Institutions			
Pak Libya Holding Company (Private) Limited	24.2	43,841	-
Pak Brunei Investment Company Limited	24.3	233,333	266,667
		<u>277,174</u>	<u>266,667</u>
		<u>419,787</u>	<u>359,228</u>
Less: Current portion shown under current liabilities	33	131,818	24,648
		<u>287,969</u>	<u>334,580</u>

24.1 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 Group with 27% margin. The rate of mark-up is fixed at 3%.

24.2 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. This loan is not fully disbursed yet. The loan is repayable in sixteen (16) equal quarterly installments starting from 15th month from the first drawdown.

24.3 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. Principal payment against outstanding facility was deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. A repayment of Rs. 33.33 million was made on February 03, 2021.

	Note	2021 Rupees in thousand	2020
25 LONG TERM DIMINISHING MUSHARAKA			
Secured;			
Banking Companies			
The Bank of Punjab - TAQWA	25.1	612,500	612,500
The Bank of Punjab - TAQWA	25.2	418,450	420,519
Al-Baraka Bank (Pakistan) Limited	25.3	320,625	427,500
		<u>1,351,575</u>	<u>1,460,519</u>
Less: Current portion shown under current liabilities	33	387,005	53,438
		<u>964,570</u>	<u>1,407,081</u>

25.1 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 instalments with the one year grace period commencing from February 2020. Principal payment against outstanding facility was deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. The repayment of principle is deferred by the bank for one year starting from August 15, 2020.

25.2 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. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. The repayment of principle is deferred by the bank for one year starting from December 14, 2020.

25.3 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 but yet not fully disbursed with a grace period of six months. Principal payment against outstanding facility has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year. During the year Rs. 106.875 million was repaid.

	Note	2021 Rupees in thousand	2020
26 LEASE LIABILITIES			
Against right-of-use assets			
Lease liabilities		50,562	50,562
Payments / adjustments during the year		(25,143)	—
		25,419	50,562
Less: Current portion		(7,520)	(10,175)
		17,899	40,387
26.1 Maturity analysis-contractual undiscounted cash flow			
Less than one year		(9,343)	(13,936)
One to five year		(19,443)	(45,822)
Total undiscounted lease liability		(28,786)	(59,758)
26.2 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.			
26.3 The above liabilities were obligations under leases with various lessors for lease of buildings.			
27 DEFERRED LIABILITIES			
Deferred taxation	27.1	360,786	222,414
Provision for gratuity	27.3	87,515	142,380
		448,301	364,794
27.1 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		507,749	581,670
Deductible temporary differences			
Provision for gratuity		(39,539)	(38,955)
Provision for doubtful debts		(16,668)	(21,018)
Provision for WPPF		(13,086)	(786)
Provision for obsolete stores and spares		(6,075)	(2,383)
Lease liability		(7,071)	(13,833)
Tax credits		(64,524)	(282,281)
		360,786	222,414
27.2 The gross movement in the deferred tax liability during the year is as follow:			
Balance as at July 1,		222,414	205,678
Charge to profit and loss account		138,906	15,032
Credit in other comprehensive income		(534)	1,704
		360,786	222,414

27.3 Provision for gratuity

a) General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2021 using the Projected Unit Credit method.

The Group faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings..

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2021 Percentage Per annum	2020 Percentage
b) Significant actuarial assumptions		
Following are significant actuarial assumptions used in the valuation:		
Discount rate	10	8.5
Expected rate of increase in salary	9	7.5
	2021	2020
	Rupees in thousand	
c) Reconciliation of payable to defined benefit plan		
Present value of obligation	87,515	142,380
Liability recognized in balance sheet	87,515	142,380
d) Movement of the liability recognized in the statement of financial position		
Opening net liability	142,380	120,312
Charge for the year	26,380	34,069
Gains and losses arising on Plan settlements	5,896	-
Benefits due but not paid	(54,618)	-
Remeasurement chargeable to other comprehensive income	1,919	(6,228)
Contribution paid to outgoing employees	(34,442)	(5,773)
Closing net liability	87,515	142,380
e) Charge for the year		
Current service cost	18,063	17,336
Interest cost	8,317	16,733
Gains and losses arising on plan settlements	5,896	-
Charge for the year	32,276	34,069
f) The expected charge in respect of defined benefit plan for the year ending June 30, 2022 will be 18.227 million.		

g) Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
2021		
Discount rate	80,222	95,843
Salary increase	95,924	80,023
2020		
Discount rate	129,911	156,763
Salary increase	156,919	129,553

h) Maturity profile

Time in year		
1	4,020	6,968
2	7,590	8,350
3	4,543	11,471
4	4,579	21,615
5-11 onwards	852,455	1,057,540

The average duration of the defined benefit obligation is 9 years.

	Note	2021	2020
		Rupees in thousand	
i) Remeasurement chargeable to other comprehensive income			
Experience adjustment and actuarial loss / (gain) on obligation		1,919	(6,228)
Tax impact at 29% (2020: 29%) - net of export %age		(534)	1,704
		<u>1,385</u>	<u>(4,524)</u>

- j) During the year, the Group has changed its retirement benefit policy effective from July 01, 2021 and as per new policy all officers and above, existing and newly hired, shall be entitled for provident fund only. The Group has withdrawn gratuity on permanent basis for officers and above. However, labors / workers will be entitled for gratuity as per current policy.

28 DEFERRED GRANT

Deferred Grant	5,115	5,934
Current portion of grant	(4,077)	(2,674)
	<u>1,038</u>	<u>3,260</u>
28.1 Following is the movement in government grant during the year:		
Opening balance	5,935	-
Addition during the period	4,415	6,270
Amortized during the period	(5,235)	(335)
Closing balance	<u>5,115</u>	<u>5,935</u>

- 28.2** During the year, the Company received term finance facility from MCB Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 98.495 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and half year inclusive 8-Months Grace period and are repayable in 8 equal Quarterly installments commencing from January 2021. ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Company recognized the Deferred Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.

	Note	2021 Rupees in thousand	2020
29 GIDC PAYABLE			
GIDC payable		251,097	730,621
Less: Current portion shown under current liability	29.1	174,085	304,425
		<u>77,012</u>	<u>426,196</u>

29.1 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. 251.097 million containing Rs. 77.012 million as Long term portion and Rs. 174.085 million as current portion.

The Group has paid seven (7) instalments during the period and balance provision of GIDC as at the reporting date is Rs. 604.017 million (June 30, 2020: 730.621 million). The provision was recognized earlier based on estimation basis for the respective periods. However, the Group has filed a writ petition in the Lahore High Court to suspend the recovery of arrears of Cess calculated at enhanced captive rates. The Lahore 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 subjudicic 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.

30 TRADE AND OTHER PAYABLES

Trade creditors		407,719	88,539
Accrued liabilities	30.1 & 30.3	1,457,380	988,535
Advances from customers		74,108	56,705
Security deposits	30.2	62,824	59,224
Retention money		6,902	1,626
Workers' Profit Participation Fund	30.4	47,035	2,875
Workers Welfare Fund	30.5	28,018	3,983
Other liabilities		55,675	63
		<u>2,139,690</u>	<u>1,201,550</u>

30.1 This includes a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 8.139 million (2020: Rs. 21.648 million).

30.2 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. The amount have been kept in a separate bank account maintained for this purpose, however, the amount is being used for the purpose of business.

30.3 Sui Northern Gas Pipeline 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 Honorable 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. 327.005 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. 327.005 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

	Note	2021 Rupees in thousand	2020
30.4 Workers' Profit Participation Fund			
Balance as at July 01,		2,875	28,117
Interest at prescribed rate		47	1,482
Less: Amount paid to fund		1,080	27,768
		1,842	1,831
Current year's allocation at 5%	39	45,193	1,044
		47,035	2,875

The Group retains the allocation of this fund for its business operations till the amounts are paid.

30.5 Workers' Welfare Fund			
Balance as at July 01,		3,983	4,299
Less: Amount paid to fund		-	4,299
		3,983	-
Current year's allocation at 2%	39	24,035	3,983
		28,018	3,983

The Group retains the allocation of this fund for its business operations till the amounts are paid.

31 MARK UP ACCRUED

Secured;			
Long term financing		8,358	11,817
Long term diminishing musharaka		21,975	40,069
Short term borrowings		8,285	26,488
		38,618	78,374

32 SHORT TERM BORROWINGS

Secured;			
Banking companies			
Running finances			
MCB Bank Limited	32.1	102,877	43,287
Askari Bank Limited	32.1	67,504	42,707
The Bank of Punjab	32.1	107,801	5,624
Samba Bank Limited	32.1	351,383	222,918
Habib Metro Bank Limited	32.1	156,875	-
		786,440	314,536
Export refinance			
MCB Bank Limited	32.2	-	100,000
Term finance			
Askari Bank Limited	32.3	100,000	100,000
Bank Al-Falah Limited	32.3	175,000	354,039
Pak Brunei Investment Company Limited	32.3	100,000	200,000
Al-Baraka Bank (Pakistan) Limited	32.3	-	70,000
		375,000	724,039
		1,161,440	1,138,575

32.1 Short term running finance facilities from various banks aggregated to Rs. 1,420 million (2020: Rs.1,220 million) and carries mark-up ranging from one month KIBOR plus 1% to three months KIBOR plus 1.25% per annum (2020: 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.

