

Half Yearly Report
December 31,

2020



Innovate-Diversify-Grow



ITTEHAD CHEMICALS LIMITED

ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

HALF YEARLY REPORT DECEMBER 31, 2020

(UN-AUDITED)

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ITTEHAD CHEMICALS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

HALF YEARLY REPORT DECEMBER 31, 2020

(UN-AUDITED)

Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddiq Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri Mr. Abdullah Mustafa Mrs. Farhana Abdul Sattar Khatri Mr. Pervaiz Ahmad Khan Mr. Pervez Ismail	Chairman Director/CEO Director Director Director Director Director	Non-Executive Director Executive Director Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director
AUDIT COMMITTEE	Mr. Pervez Ismail Mr. Abdullah Mustafa Mr. Pervaiz Ahmad Khan	Chairman Member Member	
HR & REMUNERATION COMMITTEE	Mr. Pervaiz Ahmad Khan Mr. Abdullah Mustafa Mr. Waqas Siddiq Khatri	Chairman Member Member	
RISK MANAGEMENT COMMITTEE	Mr. Muhammad Siddiq Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri	Chairman Member Member	
CHIEF FINANCIAL OFFICER	Mr. Aamir Shahzad 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 Associates (Pvt) Limited 1 st Floor, H.M. House, 7 Bank Square The Mall, Lahore. Tel: 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, 2 nd 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		

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2020 together with Auditors' Review Report thereon.

During the period under review, Company posted net sales revenue of Rupees 5,294 Million (2019: Rupees 4,246 Million) denoting an increase of 25% from corresponding period of last year. The cost of sales was Rupees 4,111 Million (2019: Rupees 3,685 Million) bringing gross profit to Rupees 1,182 Million (2019: Rupees 561 Million). The gross profit margin increase to 22% from 13% vis-à-vis corresponding period of last year primarily due to reduced energy cost during the period under review. The bottom line showed a net profit after tax of Rupees 427 Million (2019: net loss Rupees 32 Million) which yielded earning per share of Rupees 5.05 (2019: loss Rupees 0.37 per share).

As informed earlier, the Board has accorded approval for Capacity expansion of LABSA / SLES Plant by 46,000 M. Tons per annum in addition to existing LABSA / SLES Plant capacity of 24,000 M. Tons per annum. The letter of credit (L/C) for the import of plant and machinery would be established in due course. The Management is expecting significant contribution from this expansion in the coming years. Further, the letter of credit (L/C) for up-gradation of Power Plant Engines has been established during the current month. This will likely to improve fuel efficiency resulting in operational efficiencies.

VIS Credit Rating Company Limited has reaffirmed the entity rating of Ittehad Chemicals Limited at 'A- / A-2' (Single A minus / A minus two) with "Positive" outlook as announced on November 19, 2020.

Looking forward, a resurgence in Covid-19 cases is slowing down the economy rebound but due to widespread vaccination effort, acceleration in economic activity is expected which would spur stronger growth. Presently, the oil prices are showing a rising trend in the international market and global oil demand is expected to recover further which may increase the energy cost of the chemical industry in subsequent quarters. Future prospects of the industry will therefore depend on the energy policies of the Government which may have negative or positive effect on the production cost.

The Board is thankful to the valuable Members, Customers, Banks and Government departments for their trust, confidence, persistent support and patronage and would like to place on record its gratitude to all the Employees of the company for their contribution, dedication and hard work.

On behalf of the Board



Lahore
February 19, 2021

Abdul Sattar Khatri
Chief Executive Officer



Muhammad Siddiq Khatri
Chairman

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز نہایت خوشی کے ساتھ 31 دسمبر 2020ء کو اختتام پر زیر ہونے والے نصف مالی سال کے غیر پڑتال شدہ بین المدتی مختصر مالی گوشوارے اور ان پر آڈیٹر کا جائزہ رپورٹ پیش کر رہے ہیں۔


زیر جائزہ عرصہ میں کمپنی کی فروخت سے حاصل شدہ رقم 5,294 ملین روپے (2019: 4,246 ملین روپے) رہی جو کہ گزشتہ سال کے اسی عرصہ کے فروخت سے حاصل شدہ رقم کے مقابلے میں 25% زائد ہے۔ فروخت کی لاگت 4,111 ملین روپے (2019: 3,685 ملین روپے) رہی جس سے کمپنی کا خام منافع 1,182 ملین روپے (2019: 61 ملین روپے) بنتا ہے۔ خام منافع کا تناسب گزشتہ سال کے اسی عرصہ کے مقابلے میں 13% سے بڑھ کر 22% تک ہو گیا جس کی بنیادی وجہ توانائی کی لاگت میں کمی ہے۔ ٹیکس کی ادائیگی کے بعد گوشوارے کی آخری سطر مبلغ 427 ملین روپے (2019: 32 ملین روپے نقصان) کا خالص منافع ظاہر کرتی ہے جس کے نتیجے میں مبلغ 5.05 روپے فی حصص (2019: 0.37 فی حصص نقصان) آمدنی ہوئی۔