32.2 Export refinance facility is obtained from MCB Bank Limited aggregated to Rs. 300 million (2020: 300 million) and carries mark-up at the rate SBP +1% spread per annum (Floating rate) (2020: SBP+ 1% spread 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 (Rs. 535 million). This loan obtained to finance raw material and to meet working capital requirement related to export business.

32.3 Term finance facilities from various banks aggregated to Rs. 700 million (2020: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.50% per annum (2020: Matching KIBOR plus 0.70% to 1.50 % per annum) on utilized limits. These facilities are secured against first pari passu charge over present and future current assets of the Group.

32.4 Financing/credit facilities available

At the reporting date, the following financing facilities had been negotiated and were available.

Aggregate facilities for opening of letters of credit and short term loan amounting to Rs. 2,125 million (2020: Rs. 1025 million) are available to the Group.

	Note	2021 Rupees in thousand	2020
33 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	24	131,818	24,648
Long term diminishing musharaka	25	387,005	53,438
Liabilities against assets subject to finance lease	26	7,520	10,175
Deferred grant	28	4,077	2,674
		<u>530,420</u>	<u>90,935</u>

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingent liabilities

a) The taxation authorities have amended the deemed assessment for the Tax Year 2010 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001 creating, thereby, income tax demand of Rs. 54.510 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) who partially set aside and remanded back and also partially decided in favour of the Company. The Company as well as tax department filed an appeal against the said order before Appellate Tribunal Inland Revenue. The cross appeals were decided through a consolidated order. The ATIR order did not adjudicated on the issues of TY 2010 and thereafter rectification of order vide misc application has been filed before ATIR to pass revised speaking order. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in maximum tax payable of Rs. 54.510 million (June 30, 2020: Rs. 54.510 million).

b) The taxation authorities have amended the deemed assessment for Tax Year 2006 by passing an order u/s 122(5A) of the Income Tax Ordinance, 2001. The Company challenged the same before Commissioner Inland Revenue (Appeals) who partially set aside and partially decided against the Company. The Company has filed an appeal before Appellate Tribunal Inland Revenue against the said order. The ATIR remanded the case back to the Additional Commissioner Inland Revenue

(ADCIR). In remand back proceeding ADCIR decided the case partially in favour of the Company. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) CIR (A) against the remaining portion. The CIR(A) has decided the case in favour of the Company. Thereafter the CIR has filed appeal before ATIR. The Company considers the appeal of CIR as for sake only and therefore expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 4.080 million (June 30, 2020: Rs. 4.080 million).

- c) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 12.077 million (June 30, 2020: Rs. 5.00 million) against these claims.
- d) Show cause notice was served by the ACIR whereby taxpayer is required to explain the alleged illegal input (sales tax) tax adjustment amounting to Rs. 28.725 million. Detailed reply was filed by the Company. In response to which ACIR issued assessment order and created demand amounting to Rs. 19.724 million along with penalty amounting to Rs. 0.986 million. The Company being aggrieved filed appeal before CIR (A). The CIR(A) has reduced the demand from Rs. 19.724 million to Rs. 1.20 million. The Company has challenged the demand of Rs. 1.20 million in ATIR. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.20 million (June 30, 2020: 1.20 million).
- e) Income tax credit u/s 65B (BMR) of Income Tax Ordinance, 2001 was reduced from 10% to 5% by Finance Act, 2019 retrospectively for Tax Year 2019. The Company has challenged this amendment in the Honorable Lahore High Court through writ petition 67856/2019. In this regard the Court has issued interim order and has directed the taxpayers to file their income tax return manually. If the case is decided in favour of the Company it may result in a contingent deductible allowance of Rs. 63.20 million (2020: Rs. 63.20 million).
- f) The Finance Act, 2017 has substituted Section 5A of the Income Tax Ordinance, 2001 and further amended by Finance Supplementary (Second Amendment) Act 2019 introduced tax on every public company from Tax Year 2018 at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case of a public company, which distributes at least 20% of its after tax profits within six (6) months of the end of the tax year through cash dividend. The Company has filed Writ Petition (WP) before Lahore High Court (LHC) during 2020, to challenge the vires of Section 5A of the Income Tax Ordinance, 2001 and management believes that it has meritorious grounds to file this writ petition and is confident of its outcome in the Company's favour. Accordingly, no provision amounting to Rs. 25.50 million has been made against the same in the financial statements. However, if the case is decided against the Company, it may result in tax payable of Rs. 25.50 million (2020: 25.50 million).
- g) Letters of guarantee outstanding as at June 30, 2021 were Rs. 347.693 million (2020: Rs. 375.913 million).

34.2 Commitments

Commitments as on June 30, 2021 were as follows:

- a) Against letters of credit amounting to Rs. 1,711.130 million (2020: Rs. 244.684 million).
- b) Against purchase of land and shops amounting to Rs. 1.639 million (2020: Rs. 1.639 million).
- c) Commitment for lease payment has been made under the relevant note.

	Note	2021 — Rupees in thousand —	2020
35 SALES			
Sales			
Manufacturing	35.1	13,127,733	10,428,441
Trading		5,410	26
		<u>13,133,143</u>	<u>10,428,467</u>
Less: Sales tax		1,848,622	1,446,450
Commission to selling agents		160,728	125,416
		<u>2,009,350</u>	<u>1,571,866</u>
		<u>11,123,793</u>	<u>8,856,601</u>

35.1 This amount includes export sales amounting to Rs. 512.619 million (2020: Rs. 566.332 million).

35.2 Country wise export sales is as follows:

Afghanistan	36,648	36,529
United Arab Emirates	201,755	163,295
Oman	274,216	366,508
	<u>512,619</u>	<u>566,332</u>

36 COST OF SALES

Raw materials consumed			
Opening stock		238,476	287,808
Purchases		3,969,104	2,287,776
		<u>4,207,580</u>	<u>2,575,584</u>
Closing stock	13	(609,901)	(238,476)
		<u>3,597,679</u>	<u>2,337,108</u>
Stores, spares and consumables		236,400	179,195
Packing materials consumed		168,026	136,586
Salaries, wages and other benefits	36.1	530,538	490,533
Fuel and power		4,169,077	3,848,536
Repair and maintenance		43,916	28,944
Rent, rates and taxes		379	345
Insurance		13,991	15,214
Depreciation	6.6	496,283	556,719
Vehicle running expenses		13,316	13,744
Telephone, telex and postage		938	834
Printing and stationery		293	176
Provision for slow moving stores and spares	12.2	18,000	12,000
Other expenses		1,741	2,217
		<u>9,290,577</u>	<u>7,622,151</u>
Work in process			
Opening		38,912	38,143
Closing	13	(43,626)	(38,912)
		<u>(4,714)</u>	<u>(769)</u>
Cost of goods manufactured		<u>9,285,863</u>	<u>7,621,382</u>
Cost of stores traded		4,878	51
Finished goods			
Opening		392,491	446,016
Closing	13	(444,948)	(392,491)
		<u>(52,457)</u>	<u>53,525</u>
		<u>9,238,284</u>	<u>7,674,958</u>

36.1 This amount includes Rs. 26.76 million (2020: Rs. 28.136 million) in respect of employees' retirement benefits.

	Note	2021	2020
		Rupees in thousand	
37 SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	37.1	34,620	31,908
Travelling and conveyance		572	877
Vehicle running expenses		1,975	2,241
Advertisement		74	4
Telephone, telex and postage		1,130	1,093
Marketing service charges		53,936	42,143
Freight		472,463	413,056
Rent, rates and taxes		509	481
Printing and stationery		566	377
Fee and subscription		102	337
Fuel and power		2,270	1,872
Repair and maintenance		1,617	2,120
Insurance		4,378	1,844
Depreciation	6.6	2,289	2,688
		<u>576,501</u>	<u>501,041</u>

37.1 This amount includes Rs. 2.147 million (2020: Rs. 2.258 million) in respect of employees' retirement benefits.

38 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	38.1	128,107	131,806
Traveling and conveyance		7,038	8,640
Vehicle running expenses		9,061	7,257
Telephone, telex and postage		3,123	3,166
Rent, rates and taxes		2,586	378
Printing and stationery		915	792
Fee and subscription		3,688	2,767
Legal and professional charges		9,450	10,511
Fuel and power		4,858	4,454
Provision for doubtful debts and advances		-	8,369
Repair and maintenance		2,833	3,278
Depreciation	6.6	14,262	13,340
Bad debts written off		1,021	-
Donations	38.2	9,522	10,781
Other expenses		4,119	2,767
		<u>200,583</u>	<u>208,306</u>

38.1 This amount includes Rs. 3.91 million (2020: Rs. 4.202 million) in respect of employees' retirement benefits.

Rana Al-habib Memorial Hospital Foundation	600	1,200
Dastkari School KSK	1,380	1,350
Kiran Foundation	600	300
Akhuwat Foundation	500	-
	<u>3,080</u>	<u>2,850</u>

38.2.1 Interest of the Directors or their spouses in the donations made during the year is as follows:

Donation amounting to Rs. 0.600 million (2020: Rs. 0.300 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman of the Group is the patron of the school and Mr. Waqas Siddiq Khatri, an executive director of the Group, is also the member of the Board of Trustees.

38.2.2 Donations other than mentioned above were not made to any donee in which any director of the Group or his spouse had any interest at any time during the year.

	Note	2021 Rupees in thousand	2020
39 OTHER OPERATING EXPENSES			
Auditors' remuneration			
Consolidation fee		100	—
Audit fee		800	800
Half yearly review fee		250	189
Tax and certification charges		50	115
Out of pocket expenses		167	213
		1,367	1,317
Loss on sale of fixed assets		13,422	—
Loss on decommissioned fixed assets	39.1	13,645	54,318
Workers' profit participation fund	30.4	45,193	1,044
Workers welfare fund	30.5	24,035	3,983
Loss on foreign exchange		12,038	—
		109,700	60,662

39.1 This represents an amount of Rs. 13.645 million (2020: 54.318 million) on account of scrapping of plant and machinery as no future economic benefits are expected from its use.

40 OTHER INCOME

Income from financial assets			
Gain on foreign exchange		-	10,774
Return on saving accounts		5,805	-
Income from non- financial assets			
Gain on sale of fixed assets		1,989	677
Gain on disposal of leased asset (disposal)		7,489	-
Gain on discounting of GIDC payable		25,486	-
Sale of scrap		33,276	72,611
Interest on re-financing scheme		5,235	336
Recovery of doubtful debts	14.1	15,000	-
		88,475	73,624
		94,280	84,398

41 FINANCIAL CHARGES

Mark-up / interest on:			
Long term financing		33,294	56,466
Long term diminishing musharaka		127,429	224,729
Interest on lease finance		3,282	7,792
Short term borrowings		40,296	178,897
Worker's profit participation fund		48	1,482
		204,349	469,366
Bank charges and commission		12,002	10,814
Unwinding of discount on GIDC payment		9,044	—
		225,395	480,180

42 TAXATION	Note	2021	2020
		Rupees in thousand	
Current -normal		165,798	1,446
Current - FTR		4,942	–
Prior year		13,697	449
Deferred tax		138,906	15,032
		<u>323,343</u>	<u>16,927</u>

42.1 The tax charge represents normal tax (2020: minimum) under the income Tax Ordinance, 2001. Numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented for comparative, however, current year reconciliation is as follows:

42.2 Relationship between Tax Expense and Accounting Profit

Accounting profit	980,110	-
Applicable tax rate 29% (2020: 29%)	29%	-
Tax at the applicable rate of 29% (2020: 29%)	284,232	-
Tax effect of inadmissible expenses/ losses	242,215	-
Tax effect of admissible expenses	(180,872)	-
Income taxed at different rates	7,867	-
Prior years adjustment	13,697	-
Tax effect of losses and other allowances	(182,703)	-
Effect of temporary difference	138,907	-
Tax charge for the year	<u>323,343</u>	<u>-</u>

42.3 As per provisions of Income Tax Ordinance, 2001, tax credit equal to 5% of the amount invested in the acquisition of plant and machinery for purposes of balancing, modernization and replacement (BMR) is admissible against the income tax payable subject to certain conditions. Accordingly, an amount of Nil (2020: Rs. 90.602 million) has been adjusted against minimum (2020: alternative corporate tax) provision and amounting to Nil (2020: Rs. 4.515 million) against final tax regime during the year.

42.4 The rate of tax has been fixed at 29% for Tax Year 2021 and onwards by taxation authorities.

42.5 Comparison of tax provision against tax assessments

Years	Excess/	Tax	
	(Short)	Tax provision	assessment/ tax return
(Rupees in thousand)			
2019-20	1,446	1,446	–
2018-19	–	–	–
2017-18	–	–	–

42.6 As at June 30, 2021, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

43 ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's main accounting policies affecting its result of operations and financial conditions are set out in note 5. Judgments and assumptions have been required by the management in applying the Group's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes

The Group takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 5.10 to these consolidated financial statements.

b) Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 27.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Group. Further, the Group reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 6 to these consolidated financial statements, the Company has revalued its free hold land as on June 30, 2021.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) Provision for doubtful receivables

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

g) Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

44 DEFINED CONTRIBUTION PLAN

The Group has contributory provident fund scheme for benefit of all its permanent employees, who had not opted Voluntarily Separation Scheme / Golden Hand Shake Scheme announced at the time of privatization of the Group in 1995, under the title of "Ittehad Chemicals Limited - Employees Contributory Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Group.

The Trustees have intimated that the size of the Fund at year end was Rs. 8.795 million (2020: Rs. 8.333 million).

Based on the unaudited financial information of the Provident Fund as at June 30, 2021, investment out of the Fund have been made in accordance with provision of the Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

The cost / fair value of the investments was Rs. 7.129 million (2020: Rs. 7.319 million) at that date. The category wise break up of investment as per section 218 of the Companies Act, 2017 is given below:

	Rupees in thousand	Percentage
2021		
Deposit in scheduled banks	<u>7,129</u>	<u>100</u>
2020		
Deposit in scheduled banks	<u>7,319</u>	<u>100</u>

45 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 - (Rupees in thousand)	<u>656,767</u>	<u>60,800</u>
Weighted average number of ordinary shares - (in thousand)	<u>84,700</u>	<u>84,700</u>
Earnings per share - (Rupees)	<u>7.75</u>	<u>0.72</u>

46 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		
	Financing	Equity reserves	Total
	(Rupees in thousands)		
Balance as at July 1, 2020	2,958,770	1,020	2,959,790
Borrowings from Banking Companies (short and long)	165,182	-	165,182
Repayment of financing	(91,038)	-	(91,038)
Repayments of long term diminishing musharaka	(108,944)	-	(108,944)
Dividend paid on ordinary shares	-	(249,817)	(249,817)
Balance as at June 30, 2021	<u>2,923,970</u>	<u>(248,797)</u>	<u>2,675,173</u>

	Note	2021 Rupees in thousand	2020
47 CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		980,110	77,727
Adjustments for items not involving movement of funds:			
Depreciation	6.6	512,833	572,747
Provision for staff retirement gratuity	27	32,276	34,069
Loss on sale of fixed assets	6.7	25,078	53,641
Loss / (Gain) on Disposal of Leased assets	40	(7,489)	-
Gain on revaluation of investment property	9.1	(112,500)	(61,875)
Foreign exchange gain	39	12,038	(10,774)
Gain on discounting of GIDC payable	40	(25,486)	8,369
Bad debts written off	38	1,021	-
Provision for obsolete stores and spares	36	18,000	12,000
Financial charges	41	225,395	480,180
Net cash flow before working capital changes		<u>1,661,276</u>	<u>1,166,084</u>

48 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors, as associated person 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:

48.1 Transactions with related parties

Relation with the Group	Nature of transaction		
Other related party			
Chemi Multifabrics Limited	Marketing service charges	53,936	42,143
Subsidiary			
Ittehad Salt Processing (Private) Limited	Investment made	81	19
Associate person	Disposal of fixed assets (NBV)	650	-
Staff retirement fund	Contribution to staff retirement	541	528
Directors and employees	Remuneration to directors and key management personnel	90,615	83,138
Key management personnel	Loans & advances	-	-
	Payment of loans & advances	-	-

48.2 Basis of relationship with the Group

Name of related party	Relationship	Basis of Association
Chemi Viscofiber Limited	Other related party	Shareholding
Chemi Multifabrics Limited	Other related party	N/A
Ittehad Salt Processing (Private) Limited	Subsidiary	Shareholding (wholly owned subsidiary)
Chemi Dyestuffs Industries (Private) Limited	Associated company	Common Directorship
Ittehad Developer	Associated company	Common Directorship

48.3 Year end balance

Chemi Multifabrics Limited (Payable)	8,139	21,648
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48.4 The details of compensation paid to key management personnel are shown under the heading of “Remuneration of Chief Executive, Directors and Executive (note 53)”. There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

48.5 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

49 FINANCIAL INSTRUMENTS

Financial risk management

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly.