جیسا کہ پہلے بتایا گیا کہ بورڈ نے LABSA/SLES پلانٹ کی پیداواری صلاحیت میں مزید 46,000 M.Tons سالانہ اضافہ کی منظوری دی ہے جو کہ موجودہ LABSA/SLES پلانٹ کی 24,000 M.Ton سالانہ پیداواری صلاحیت کے علاوہ ہے۔ پلانٹ اور مشینری کی درآمد کے لئے لیٹر آف کریڈٹ (L/C) مقررہ وقت پر متوقع ہے۔ انتظامیہ اس توسیع سے آنے والے سالوں میں اچھی اعانت کی توقع کر رہی ہے۔ مزید، رواں ماہ کے دوران پاور پلانٹ اور انجن کی کی بہتری کے لیے لیٹر آف کریڈٹ (L/C) قائم کر دیا گیا ہے جس کے نتیجے میں ممکنہ طور پر ایندھن کی لاگت میں کمی اور آپریشنل صلاحیت میں مزید بہتری ہوگی۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے اتحاد کیمیکلز لمیٹڈ کی درجہ بندی A-2/A-1 (سنگل-A-2/منس A-2) مستقبل کی مثبت درجہ بندی کا 19 نومبر 2020ء کو اعلان کیا۔

آگے دیکھتے ہوئے، دوبارہ ابھرتے ہوئے کوویڈ-19 نے معیشت کو اگرچہ سست روی کا شکار کیا لیکن ویکسینیشن فراہمی کی وسیع تر کوشش کی بناء پر معاشی سرگرمیوں میں تیزی سے اضافہ متوقع ہے۔ اس وقت بین الاقوامی منڈی میں تیل کی قیمتیں بڑھنے کا رجحان اور عالمی سطح پر تیل کی مانگ میں اضافہ سے کیمیکل صنعت کی توانائی کی لاگت میں اضافہ ہو سکتا ہے۔ مزید برآں حکومت کی توانائی کی پالیسی صنعت کی پیداواری لاگت پے مثبت یا منفی اثر انداز ہو سکتی۔

بورڈ اپنے تمام معزز حصص داران، کسٹمرز، بنکوں اور حکومتی محکموں کی جانب سے ہم پر اعتماد مسلسل تعاون سرپرستی کے لیے مشکور ہیں۔ سخت محنت اور لگن سے کام کرنے پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں۔

منجانب بورڈ

 محمد صدیق کھتری
 چیئرمین


 عبدالستار کھتری
 چیف ایگزیکٹو آفیسر

19 فروری 2021ء

لاہور

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

Report on review of interim financial statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **ITTEHAD CHEMICALS LIMITED** (the "Company") as at December 31, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

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

Conclusion

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

The figures for the quarters ended December 31, 2020 and December 31, 2019 in the condensed interim statement of profit or loss and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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



BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Mohammad Imran

LAHORE
DATED: February 19, 2021

Condensed Interim Statement of Financial Position (Un-audited) as at December 31, 2020

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	7	5,613,995	5,872,413
Capital work in progress	8	182,349	46,476
		5,796,344	5,918,889
Intangible assets		6,445	6,445
Investment property		195,000	195,000
Long term investments		19	19
Long term deposits		52,131	52,042
		6,049,939	6,172,395
CURRENT ASSETS			
Stores, spares and loose tools	9	389,609	418,741
Stock in trade	10	601,330	685,118
Trade debts	11	921,077	799,171
Loans and advances	12	237,884	208,399
Trade deposits and short term prepayments		6,876	5,003
Tax refunds due from Government		515,091	419,605
Taxation - net		96,944	297,623
Short term investment	13	276,323	-
Cash and bank balances	14	442,335	134,501
		3,487,469	2,968,161
		9,537,408	9,140,556
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	15.1	1,250,000	1,250,000
Issued, subscribed and paid up capital	15.2	847,000	847,000
Reserves			
Capital reserves - Share premium		330,000	330,000
Revenue reserves - Unappropriated profit		2,246,796	1,904,070
Surplus on revaluation of fixed assets - Freehold land		972,734	972,734
		4,396,530	4,053,804
NON CURRENT LIABILITIES			
Long term financing	16	322,230	334,580
Long term diminishing musharaka	17	1,212,545	1,407,081
Lease liabilities	18	29,919	40,387
Deferred liabilities		523,625	364,794
Deferred grant	19	4,767	3,260
GIDC payable	20	151,379	426,196
		2,244,465	2,576,298
CURRENT LIABILITIES			
Trade and other payables	21	1,949,857	1,201,550
Unclaimed dividend		3,118	1,020
Mark-up accrued		33,954	78,374
Short term borrowings	22	516,099	1,138,575
Current portion of lease liabilities	18	9,805	10,175
Current portion of deferred grant	19	4,821	2,674
Current portion of long term liabilities		378,759	78,086
		2,896,413	2,510,454
CONTINGENCIES AND COMMITMENTS			
	23	2,896,413	2,510,454
TOTAL EQUITY AND LIABILITIES			
		9,537,408	9,140,556