49.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
	Rupees in thousand	
Long term deposits	51,007	52,042
Long term investments	-	19
Trade debts - net of provision	1,167,876	799,171
Loans and advances - net of provision	19,575	8,039
Trade deposits	25,108	1,137
Bank balances	337,754	133,858
	<u>1,601,320</u>	<u>994,266</u>

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer’s financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Export	90,342	77,530
Domestic	1,077,534	721,641
	<u>1,167,876</u>	<u>799,171</u>

Trade receivables by geographical split is as follows:

Country	Sales		Trade debts		
	LC	Others	Total	Outstanding balance	
(Rupees in thousand)					
				2021	2020
Afghanistan	–	36,648	36,648	–	–
United Arab Emirates	–	201,755	201,755	18,928	35,437
Oman	–	274,216	274,216	71,414	42,093
Total	–	512,619	512,619	90,342	77,530

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2021	2020
	Rupees in thousand	
Dealers	253,046	259,148
End-user customers	914,830	540,023
	1,167,876	799,171
The aging of trade receivable at the reporting date is:		
Not past due	944,968	562,198
Past due 1-30 days	141,877	120,320
Past due 30-150 days	81,031	116,653
Past due more than 150 days	–	–
	1,167,876	799,171

The Group's most significant customers, are dealers from whom the receivable was Rs. 253.046 million (2020: Rs. 259.147 million) and foreign debtors amounting to Rs. 90.342 million (2020: Rs.77.53 million) of the total carrying amount as at 30 June 2021.

Based on the past experience, consideration of financial position, past track records and recoveries, the Group believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable ground to believe that the amounts will be recovered in short course of time.

On the prudence basis an amount of Rs. Nil (2020: 8.369 million) has been charged as provision for doubtful debts, to profit and loss account and upto balance sheet an amount of Rs. 57.476 (2020: Rs. 72.476) has been provided for as doubtful debts as fully explained on note 14.1.

The Group's bank balances can be assessed with reference to external credit ratings as follows:

Cash and bank balances

The Group held cash and cash equivalents amounting to Rs. 338.731 million. These cash and cash equivalents are held with banks and financial institutions counterparties, which are rated A to AA+, based on PACRA ratings. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects short term maturities of the exposure. The Group considers its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. 12 month probabilities of default are based on historical data supplied by PACRA rating agency for each credit rating. Loss given default (LGD) parameters generally reflect assumed recovery rates based on recovery rates assumed in Basel Guidelines for unsecured exposures.

Advances, deposits and other receivables

Advances, deposits and other receivables mainly comprise of advances to employees against salaries and deposits with government entities. The Group has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

	Rating Agency	Ratings	
		Short Term	Long Term
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-falah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
SAMBA Bank	JCR-VIS	A1-	AA
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA
Pak Brunie Investment Company Limited	JCR-VIS	A-1+	AA+

49.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
(Rupees in thousand)						
2021						
Financial liabilities						
Long term financing	419,787	494,272	63,540	96,135	148,950	185,647
Long term diminishing musharaka	1,351,575	1,590,086	252,623	244,167	462,962	630,334
Lease liabilities	25,419	28,786	9,343	-	19,443	-
Trade and other payables	1,927,705	1,927,705	1,927,705	-	-	-
Mark-up accrued	38,618	38,618	38,618	-	-	-
Short term borrowing	1,161,440	1,186,230	1,186,230	-	-	-
	<u>4,924,544</u>	<u>5,265,697</u>	<u>3,478,059</u>	<u>340,302</u>	<u>631,355</u>	<u>815,981</u>
2020						
Financial liabilities						
Long term financing	359,228	452,648	14,199	38,754	141,476	258,219
Long term diminishing musharaka	1,460,519	1,831,837	61,810	115,248	497,862	1,156,917
Lease liabilities	50,562	59,758	13,936	-	13,936	31,886
Trade and other payables	1,078,763	1,504,957	1,504,957	-	-	-
Mark-up accrued	78,374	78,374	78,374	-	-	-
Short term borrowing	1,138,575	1,161,475	1,161,475	-	-	-
	<u>4,166,021</u>	<u>5,089,049</u>	<u>2,834,751</u>	<u>154,002</u>	<u>653,274</u>	<u>1,447,022</u>

49.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Group is exposed to currency risk and interest rate risk only.

a) Currency risk

The Group is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Group, primarily in U.S. dollar. The Group's exposure to foreign currency risk is as follows:

	Note	2021 Rupees in thousand	2020
Trade debts		90,342	77,530
Gross balance sheet exposure		90,342	77,530
Outstanding letters of credit	34.2	(1,711,130)	(244,684)
Net exposure		<u>(1,620,788)</u>	<u>(167,154)</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
USD to PKR	163.53	166.63	158.30	168.75

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

Effect on profit or loss

Loss	<u>9,034</u>	<u>7,753</u>
------	--------------	--------------

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest - bearing financial instruments is as follows:

	Effective rates	Carrying amount	
		2021 Rupees in thousand	2020
Financial liabilities			
Variable rate instruments:			
Long term loans	6.93%	424,902	359,228
Long term diminishing musharaka	8.99%	1,351,575	1,460,519
Short term borrowings	8.55%	1,161,440	1,138,575
		<u>2,937,917</u>	<u>2,958,322</u>

Effective interest rates are mentioned in the respective notes to the financial statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,379)</u>	<u>29,379</u>
As at June 30, 2020		
Cash flow sensitivity - Variable rate financial liabilities	<u>(29,583)</u>	<u>29,583</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Group.

49.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

50 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

51 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 June 30, 2021 and June 30, 2020.

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.

52 FINANCIAL INSTRUMENTS BY CATEGORY

2021							
New carrying amount under IFRS 9				Fair value			
Note	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2021							
Financial assets at amortised cost							
Long-term deposits	11	51,007	–	51,007	–	–	–
Long term investment		–	–	–	–	–	–
Trade debts - net of provisions	14	1,167,876	–	1,167,876	–	–	–
Loans and advances	15	19,575	–	19,575	–	–	–
Trade deposits	16	25,108	–	25,108	–	–	–
Cash and bank balances	19	338,731	–	338,731	–	–	–
		1,602,297	–	1,602,297	–	–	–
Financial liabilities at amortised cost							
Long term financing	24	–	419,787	419,787	–	–	–
Long term diminishing musharaka	25	–	1,351,575	1,351,575	–	–	–
Lease liabilities	26	–	25,419	25,419	–	–	–
Gratuity	27	–	87,515	87,515	–	–	–
GIDC payable	28	–	77,012	77,012	–	–	–
Trade and other payables	30	–	1,927,705	1,927,705	–	–	–
Mark-up accrued	31	–	38,618	38,618	–	–	–
Short-term borrowings	32	–	1,161,440	1,161,440	–	–	–
		–	5,089,071	5,089,071	–	–	–

2020							
New carrying amount under IFRS 9				Fair value			
Note	Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
On-Balance sheet financial instruments							
As at June 30, 2020							
Financial assets at amortised cost							
Long term investments	10	19	–	19	–	–	–
Long-term deposits	11	52,042	–	52,042	–	–	–
Trade debts - net of provisions	14	799,171	–	799,171	–	–	–
Loans and advances	15	8,039	–	8,039	–	–	–
Trade deposits	16	1,137	–	1,137	–	–	–
Cash and bank balances	19	134,501	–	134,501	–	–	–
		994,909	–	994,909	–	–	–
Financial liabilities at amortised cost							
Long term financing	24	–	359,228	359,228	–	–	–
Long term diminishing musharaka	25	–	1,460,519	1,460,519	–	–	–
Lease liabilities	26	–	50,562	50,562	–	–	–
Gratuity		–	142,380	142,380	–	–	–
GIDC payable	29	–	426,196	426,196	–	–	–
Trade and other payables	30	–	1,078,763	1,078,763	–	–	–
Mark-up accrued	31	–	78,374	78,374	–	–	–
Short-term borrowings	32	–	1,138,575	1,138,575	–	–	–
		–	4,734,597	4,734,597	–	–	–

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.

52.1 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 financial statements.

52.2 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.

53 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Group are as follows:

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration	4,913	4,320	4,033	3,447	92,649	77,368
House rent allowance	2,211	1,944	1,815	1,551	41,692	34,816
Medical expenses	246	216	202	172	4,632	3,868
Bonus (performance)	690	500	580	390	11,669	9,137
Gratuity	-	-	-	-	-	-
	<u>8,060</u>	<u>6,980</u>	<u>6,630</u>	<u>5,560</u>	<u>150,642</u>	<u>125,189</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>57</u>	<u>50</u>

53.1 The Group also provides the Chief Executive and some of the Directors and Executives with Company maintained cars and mobiles phones in accordance with their terms of employment.

53.2 Aggregate amount charged in these consolidated financial statements in respect of Directors' fee for attending Board and Audit Committee meetings amounted to Rs. 1.20 million (2020: Rs. 1.230). The Directors fees for attending Board, HR&R Committee and Audit Committee meetings were paid as prescribed in Articles of Association.