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit and Loss Account (Un-audited) for the half year ended December 31, 2020

	Note	Half year ended December 31,		Quarter ended December 31,	
		2020	2019	2020	2019
—— (Rupees in thousand) ——					
Sales - net	24	5,293,899	4,245,985	2,898,886	2,162,249
Cost of sales	25	(4,111,477)	(3,684,689)	(2,270,807)	(1,818,788)
Gross profit		1,182,422	561,296	628,079	343,461
Selling and distribution expenses		(285,764)	(274,853)	(152,546)	(136,395)
General and administrative expenses		(98,995)	(97,089)	(49,722)	(45,725)
Other operating income	26	48,921	48,296	37,987	20,435
Other operating expenses	27	(76,162)	(39,115)	(43,969)	(12,584)
		(412,000)	(362,761)	(208,250)	(174,269)
Operating profit		770,422	198,535	419,829	169,192
Financial charges		(116,645)	(247,002)	(47,146)	(129,503)
Profit / (loss) before taxation		653,777	(48,467)	372,683	39,689
Taxation	28	(226,351)	16,904	(115,717)	(14,575)
Profit / (loss) after taxation		427,426	(31,563)	256,966	25,114
Earnings / (loss) per share					
- basic and diluted (Rupees)	29	5.05	(0.37)	3.03	0.30

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the half year ended December 31, 2020**

	Half year ended December 31,		Quarter ended December 31,	
	2020	2019	2020	2019
	—— (Rupees in thousand) ——			
Profit / (loss) for the period	427,426	(31,563)	256,966	25,114
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>427,426</u>	<u>(31,563)</u>	<u>256,966</u>	<u>25,114</u>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2020

	Note	Half Year Ended December 31,	
		2020	2019
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		653,777	(48,467)
Adjustments for items not involving movement of funds:			
Depreciation		257,623	285,056
Provision for gratuity		14,934	16,975
Loss on sale of fixed assets		20,692	36,284
Loss / (gain) on foreign exchange		4,375	(710)
Gain on disposal of right of use assets		(2,822)	-
Gain on extinguishment of original GIDC liability		(25,486)	-
Bad debts write off		1,021	-
Long term security deposit written off		-	(59)
Provision for obsolete stores and spares		12,000	7,500
Financial charges		113,883	247,002
Net cash flow before working capital changes		1,049,997	543,581
(Increase)/ decrease in current assets			
Stores and spares		17,132	(20,704)
Stock in trade		83,788	38,252
Trade debts		(127,302)	(84,943)
Loans and advances		(29,485)	(20,538)
Trade deposits and short term prepayments		(1,873)	(230)
Tax refunds due from the Government		59,933	54,560
		2,193	(33,603)
Increase / (decrease) in current liabilities			
Trade and other payables		498,974	(36,219)
Cash generated from operations		1,551,164	473,759
Income taxes paid		(32,980)	(60,333)
Gratuity paid		(4,213)	(1,167)
Financial charges paid		(158,303)	(285,320)
Net cash generated from operating activities		1,355,668	126,939
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to operating fixed assets - net		(9,108)	(1,300)
Additions to capital work in progress		(201,468)	(85,495)
Proceeds from sale of operating fixed assets		51,394	1,145
Long term deposits		(89)	(63)
Net cash used in investing activities		(159,271)	(85,713)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing		98,475	-
Repayment of long term financing		-	(113,450)
Proceeds from long term diminishing musharaka		-	41,706
Repayment of long term diminishing musharaka		(1,034)	-
Principal paid on lease liabilities		(4,601)	(2,523)
Dividend paid		(82,604)	-
Short term borrowings-net		(622,476)	121,850
Net cash (used in) / generated from financing activities		(612,240)	47,583
Net increase in cash and cash equivalents		584,157	88,809
Cash and cash equivalents at the beginning of the period		134,501	109,892
Cash and cash equivalents at the end of the period	36	718,658	198,701