53.3 Remuneration to Non-Executive Director relates to amount paid for part time involvement in the Group.

54 CAPACITY AND PRODUCTION

	Installed capacity (Tonnes)		Actual production (Tonnes)		Reason for shortfall
	2021	2020	2021	2020	
Caustic Soda Liquid	150,000	170,000	95,795	81,907	Cautious production strategy based on actual demands.
Caustic Soda Flakes	10,000	10,000	5,569	5,232	
LABSA / SLES	24,000	24,000	18,899	11,771	
Liquid Chlorine	13,200	13,200	7,943	6,886	
Hydrochloric Acid	250,000	200,000	215,297	182,763	
Sodium Hypochlorite	49,500	49,500	25,125	22,152	
Zinc Sulphate	600	600	90	7	
Sodium Sulphate (Anhydrous)	4,000	4000	1,532	814	
Sulphuric Acid	3,300	3,300	89	329	
Calcium Chloride Prills	30,000	30,000	19,138	24,283	
Humic Acid	120	120	22	18	

55 NUMBER OF EMPLOYEES

	2021	2020
Number of employees at June 30,		
Permanent		
Head office	74	71
Factory	411	437
Contractual		
Head office	2	3
Factory	134	138
Average number of employees during the year		
Permanent		
Head office	73	67
Factory	424	456
Contractual		
Head office	3	4
Factory	136	140

56 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

The Group's objectives when managing capital are:

- (i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (ii) To provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

	Note	2021 Rupees in thousand	2020
The proportion of debt to equity at the year end was:			
Total Borrowings (notes 24, 25, and 32)		2,932,802	2,968,497
Less: Balances with banks (note 19)		338,731	134,501
Net debt		2,594,071	2,833,996
Total equity		4,874,613	4,053,804
Total capital		7,468,684	6,887,800
Gearing ratio		0.35	0.41

57 CORRESPONDING FIGURES

57.1 Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made during the year except security of dealers and vendors amounting to Rs. 59.224 million have been reclassified as a separate line items from advance from customers.

57.2 The parent company has acquired subsidiary on May 26, 2021, however, corresponding figures have been taken from standalone financial statements of the Parent Company, therefore, it may not be comparable.

58 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

58.1 All significant transactions and events that have affected the Group's financial position and performance during the year have been adequately disclosed in the notes to these consolidated financial statements.

59 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held September 21, 2021 has not recommended any further cash dividend hence the dividend declared in the meeting of the Board held on February 19, 2021 remains the final dividend for the year ended June 30, 2021 at 20% i.e Rs 2 per share (June 30, 2020: 10% i.e 1 per share). The respective effect of the transaction is incorporated in the Statement of Changes in equity.

60 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum.

The management considers presently this outbreak does not have any impact on the amounts being reported in the Group's statement of financial position as at June 30, 2021. While this is still an evolving situation as at the time of issuing these consolidated financial statements yet, to date the operations of the Group have continued uninterrupted during this pandemic, future effects cannot be predicted. However, we have been informed by the management that it will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

60 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with the reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to all shares Islamic Index.

Description	Explanation	Note	2021	2020
			Rupees in thousand	
Loan and advance obtained	Interest bearing		1,526,575	1,884,558
Shariah bank deposit			-	-
Segment revenue (shariah compliant business)			-	-
Bank balance as at June 30,	Placed under shariah permissible		87,252	14,712
Income on bank deposit			992	-
Mark up paid on Islamic mode of Financing			162,471	330,455
Gain / (loss) or dividend income			-	-
Exchange gain			-	-

Relationship with banks having Islamic windows**Bank Name****Nature of transaction**

Al- Baraka Bank (Pakistan) Limited

The Bank of Punjab
Dubai Islamic Bank (Pakistan) Limited
Bank Alfalah Limited - Islamic
Meezan Bank Limited

Long term diminishing
musharaka and short
term borrowings

Profit earned or interest paid on any conventional loan or advance has been disclosed in the relevant note to these consolidated financial statements.

61 DATE OF AUTHORIZATION OF ISSUE


These consolidated financial statements were authorized for issue on 21 September 2021 by the Board of Directors of the Group.

62 GENERAL

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



Chief Executive



Director



Chief Financial Officer

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Pattern of Shareholding

as at 30 June 2021

Number of Shareholders	Shareholding		Total Shares Held	Percentage of Total Capital
	From	To		
203	1 -	100	5,243	0.01
184	101 -	500	72,640	0.09
229	501 -	1000	191,080	0.23
437	1001 -	5000	1,105,647	1.31
142	5001 -	10000	1,103,110	1.30
37	10001 -	15000	441,325	0.52
35	15001 -	20000	624,932	0.74
26	20001 -	25000	600,819	0.71
16	25001 -	30000	451,794	0.53
4	30001 -	35000	137,307	0.16
7	35001 -	40000	277,091	0.33
8	40001 -	45000	344,874	0.41
1	45001 -	50000	45,957	0.05
2	50001 -	55000	106,500	0.13
1	55001 -	60000	55,771	0.07
1	65001 -	70000	65,971	0.08
2	70001 -	75000	147,000	0.17
1	75001 -	80000	80,000	0.09
2	80001 -	85000	168,198	0.20
4	85001 -	90000	350,014	0.41
2	90001 -	95000	188,600	0.22
5	95001 -	100000	495,500	0.59
4	100001 -	105000	407,200	0.48
2	105001 -	110000	218,900	0.26
2	120001 -	125000	246,726	0.29
1	130001 -	135000	134,577	0.16
1	135001 -	140000	136,307	0.16
1	140001 -	145000	143,500	0.17
2	145001 -	150000	299,032	0.35
1	165001 -	170000	166,000	0.20
1	175001 -	180000	177,921	0.21
1	185001 -	190000	187,500	0.22
1	195001 -	200000	200,000	0.24
1	205001 -	210000	206,461	0.24
1	215001 -	220000	217,000	0.26
2	220001 -	225000	444,216	0.52
1	245001 -	250000	246,331	0.29
1	265001 -	270000	266,000	0.31
1	275001 -	280000	280,000	0.33
1	280001 -	285000	285,000	0.34
1	295001 -	300000	297,500	0.35
1	340001 -	345000	343,382	0.41
1	350001 -	355000	352,837	0.42
1	370001 -	375000	374,550	0.44
1	415001 -	420000	415,028	0.49
1	430001 -	435000	430,500	0.51
1	435001 -	440000	437,798	0.52
1	465001 -	470000	465,500	0.55
2	495001 -	500000	1,000,000	1.18
2	505001 -	510000	1,014,851	1.20
1	535001 -	540000	538,000	0.64
1	575001 -	580000	576,428	0.68
1	585001 -	590000	588,193	0.69
1	600001 -	605000	602,000	0.71
1	610001 -	615000	614,073	0.72
1	620001 -	625000	621,487	0.73
2	680001 -	685000	1,362,297	1.61
1	785001 -	790000	790,000	0.93
2	820001 -	825000	1,643,251	1.94
1	845001 -	850000	849,866	1.00
1	870001 -	875000	874,990	1.03
1	890001 -	895000	894,528	1.06
1	945001 -	950000	948,680	1.12
1	1000001 -	1005000	1,002,326	1.18
1	1115001 -	1120000	1,117,180	1.32

Pattern of Shareholding

as at 30 June 2021

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Percentage of Total Capital
1	1160001 -	1165000	1,162,020	1.37
1	1260001 -	1265000	1,260,837	1.49
1	1305001 -	1310000	1,305,035	1.54
1	1315001 -	1320000	1,316,107	1.55
1	1325001 -	1330000	1,327,436	1.57
1	1365001 -	1370000	1,366,048	1.61
1	1720001 -	1725000	1,724,388	2.04
1	1995001 -	2000000	1,999,000	2.36
1	2050001 -	2055000	2,052,247	2.42
1	3145001 -	3150000	3,147,673	3.72
1	3165001 -	3170000	3,166,554	3.74
1	3215001 -	3220000	3,219,726	3.80
1	4055001 -	4060000	4,055,434	4.79
1	4655001 -	4660000	4,655,110	5.50
1	5080001 -	5085000	5,084,865	6.00
1	7190001 -	7195000	7,193,057	8.49
1	11185001 -	11190000	11,187,174	13.21
1,420			84,700,000	100.00

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Pattern of Shareholding

as at 30 June 2021

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	21,648,582	25.5591%
Associated Companies, undertakings and related parties.	0	0.0000%
NIT and ICP	0	0.0000%
Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
Insurance Companies	0	0.0000%
Modarbas and Mutual Funds	3,290,342	3.8847%
Share holders holding 10% or more (Already included in above Categories)	11,393,635	13.4518%
General Public		
a. Local	49,814,020	58.8123%
b. Foreign	1,100	0.0013%
Others (to be specified)		
1- Joint Stock Companies	9,756,756	11.5192%
2- Pension Funds	175,500	0.2072%
3- Foreign Companies	7,500	0.0089%
4- Others	6,200	0.0073%
	84,700,000	100.0000%
Share holders holding 10% or more	11,393,635	13.4518%

Pattern of Shareholding

as at 30 June 2021

Additional Information

Categories of Shareholders

Sr. No.	Name	No. of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	MR. MUHAMMAD SIDDIQUE KHATRI	11,393,635	13.4518
2	MR. ABDUL SATTAR KHATRI	5,084,865	6.0034
3	MR. WAQAS SIDDIQ KHATRI	621,487	0.7338
4	MRS. FARHANA ABDUL SATTAR KHATRI	948,680	1.1200
5	MR. ABDULLAH MUSTAFA	3,166,554	3.7386
6	MR. PERVAIZ AHMED KHAN	845	0.0010
7	MR. PERVEZ ISMAIL	550	0.0006
8	MRS. SABINA	431,966	0.5100
Associated Companies, undertakings and related parties		-	-
NIT and ICP		-	-
Banks, Development Financial Institutions, Non Banking Financial Institutions		-	-
Insurance Companies		-	-
Modarbas and Mutual Funds			
1	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	742	0.0009
2	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	1,999,000	2.3601
3	CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND	297,500	0.3512
4	CDC - TRUSTEE FAYSAL STOCK FUND	790,000	0.9327
5	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	100,000	0.1181
6	B.R.R. GUARDIAN MODARABA	103,100	0.1217
Share holders holding 10% or more (Already included in above categories)			
1	MR. MUHAMMAD SIDDIQUE KHATRI	11,393,635	13.4518
General Public			
a.	Local	49,814,020	58.8123
b.	Foreign	1,100	0.0013

Pattern of Shareholding

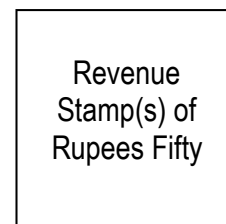
as at 30 June 2021

Sr. No.	Name	No. of Shares Held	Percentage
Joint Stock Companies			
1	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF	430,500	0.5083
2	TRUST SECURITIES & BROKERAGE LIMITED - MF	42,000	0.0496
3	ASDA SECURITIES (PVT.) LTD.	110,000	0.1299
4	GROWTH SECURITIES (PRIVATE) LIMITED - MF	5,000	0.0059
5	MRA SECURITIES LIMITED - MF	21,000	0.0248
6	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	1,500	0.0018
7	SOFCOM (PRIVATE) LIMITED	2,500	0.0030
8	JS GLOBAL CAPITAL LIMITED - MF	266,000	0.3140
9	VALIKA TRADING HOUSE (PRIVATE) LIMITED	1,000	0.0012
10	AMER SECURITIES (PRIVATE) LIMITED	8,500	0.0100
11	B & B SECURITIES (PRIVATE) LIMITED	10,000	0.0118
12	MULTILINE SECURITIES LIMITED	5,500	0.0065
13	VALIKA ART FABRICS LIMITED	1,000	0.0012
14	VALIKA PROPERTIES PRIVATE LIMITED	1,000	0.0012
15	MAPLE LEAF CAPITAL LIMITED	1	0.0000
16	AZEE SECURITIES (PRIVATE) LIMITED	110	0.0001
17	NETWORTH SECURITIES LIMITED	9,879	0.0117
18	MARINE SERVICES (PVT.) LIMITED	16,500	0.0195
19	NH SECURITIES (PVT) LIMITED.	3,386	0.0040
20	NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LTD.	26,138	0.0309
21	M/S. JHELMUM SILK MILLS (PVT)	4,055,434	4.7880
22	M/S. CHEMITEX INDUSTRIES LTD.	4,655,110	5.4960
23	SITARA CHEMICAL INDUSTRIES LTD.	84,698	0.1000
Pension Funds			
1	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	72,000	0.0850
2	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	103,000	0.1216
3	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	500	0.0006
Foreign Companies			
1	MIDDLE EAST NORTH AFRICA FINANCIAL INVESTMENTS W.L.L	7,500	0.0089
Others			
1	TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPOLYEES P. FUND	5,700	0.0067
2	TRUSTEE PAKISTAN PETROLEUM JUNIOR PROVIDENT FUND	500	0.0006
Grand Total:		84,700,000	100.0000

Proxy Form

I/We _____ of _____ being member of **ITTEHAD CHEMICALS LIMITED** and holder of _____ Ordinary Shares as per Registered Folio / CDC Participant I.D. No. & CDC Account No. _____ hereby appoint Mr./Mrs./Miss. _____ of _____ or failing him/her Mr./Mrs./Miss. _____ of _____ who is also a member of the **ITTEHAD CHEMICALS LIMITED** vide Registered Folio / CDC Participant I.D. No. _____ as my proxy to vote for me and on my behalf at the 30th Annual General Meeting of the Company to be held on Wednesday, October 27, 2021 at 11.00 a.m. at the registered office and any adjournment thereof.

Signed this _____ day of _____ 2021.



Signature
(As registered with the company)

WITNESS: 1

Signature _____

Name _____

Address _____

CNIC or

Passport # _____

WITNESS: 2

Signature _____

Name _____

Address _____

CNIC or

Passport # _____

NOTES: -

- This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.
- No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.

AFFIX
CORRECT
POSTAGE

Registered / Head Office:
39-Empress Road, Lahore-Pakistan.
Tel: +92 42 3630 6586-88
Fax: +92 42 3636 5697

پراکسی فارم

میں اہم----- بحیثیت ممبر اتحاد کیمیکلز
لمیٹڈ اور حال----- عمومی حصص بمطابق رجسٹرڈ فولیو اسی ڈی سی پارٹنیشن شراکتی نمبر اور سی ڈی سی اکاؤنٹ
نمبر----- بذریعہ تحریر یا محترم محترمہ----- کو یا ان کی غیر
حاضری کی صورت میں محترم محترمہ----- کو جو بحوالہ رجسٹرڈ فولیو اسی ڈی سی پارٹنیشن
شناختی نمبر----- اتحاد کیمیکلز لمیٹڈ کے / کی ممبر بھی ہیں، اپنا پراکسی مقرر
کرتا کرتی کرتے ہیں تاکہ وہ میرے اہماری طرف سے کمپنی کے 30 ویں سالانہ اجلاس عام میں ووٹ ڈال
سکیں جو 27 اکتوبر 2021ء بروز بدھ کو صبح 11:00 بجے رجسٹرڈ آفس میں یا اس کے کسی بھی التوا کی صورت میں منعقد ہوگا۔

تاریخ دستخط:-----	پچاس روپے کے رسیدی ٹکٹس
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دستخط

(جو کمپنی کے پاس رجسٹرڈ ہیں)

<u>گواہ نمبر 1</u> دستخط----- نام----- پتہ----- قومی شناختی کارڈ یا پاسپورٹ نمبر-----	<u>گواہ نمبر 2</u> دستخط----- نام----- پتہ----- قومی شناختی کارڈ یا پاسپورٹ نمبر-----
---	---

نوٹ:

- ☆ یہ پراکسی فارم، باقاعدہ پر شدہ اور دستخط شدہ حالت میں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً پہنچ جانا چاہئے۔
- ☆ کوئی شخص بطور پراکسی کام نہیں کرے گا اگر وہ خود کمپنی کا شیئر ہولڈر نہ ہو سوائے اس کے کہ کوئی کمپنی کسی ایسے شخص کو اپنا نمائندہ مقرر کر دے جو شیئر ہولڈر نہ ہو۔

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مستقبل کا نقطہ نظر

بورڈ کے مناسب فیصلوں نے کمپنی کو صحیح سمت کی طرف لے جانے میں بہت مدد دی۔ آگے دیکھتے ہوئے، LABSA/SLES پلانٹ کی صلاحیت میں 46,000 ایم ٹن سالانہ کی توسیع پر پیش رفت منصوبہ بندی کے مطابق جاری ہے۔ مزید یہ کہ پاور پلانٹ کے انجنوں کی صلاحیت بڑھانے اور ایندھن کی استعداد کار کو بہتر بنانے کے لیے بھی کام جاری ہے اور پہلا انجن ستمبر 2021ء کے مہینے کے دوران شامل کیا گیا ہے۔ جاری جغرافیائی سیاسی منظر نامہ، عالمی معاشی منظر نامہ، توانائی کی زیادہ قیمت اور گھریلو معاشی سرگرمیوں میں کوویڈ 19 وباء کے دوران سست روی صنعت کے لیے چیلنج ہیں۔

اظہار تشکر

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بنکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لئے مشکور ہیں اور سخت محنت اور لگن سے کام کرنے پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں۔