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2020

	Issued, subscribed and paid-up capital	Surplus on revaluation of fixed assets	Reserves		Total
			Capital	Revenue	
			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
Total comprehensive income for the period ended December 31, 2019					
Loss for the period	-	-	-	(31,563)	(31,563)
Balance as at December 31, 2019	<u>847,000</u>	<u>972,734</u>	<u>330,000</u>	<u>1,807,183</u>	<u>3,956,917</u>
Total comprehensive income for the period ended June 30, 2020					
Profit for the period	-	-	-	92,363	92,363
Remeasurement of defined benefits liability - net	-	-	-	4,524	4,524
Balance as at June 30, 2020	<u>847,000</u>	<u>972,734</u>	<u>330,000</u>	<u>1,904,070</u>	<u>4,053,804</u>
Transaction with owners:					
Final cash dividend 2020: Rs. 1 Per share	-	-	-	(84,700)	(84,700)
Total comprehensive income for the period ended December 31, 2020					
Profit for the period	-	-	-	427,426	427,426
Balance as at December 31, 2020	<u><u>847,000</u></u>	<u><u>972,734</u></u>	<u><u>330,000</u></u>	<u><u>2,246,796</u></u>	<u><u>4,396,530</u></u>

The annexed notes from 1 to 39 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Statements (Un-audited) for the half year ended December 31, 2020

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 privatized 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.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2020 which have been

prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2020, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the half year ended December 31, 2019.

3.2 Basis of measurement

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

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow statement.

3.3 Functional and presentation currency

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

4 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THERE IN

4.1 The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2020.

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

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

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

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

5 TAXATION

The provisions for taxation for the half year and quarter ended December 31, 2020, have been made using the estimated effective tax rate applicable to expected total annual earnings. The applicable income tax rate for the Tax Year 2021 is 29%. Income tax expense is recognized in each interim period based on best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

6 ESTIMATES

The preparation of condensed interim financial statements requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2020.

	Note	(Un-audited) December 31, 2020	(Audited) June 30, 2020
(Rupees in thousand)			
7 OPERATING FIXED ASSETS			
Fixed assets	7.1	5,591,535	5,842,860
Right of use assets	7.2	22,460	29,553
		<u>5,613,995</u>	<u>5,872,413</u>
7.1 Fixed assets			
Opening net book value (NBV)		5,842,860	6,334,613
Additions (at cost) during the period / year	7.1.1	74,703	130,117
		5,917,563	6,464,730
Disposals (at NBV) during the period / year	7.1.2	(72,086)	(54,811)
Depreciation charged during the period / year		(253,942)	(567,059)
		(326,028)	(621,870)
Closing net book value (NBV)		<u>5,591,535</u>	<u>5,842,860</u>
7.1.1 Details of additions (at cost) during the period / year are as follows:			
Building		5,908	17,465
Plant and machinery		59,771	110,079
Other equipment		1,170	357
Furniture and fixtures		106	175
Office and other equipment		1,847	1,984
Vehicles		5,901	57
		<u>74,703</u>	<u>130,117</u>
7.1.2 Details of disposals (at NBV) during the period / year are as follows:			
Building on freehold land		-	1
Plant and machinery (Electrolysers / DSA)		71,078	54,317
Office and other equipment		-	5
Vehicles		1,008	488
		<u>72,086</u>	<u>54,811</u>

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

7.1.4 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, 2018 on the basis of market value.

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

7.1.6 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.

7.1.7 This includes transfers from capital work in progress amounting to Rs. 5.763 million and Rs. 59.832 million (June 30, 2020: Rs. 31.484 million and Rs. 93.051 million) against building and plant and machinery, respectively.

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

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	(Rupees in thousand)	
7.2 Right of use assets			
Opening net book value (NBV)		29,553	30,463
Re-measurement		-	4,779
Disposals (at NBV) during the period / year	7.3	(3,412)	-
Depreciation charge for the period / year		(3,681)	(5,689)
		22,460	29,553

7.3 During the year the Company has vacated the leased property and accordingly the amount has been disposed off from right of use assets.

8 CAPITAL WORK IN PROGRESS

Building	8.1.1	12,393	8,315
Plant and machinery	8.1.2	152,667	20,872
Advances	8.1.3	17,289	17,289
		182,349	46,476

	Note	(Un-audited) December 31, 2020	(Audited) June 30, 2020
(Rupees in thousand)			
8.1 Movement of carrying amount is as follows:			
8.1.1 Building			
Opening balance		8,315	15,059
Additions (at cost)		9,841	24,740
Transferred to operating fixed assets		(5,763)	(31,484)
Closing balance		<u>12,393</u>	<u>8,315</u>
8.1.2 Plant and machinery			
Opening balance		20,872	3,193
Additions (at cost)		191,627	110,730
Transferred to operating fixed assets		(59,832)	(93,051)
Closing balance		<u>152,667</u>	<u>20,872</u>
8.1.3 Advances			
Opening balance	8.2	17,289	17,289
Additions (at cost)		-	-
Transferred to operating fixed assets		-	-
Closing balance		<u>17,289</u>	<u>17,289</u>

8.2 Advances includes balance amounting to Rs. 1.639 million (June 30, 2020: Rs. 1.639 million) against purchase of land at Karachi from Sindh Industrial Trading Estate. This also includes advances amounting to Rs. 15.650 million (June 30, 2020: 15.650) to Lahore Electric Supply Company Limited against grid station up gradation.

9 STORES, SPARES AND LOOSE TOOLS

Stores:			
in hand		61,097	60,047
in transit		1,438	8,361
		<u>62,535</u>	<u>68,408</u>
Spares:			
in hand		338,342	355,220
in transit		8,315	3,821
		<u>346,657</u>	<u>359,041</u>
		<u>409,192</u>	<u>427,449</u>
Less: Provision for obsolete stores and spares	9.2	19,583	8,708
		<u>389,609</u>	<u>418,741</u>

9.1 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.

9.2 Movement of provision for obsolete stores and spares

Opening balance		8,708	7,830
Provision during the year		12,000	12,000
Reversal during the year		-	-
Written off during the year against disposal/scrap sale		(1,125)	(11,122)
		<u>19,583</u>	<u>8,708</u>

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	(Rupees in thousand)	
10 STOCK IN TRADE		
Raw materials:		
in hand	134,729	233,605
in transit	22,132	4,871
	<u>156,861</u>	<u>238,476</u>
Packing materials:		
in hand	15,343	9,931
in transit	-	5,308
	<u>15,343</u>	<u>15,239</u>
Work in process	43,366	38,912
Finished goods	385,760	392,491
	<u>601,330</u>	<u>685,118</u>
11 TRADE DEBTS		
Unsecured		
Considered good - foreign	131,057	77,530
Secured		
Considered doubtful	17,234	17,234
Less: Provision for doubtful debts	17,234	17,234
	<u>-</u>	<u>-</u>
Unsecured		
Considered good	790,020	721,641
Considered doubtful	55,242	55,242
	<u>845,262</u>	<u>776,883</u>
	976,319	854,413
Less: Provision for doubtful debts	11.1 55,242	55,242
	<u>921,077</u>	<u>799,171</u>
11.1 Movement of provision for doubtful debts is as follows:		
Opening balance	72,476	64,107
Adjustment on account of:		
Doubtful debts written off	-	-
Recovery of doubtful debts	-	-
Provision made for doubtful debts	-	8,369
Net adjustment	-	8,369
Closing balance	<u>72,476</u>	<u>72,476</u>
12 LOANS AND ADVANCES		
Advances - (Unsecured - considered good)		
To employees	12.1 & 2 17,989	8,039
Advance to supplies and services (Unsecured)		
Considered good	12.3 216,455	198,465
Considered doubtful	1,374	1,374
	<u>217,829</u>	<u>199,839</u>
Against import	3,440	1,895
	<u>239,258</u>	<u>209,773</u>
Less: Provision for doubtful advances	1,374	1,374
	<u>237,884</u>	<u>208,399</u>

- 12.1** This includes advance to employees against salaries in accordance with the terms of their employment, which is not pas due. These advances are unsecured, interest free and payable on demand.
- 12.2** 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.
- 12.3** This includes advances amounting to Rs. 192.389 million (2020: Rs. 171.510 million) provided to Sui Northern Gas Pipeline Limited and are settled as and when the gas billed to the Company. These advances do not carry any interest or mark-up.

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	(Rupees in thousand)	

12.4 Movement of provision for doubtful debts is as follows:

Opening balance	1,374	1,374
Addition during the year	-	-
Closing balance	<u>1,374</u>	<u>1,374</u>

13 SHORT TERM INVESTMENTS

Term deposit receipts - at amortized cost			
Principal amount	13.1	275,000	-
Amortization-accrued income on TDRs		1,323	-
		<u>276,323</u>	<u>-</u>

13.1 Term deposit receipts (TDRs)

Askari Bank Limited	13.2	25,000	-
Samba Bank Limited	13.3	150,000	-
Al Baraka Bank (Pakistan) Limited	13.4	100,000	-
		<u>275,000</u>	<u>-</u>

- 13.2** This represents, investment in Term Deposit Receipts (TDRs) with Askari Bank Limited (Islamic), have a maturity period of one month and maturing on January 23, 2021. These carry mark-up at 4.01% (June 30, 2020: Nil%) per annum.
- 13.3** This represents, investment in Term Deposit Receipts (TDRs) with the Samba Bank Limited, have a maturity period of forty days and maturing on January 06, 2021. These carry mark-up at 6.94% (June 30, 2020: Nil%) per annum.
- 13.4** This represents, investment in Term Deposit Receipts (TDRs) with Al Baraka Bank Limited, have a maturity period of one month and maturing on January 15, 2021. These carry mark-up at 6.50% (June 30, 2020: Nil%) per annum.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
	Note	(Rupees in thousand)	
14 CASH AND BANK BALANCES			
Cash in hand		506	643
Cheques in hand		179,082	114,232
Cash at banks			
Current accounts		59,607	19,626
Saving accounts	14.1	203,140	-
		<u>442,335</u>	<u>134,501</u>