عبدالستار کھتری

چیف ایگزیکٹو



محمد صدیق کھتری

چیئر مین

لاہور

21 ستمبر 2021ء

- 11- متعلقہ پارٹی ٹرانزیکشن کے حوالے سے تمام ضروریات کے مطابق کمپنی نے عملدرآمد کیا ہے۔
- 12- کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری ان کی بیگمات اور ان کے بچوں کی جانب سے کمپنی کے شیرز میں سال کے دوران کی گئی ٹریڈنگ (اگر کوئی ہے) اور شیرز کی تعداد کے متعلق کسی بھی قسم کی معلومات منسلک ہیں۔

صحت، تحفظ اور ماحولیات

ہم اپنے ملازمین کو کام کرنے کے لئے صحت مند اور محفوظ ماحول فراہم کرنے کے لئے کوشاں ہیں۔ کمپنی تمام قابل اطلاق قوانین اور حکومتی ضوابط پر عمل کرنے کے علاوہ کمپنی نے اپنا معیار بھی متعین کر رکھا ہے۔ ہم فعال طور پر حادثات کا باعث بننے والے عوامل کو ختم کرنے ماحولیاتی آلودگی کو کم کرنے، فضلے میں کمی، توانائی کی بچت، حفاظتی آگاہی، ہیننگ ایمر جنسی کے حوالے سے تیاری اور ماحولیاتی اثرات جو کہ ارد گرد آبادیوں پر اثر انداز ہو سکتے ہیں کو کم کرنے کے لئے ہر وقت کوشاں ہیں۔ کمپنی کوالٹی مینجمنٹ سسٹم آئی ایس او 45001:2018، کوالٹی مینجمنٹ سسٹم (QMS) آئی ایس او 9001:2015، انوائزمنٹ مینجمنٹ سسٹم (EMS) آئی ایس او 14001:2015 اور ACTS- AI-Waiz سرٹیفیکیشن کے حلال نوڈ مینجمنٹ سسٹم PS 3733:2019 ٹریڈنگ سروسز پرائیویٹ لمیٹڈ سے بھی نوازا گیا ہے۔

کاروباری سماجی ذمہ داری

صحت، تعلیم اور معاشرے کی بہتری ہمارے بنیادی کارپوریٹ سماجی پروگرام کا حصہ ہے۔ اس سلسلے میں اتحاد کیمیکلز لمیٹڈ صحت، تعلیم اور سماجی بہتری کے لئے کام کرنے والی مختلف تنظیموں کی مالی امداد بھی کر رہی ہے۔ زیر جائزہ سال کے دوران کمپنی نے مختلف فلاحی تنظیموں کو 9,522,155 روپے دیے ہیں۔

بیرونی آڈیٹرز

موجودہ آڈیٹرز BDO ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائرڈ اور اہلیت کے حامل ہونے کی بنا پر 2021-22 کے لئے دوبارہ تعیناتی کی پیش کش کی ہے۔ آڈٹ کمیٹی کی سفارشات پر بورڈ آف ڈائریکٹرز نے بی ڈی او ابراہیم اینڈ کمپنی کی دوبارہ تعیناتی کے لئے آنے والے سالانہ اجلاس میں ممبرز کی اجازت کے بعد آئندہ سال کے لئے منظور دے دی ہے۔ بیرونی آڈیٹرز کے حوالے سے بی ڈی او ابراہیم اینڈ کمپنی کے متعلق ICAP نے کوالٹی کنٹرول ریویو کے تحت اطمینان بخش ریٹنگ جاری کی ہے۔

شیر ہولڈنگ کی فہرست

30 جون 2021ء کو شیر ہولڈنگ کی فہرست ساتھ منسلک ہے۔

ڈائریکٹرز کا معاوضہ

کمپنی نان ایگزیکٹو ڈائریکٹرز / آزاد ڈائریکٹرز کو کسی قسم کا معاوضہ ادا نہیں کرتی تاہم بورڈ نے بورڈ اور اس کی کمیٹیوں کی ہرمیٹنگ میں شامل ہونے کی فیس 30,000 روپے مقرر کی ہے اور میننگ کے علاوہ ہونے والے سفری اور دیگر اخراجات صرف نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کو ادا کیے جاتے ہیں۔

ڈائریکٹرز کے تربیتی پروگرام

کمپنی CCG ریگولیشن کے سیکشن نمبر 19 کے تحت سات میں سے چھ بورڈ ممبرز نے SECP سے منظور شدہ ادارہ سے ڈائریکٹرز ٹریننگ پروگرام کے سرٹیفکیٹ حاصل کیے ہوئے ہیں۔

Code of Conduct / ضابطہ اخلاق

کمپنی کے تمام ملازمین سے بہترین اخلاقی اور قانونی معاملات کے عکاس رویہ کی توقع کی جاتی ہے چاہے وہ کسی بھی عہدے کے ملازمین ہوں۔ تاہم کمپنی نے مخصوص معیار اور ذمہ داریوں کا تعین کیا ہے۔ ضابطہ اخلاق کمپنی کے تمام ملازمین میں تقسیم کیا گیا ہے اور کمپنی کی ویب سائٹ پر بھی ڈال دیا گیا ہے

کوڈ آف کارپوریٹ گورننس کے ضابطہ کی تعلیم:

بورڈ نے کارپوریٹ گورننس کے بہترین طریقوں پر عملدرآمد کو ہمیشہ یقینی بنایا ہے۔ اسی حوالے سے ایک بیان بھی منسلک کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

- 1- مالیاتی گوشوارے اور تیار کیے گئے نوٹس کمپنیز ایکٹ 2017 کے عین مطابق تیار کیے گئے ہیں۔ یہ گوشوارے کمپنی کے معاملات کی شفاف حالت اسکے آپریشن کے نتائج، کیش فلو اور سرمایہ میں تبدیلیوں کو ظاہر کرتی ہے۔
- 2- کمپنی کے اکاؤنٹس کی بقاعدہ کتب بنائی گئیں ہیں۔
- 3- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مدنظر رکھا گیا ہے اور اکاؤنٹنگ کے اندازے مناسب اور دانشمندانہ فیصلوں پر کیے گئے ہیں۔
- 4- مالی گوشواروں کی تیاری میں انٹرنیشنل مالیاتی رپورٹنگ معیار جو کہ پاکستان میں بھی لاگو ہے کی پیروی کی جاتی ہے۔ اور وہاں سے کسی بھی قسم کی کمی بیشی کی صورت میں مناسب طور پر وضاحت کی گئی۔
- 5- انٹرنل کنٹرول کا بہترین نظام ہے اور مناسب انداز میں لاگو اور مانیٹر کیا جاتا ہے۔
- 6- کمپنی کی صلاحیت کو جاری رکھنے کے حوالے سے کسی بھی قسم کے شک و شبہات نہیں ہیں۔
- 7- گزشتہ چھ سال کا آپریشن مواد منسلک کیا گیا ہے۔
- 8- ٹیکس اور لیویز کے بقایا جات کے متعلق معلومات اکاؤنٹس کے نوٹس میں دی گئی ہے۔
- 9- پراویڈنٹ فنڈ کی انویسٹمنٹ کی ویلیو 30 جون 2021ء کے مطابق اکاؤنٹس کی بنیاد پر فنڈ منسٹریل سٹیٹمنٹ کے نوٹ نمبر 43 میں دی گئی ہے۔
- 10- ضابطہ میں بیان شدہ تمام اہم معلومات سٹاک ایکسچینج اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بروقت فراہم کی گئی ہیں۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (سابقہ JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ)

جیسا کہ 19 نومبر 2020ء کو VIS کریڈٹ ریٹنگ کمپنی نے اعلان کیا کہ اتحاد کیمیکلز لمیٹڈ کی درجہ بندی مثبت نقطہ نظر کے ساتھ A- / A-2 (سنگل A - مائنس / A-2) برقرار رکھی گئی ہے۔ درجہ بندی قابل انتظام مالی خطرے سے راحت حاصل کرتی ہے جو اس کے اعتدال پسند لیوریٹیڈ کپیٹل ڈھانچے، کپیٹل ریزیروں کے بہتر اشارے اور قرض کی مناسب کوریج سے پیدا ہوتی ہے۔ اے مائنس طویل مدتی درجہ بندی مضبوط تحفظ کے عوامل کے ساتھ اچھے کریڈٹ معیار کی نشاندہی کرتی ہے۔ قلیل مدتی درجہ بندی کمپنی کی اچھی مالی اور بنیادی حالت کو اور بروقت ادائیگی کی تقابلیت کو ظاہر کرتی ہے۔

کارپوریٹ بریفنگ سیشن (سی بی ایس)