14.1 The saving accounts carry mark-up at the rates ranging from 4% to 6% (June 30, 2019: Nil) per annum.

15 SHARE CAPITAL

15.1 Authorized share capital

100,000,000 (June 30, 2020: 100,000,000) ordinary shares of Rs. 10/- each	1,000,000	1,000,000
25,000,000 (June 30, 2020: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>

15.2 Issued, subscribed and paid up share capital

27,100,000 (June 30, 2020: 27,100,000) ordinary shares of Rs. 10/- each fully paid in cash	271,000	271,000
24,900,000 (June 30, 2020: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash	249,000	249,000
32,700,000 (June 30, 2020: 32,700,000) fully paid bonus shares of Rs. 10/- each	327,000	327,000
	<u>847,000</u>	<u>847,000</u>

16 LONG TERM FINANCING

Secured:

Banking Companies	16.1	88,896	67,913
Other Financial Institutions	16.3	233,334	266,667
		<u>322,230</u>	<u>334,580</u>

16.1 From banking companies

MCB Bank Limited			
Balance as at July 01		92,561	-
Obtained during the period / year		94,820	92,561
Repayments made during the period / year		-	-
		<u>187,381</u>	<u>92,561</u>
Current portion shown under current liabilities		<u>(98,485)</u>	<u>(24,648)</u>
		<u>88,896</u>	<u>67,913</u>

16.2 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 for the period from April 20 to September 20. The tenor of the financing is two and half year and are repayable in 8 equal quarterly instalments

commencing from January 02, 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%. ICAP issued the guidance for accounting of said financing through circular No. 11/2020 dated August 17, 2020 and based on that circular, referring to the requirement of IAS-20 "Accounting for Government Grants and Disclosure of Government Assistance", the Company recognized the Deferred Grant amounting to Rs. 9.589 million and respective loan has been recognized at the fair value of Rs. 184. 283 million and related amortisation to other income amounting to Rs. 2.762 million.

	Note	(Un-audited) December 31, 2020	(Audited) June 30, 2020
(Rupees in thousand)			
16.3 Other Financial Institutions			
Pak Brunei Investment Company Limited			
Balance as at July 01		266,667	300,000
Obtained during the period / year		-	-
Repayments made during the period / year	16.4	-	(33,333)
		<u>266,667</u>	<u>266,667</u>
Current portion shown under current liabilities		<u>(33,333)</u>	<u>-</u>
		<u>233,334</u>	<u>266,667</u>

16.4 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 has been deferred by the Bank in accordance with BPRD circular letter No. 13 of 2020 dated March 26, 2020 for one year.

17 LONG TERM DIMINISHING MUSHARAKA

Secured:

Banking Companies			
The Bank of Punjab - TAQWA (IEM -3)	17.2	612,500	612,500
The Bank of Punjab - TAQWA (LABSA)	17.3	419,485	420,519
Al Baraka Bank (Pakistan) Limited	17.4	427,500	427,500
		<u>1,459,485</u>	<u>1,460,519</u>
Current portion shown under current liabilities		<u>(246,940)</u>	<u>(53,438)</u>
		<u>1,212,545</u>	<u>1,407,081</u>

17.1 Movement of long term Diminishing Musharaka is as follows:

Banking Companies			
Balance as at July 01		1,460,519	1,498,038
Obtained during the period / year		-	24,718
The Bank of Punjab - TAQWA (IEM -3)		-	8,274
The Bank of Punjab - TAQWA (LABSA)		-	16,989
Al Baraka Bank (Pakistan) Limited		-	9,455
		<u>1,460,519</u>	<u>1,563,474</u>
Repayments made during the period / year		<u>(1,034)</u>	<u>(87,500)</u>
		<u>1,459,485</u>	<u>1,460,519</u>
Current portion shown under current liabilities		<u>(246,940)</u>	<u>(53,438)</u>
		<u>1,212,545</u>	<u>1,407,081</u>

- 17.2** This finance has been obtained from an Islamic financial institution and is secured against first exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed during the prior year in various tranches and are repayable in eight semi annual equal instalments with the one year grace period commencing from February 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.
- 17.3** This finance has been obtained under the Islamic mode of financing and secured against ranking charge upgradable to specific exclusive charge over imported plant and machinery and ranking & pari passu charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.25%. This finance was disbursed from May, 2018 to January, 2019 in different tranches and are repayable in eight semi annual equal instalments commencing from December 2020. 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.
- 17.4** This finance has been obtained under the Islamic mode of financing and secured against specific exclusive charge over imported plant and machinery and ranking charge over present & future fixed assets of the Company and carries mark up at six months average KIBOR plus 1.40%. This finance is disbursed during the prior year in various tranches 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.

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
	———— (Rupees in thousand) ————	
18 LEASE LIABILITIES		
Against right of use assets		
Lease liabilities	39,724	50,562
Less: Current portion	<u>(9,805)</u>	<u>(10,175)</u>
	<u>29,919</u>	<u>40,387</u>
18.1 Maturity analysis-contractual undiscounted cash flow:		
Less than one year	(13,936)	(13,936)
One to five year	(45,822)	(45,822)
More than five year	-	-
Total undiscounted lease liability	<u>(59,758)</u>	<u>(59,758)</u>
18.2 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 8% per annum.		
18.3 The above liabilities were obligations under leases with various lessors for lease of buildings.		
18.4 The lease agreement less than one year are not classified under IFRS-16 leases.		
19 DEFERRED GRANT		
Deferred grant	4,767	3,260
Current portion shown under current liability	<u>4,821</u>	<u>2,674</u>
	<u>9,588</u>	<u>5,934</u>

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

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	—	—
	(Rupees in thousand)	

19.2 Following is the movement in government grant during the period / year:

Opening balance	5,934	-
Addition during the period	6,417	6,271
Amortized during the period	(2,762)	(337)
Closing balance	<u>9,589</u>	<u>5,934</u>

20 GIDC PAYABLE

GIDC payable		320,739	730,621
Current portion shown under current liability	21	<u>169,360</u>	<u>304,425</u>
		<u>151,379</u>	<u>426,196</u>

21 TRADE AND OTHER PAYABLES

Trade creditors		313,968	88,539
Accrued liabilities	21.1, 2 & 3	1,392,510	988,535
Advances from customers		145,626	115,929
Retention money		5,618	1,626
Sales tax payable		35,807	-
Workers' Profit Participation Fund		35,548	2,875
Workers Welfare Fund		19,720	3,983
Other liabilities		1,060	63
		<u>1,949,857</u>	<u>1,201,550</u>

- 21.1** These include a balance due to Chemi Multifabrics Limited, other related party, amounting to Rs. 37.131 million (June 30, 2020: Rs. 21.648 million).

- 21.2** 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. 346.226 million containing Rs. 151.379 million as Long term portion and Rs. 169.360 million as current portion and Rs. 25.486 million reflected in statement of profit or loss as income.

The Company has paid two (2) instalments during the period and balance provision of GIDC as at the reporting date is Rs. 699.145 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.

- 21.3** 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 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. 276.629 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. 276.629 million, as the matter is still in the Court for grant of relief in respect of the said tariff.

	(Un-audited) December 31, 2020	(Audited) June 30, 2020
Note	— (Rupees in thousand) —	—

22 SHORT TERM BORROWINGS

Secured

From banking companies and financial institutions

Running finances	22.1	95,824	314,536
Export refinance	22.2	120,275	100,000
Term finance	22.3	300,000	724,039
		<u>516,099</u>	<u>1,138,575</u>

- 22.1** Short term running finance facilities from various banks aggregated to Rs. 1,220 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: three months KIBOR plus 1% to 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.
- 22.2** Export refinance facility is obtained from MCB Bank Limited aggregated to Rs. 300 million (June 30, 2020: Nil) and carries mark-up at the rate SBP + 1% spread per annum (Floating rate) (June 30, 2020: Nil) on utilized limits. This facility is 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.
- 22.3** Term finance facilities from various banks aggregated to Rs. 700 million (June 30, 2020: Rs. 700 million) and carry mark-up ranging from matching KIBOR plus 0.70% to 1.50% per annum (June 30, 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.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent liabilities

- a) Letters of guarantee outstanding as at December 31, 2020 were Rs. 368.758 million (June 2020: Rs. 375.913 million).
- b) 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 which is still pending adjudication. 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).
- c) 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).