پاکستان سٹاک ایکسچینج کے قانون کے مطابق، مالی سال کے دوران تمام لسٹڈ کمپنیوں کا حصص داران کے لیے کم از کم ایک کارپوریٹ بریفنگ سیشن کا انعقاد لازمی ہے۔ زیر غور سال کے دوران کمپنی نے 22 فروری 2021ء کو اپنے رجسٹرڈ آفس میں ویڈیو لنک کی سہولت کے ذریعے ایک سی بی ایس کا اہتمام کیا جس میں کمپنی کی حکمت عملی، کام اور کارکردگی کو اجاگر کیا گیا۔ بورڈ تمام حصص داران کے ساتھ مضبوط تعلقات استوار کرنے کی اہمیت کو تسلیم کرتا ہے۔ کارپوریٹ بریفنگ میل جول کے مواقع ہیں اور انتظامیہ حصص داران تک کمپنی کی مجموعی کارکردگی اور مستقبل کے نظریہ کو پہنچانے کا ایک موقع فراہم کرتی ہے۔

بورڈ اور اس کی کمیٹیاں، اجلاس اور حاضری

لسٹڈ کمپنی کے کوڈ آف کارپوریٹ گورننس کی شق 34(2)(i, ii, iii) کے مطابق فہرستی بورڈ کی ساخت اس رپورٹ سے منسلک سٹیٹمنٹ آف کمپلائنس میں درج ہے۔ سال کے دوران چار (04) بورڈ کے اجلاس، چار (04) آڈٹ کمیٹی اجلاس، دو (02) HR & R کمیٹی اور ایک (1) رسک مینجمنٹ کمیٹی کے اجلاس منعقد کئے گئے۔

بورڈ اور کمیٹی ممبران کی حاضری درج ذیل ہے				
ڈائریکٹر کا نام	بورڈ آف ڈائریکٹر	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی	رسک مینجمنٹ کمیٹی
جناب محمد صدیق کھتری	4	N/A	N/A	1
جناب عبدالستار کھتری	4	N/A	N/A	1
جناب وقاص صدیق کھتری	4	N/A	2	1
جناب عبداللہ مصطفیٰ	4	4	2	N/A
محترمہ فرحانہ عبدالستار کھتری	4	N/A	N/A	N/A
جناب پرویز احمد خان	4	4	2	N/A
جناب پرویز اسماعیل	4	4	N/A	N/A

کارپوریٹ انفارمیشن کے عنوان کے نیچے بورڈ کمیٹی کے ممبران کے نام کی فہرست سالانہ رپورٹ کے ساتھ منسلک ہے جسکو CCG میں شق نمبر 34 میں لازم قرار دیا گیا ہے۔

مالی جھلکیاں

30 جون 2020ء اور 2021ء کو ختم ہونے والے سال کے لیے تقابلی مالیاتی نتائج مندرجہ ذیل ہیں۔

نام	2020ء	"000" روپے	2021ء
مجموعی فروخت	8,856,601		11,123,793
مجموعی منافع	1,181,643		1,885,509
آپریٹنگ منافع	496,032		1,093,005
ٹیکس سے پہلے منافع	77,727		980,110
ٹیکس کے بعد منافع	60,800		656,767
فی حصص کمائی (روپے)	0.72		7.75

منافع اور تخصیص

2021ء "000" روپے	2020ء "000" روپے	
655,382	65,324	کل آمدنی برائے سال
1,904,070	1,853,951	بشمول آگے لایا گیا غیر تخصیص منافع
-	-	برقرار آمدنی میں تبدیلی۔ صافی (IFRS 9)
-	(15,205)	برقرار آمدنی میں تبدیلی۔ صافی (IFRS 16)
2,559,452	1,904,070	تخصیص کیلئے موجودہ منافع

تخصیص

2021ء "000" روپے	2020ء "000" روپے	
(84,700)	-	مالی سال 2019-2020 کے لیے حتمی نقد منافع 10% کی شرح سے ادا کیا گیا۔ (2018-19: Nil)
(169,400)	-	مالی سال 2020-21 کے لیے عبوری نقد منافع 20% کی شرح سے ادا کیا گیا۔
2,305,352	1,904,070	تخصیص کیلئے موجودہ منافع

نقد منافع

بورڈ آف ڈائریکٹرز نے عبوری نقد منافع کا اعلان کیا جو 30 جون 2021ء کو ختم ہونے والے مالی سال کے دوران پہلے ہی دو روپے (02) فی شیئر یعنی 20% پر ادا کیا گیا۔ تاہم، بورڈ نے موجودہ چیلنجز کو مد نظر رکھتے ہوئے اور حتمی طور پر مالی ذمہ داریوں سے نمٹنے کے لیے حتمی منافع / بونس حصص کی سفارش نہیں کی ہے (حالیہ

CAPEX کے نتیجے میں)

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز سالانہ رپورٹ بمعہ 30 جون 2021 کو ختم ہونے والے مالی سال کے پڑتال شدہ مالی گوشوارے اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

معیشت کا جائزہ

وبائی مرض کوویڈ-19 کا اثر پوری دنیا میں کافی غیر یقینی دکھائی دیتا ہے۔ اس نے پیداوار، تقسیم اور طرز زندگی کو متاثر کیا ہے۔ سپلائی کی طرف، وبائی مرض نے گھریلو اور بین الاقوامی سپلائی چین کو متاثر کیا ہے، جس کی وجہ سے شراکت اور دیگر ضروریات کی کمی ہوئی۔ ڈیمانڈ سائینڈر، گھریلو اور بین الاقوامی مانگ میں کمی کے نتیجے میں بڑے پیمانے پر برطرفیوں نے غربت کے خوف کو جنم دیا۔ حال ہی میں، مالی سال 2021ء کے دوران پاکستان کی نازک معیشت کی بحالی کے آثار دیکھنے میں آئے ہیں، جس کی وجہ گھریلو طلب اور صحت مند برآمدی نمو ہے۔ اس کے علاوہ، حکومت نے اقدامات کا ایک جامع مجموعہ نافذ کیا ہے جس میں اب تک کا سب سے بڑا معاشی محرک پمپنگ، ایک تعمیراتی پمپنگ، معاشرے کے کمزور طبقات کی حفاظت کے لیے سماجی تحفظ کے نیٹ کی توسیع اور ہدف شدہ مالی اقدامات کے ساتھ معاون مالیاتی پالیسی کا موقف شامل ہے۔ ان اقدامات سے معیشت کو ایک حد تک وبائی امراض کے منفی اثرات کو کم کرنے میں مدد ملی۔

مالی سال 2022ء کی طرف رجوع کرتے ہوئے، پہلی سہ ماہی میں حالات دبے ہوئے ہیں کیونکہ جون کے آخر میں لاک ڈاؤن کی پابندیوں میں نرمی کے نتیجے میں کوویڈ-19 کے معاملات میں دوبارہ اضافہ ہوا۔ اس کے نتیجے میں، کچھ کلیدی اقتصادی علاقوں نے جولائی اور اگست میں جزوی لاک ڈاؤن دوبارہ شروع کیا، جس سے معاشی سرگرمی کسی حد تک متاثر ہوئی۔ مالی سال 2022ء (جولائی 2021ء - جون 2022ء) میں جی ڈی پی کی نمو مالی سال 2021ء کی بحالی کے بعد سست ہونے کو ہے۔ مستقبل کے بڑے خطرات میں انفیکشن کی نئی لہروں کا امکان، نئی ویکسین مزاحم اسٹریٹجی کا ظہور وائرس کی نئی شکلیں، بڑھتا ہوا قرض اور جیو پالیٹیکل تناؤ شامل ہیں۔

مالی کارکردگی

اللہ کے فضل سے، پچھلے تین (03) سالوں میں کمپنی کی فروخت نے اوپر کی رفتار کو نمایاں شرح پر دکھایا ہے جس کی بنیادی وجہ پروڈکٹ لائن کی توسیع ہے جس میں LABSA کی فروخت نے نمایاں حصہ ڈالا ہے۔ زیر جائزہ سال کے دوران، کمپنی نے 26 فیصد اضافے کے ساتھ 11,124 ملین روپے کی خالص فروخت آمدنی شائع کی (2020: 8,857 ملین روپے)۔ فروخت کی لاگت 9,238 ملین روپے رہی (2020: 7,675 ملین روپے) جس سے مجموعی منافع 1,886 ملین روپے (2020: 1,182 ملین روپے) تک پہنچ گیا۔ سالانہ مجموعی منافع کا مارجن پچھلے سال کی اسی مدت کے مقابلے میں 13 فیصد سے بڑھ کر 17 فیصد ہو گیا۔ آڈٹ شدہ مالیاتی بیانات کے نوٹ نمبر 9 میں تفصیل کے مطابق سرمایہ کاری کی جائیداد پر 113 ملین روپے کی مناسب قیمت حاصل کرنے کے بعد، نجلی لائن نے ٹیکس کے بعد 657 ملین (2020: 61 ملین روپے) خالص منافع ظاہر کیا جس سے فی شیئر 7.75 روپے کمائی ہوئی (2020: 0.72 روپے فی شیئر)۔



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