- d) Additional Commissioner has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 adding back tax credit u/s 65B of the Income Tax Ordinance, 2001 on Balancing, Modernization, and Replacement and tax credit on donations for Tax Year 2012. Tax amounting to Rs. 12.570 million has been assessed. The Company challenged the case before Commissioner Inland Revenue (Appeals) who has decided it against the Company. The Company filed appeal before Appellate Tribunal Inland Revenue. The ATIR remanded the case back to the Additional Commissioner Inland Revenue (ADCIR). In remand back proceedings the demand was reduced to 2.922 million. Against this demand the company preferred an appeal before Commissioner Inland Revenue (Appeals). The CIR(A) has granted relief of Rs. 0.8 million and upheld the remaining demand. The Company has decided to contest the demand in ATIR. Further during the processing of refund of the Tax Year 2012 u/s 170 of Income Tax Ordinance 2001 out of Rs. 9.40 million the Company has been able to realize refund of Rs. 4.40 million where as refund of Rs. 4.90 has been refused. Being aggrieved by this order the Company has decided to file appeal before CIR(A). However, if the appeals are decided against the Company on both forums, it may result in tax payable of Rs. 7.022 million (June 30, 2020: Rs. 2.122 million).
- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 161/205 and demand amounting to Rs. 1.423 million for tax year 2013 was created vide said order. The Company being aggrieved filed appeal before CIR (A), wherein case has been

remanded back to DCIR for fresh assessment and in light of the directions issued by the CIR(A). The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.423 million. (June 30, 2020: Rs. 1.423 million).

- f) Demand amounting to Rs. 6.242 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated December 14, 2015 against the M/s Chemi Chloride Industries (Private) Limited, (now merged with and into the Company). The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 6.242 million (June 30, 2020: Rs. 6.242 million).
- g) Income tax Audit for TY 2014 & 2015 u/s 177 of Income Tax Ordinance, 2001 were selected by Commissioner Income Tax through his discretionary powers vested under this section. The Company challenged the selection before Honourable Lahore High Court where selection was upheld. Thereafter proceedings were conducted and concluded by DCIR and order u/s 122(1) has been issued for both years. As a result of these proceedings a demand of Rs 32.20 million and 21.50 million has been created for these years, respectively. The Company preferred appeal before CIR(A) in both cases wherein CIR(A) annulled the demand created by disallowance of tax credit U/S 65B of Income Tax Ordinance, 2001 and ordered reconsideration of the matter in light of certain directions. The CIR(A) has confirmed the additions having tax effect of Rs. 7.30 million. The Company has filed the appeal before ATIR against the decision of CIR(A) on the grounds of being ultra vires. The company is confident of favourable outcome. However, if the cases are decided against the Company, it may result in tax payable of Rs. 7.30 million (June 30, 2020: Rs. 7.30 million).
- h) 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. 4.657 million (June 30, 2020: Rs. 5.00 million) against these claims.
- i) Proceedings u/s 177 pertaining to CCIL were initiated by DCIR for the tax year 2013. The DCIR passed order u/s 177 and demand amounting to Rs. 22.032 million for tax year 2013 has been created. The Company being aggrieved filed appeal before CIR (A), subsequent to the reporting period, CIR (A) has annulled the order with direction to the OIR to re-examine the matter. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 22.032 million (June 30, 2020: Rs. 22.032 million).
- j) 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 favourable 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: Rs. 1.20 million).
- k) 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. (June 30, 2020: Rs. 63.20 million).

- i) 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 (June 30, 2020: Rs. 25.50 million).

23.2 Commitments

Commitments as on December 31, 2020 were as follows:

- a) Against letters of credit amounting to Rs. 439.594 million (June 30, 2020: Rs. 244.684 million).
- b) Against purchase of land amounting to Rs. 1.639 million (June 30, 2020: Rs. 1.639 million).

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2020	2019	2020	2019
(Rupees in thousand)			

24 SALES

Sales				
Manufacturing (Note: 24.1)	6,246,647	4,994,954	3,416,882	2,545,979
Trading	-	19	-	-
	6,246,647	4,994,973	3,416,882	2,545,979
Less: Sales tax	876,579	684,965	477,384	349,767
Less: Commission to selling agents	76,169	64,023	40,612	33,963
	952,748	748,988	517,996	383,730
	5,293,899	4,245,985	2,898,886	2,162,249

24.1 This amount includes export sales amounting to Rs. 268.907 million (2019: Rs. 344.716 million).

(Unaudited)

	Half year ended December 31,		Quarter ended December 31,	
	2020	2019	2020	2019

(Rupees in thousand)

25 COST OF SALES

Raw materials consumed	1,530,268	881,819	830,505	469,879
Other overheads:				
Stores, spares and consumables	97,359	92,151	52,158	42,253
Packing materials consumed	89,523	60,757	47,136	31,526
Salaries, wages and other benefits	268,929	252,785	137,033	120,887
Fuel and power	1,828,731	2,032,442	999,998	975,065
Repair and maintenance	17,718	17,815	9,722	8,636
Rent, rates and taxes	93	736	47	446
Insurance	7,347	7,630	3,699	3,906
Depreciation	249,344	277,056	125,420	138,446
Vehicle running expenses	6,530	7,491	3,276	3,621
Telephone, telex and postage	480	460	246	230
Printing and stationery	142	65	114	41
Provision for slow moving stores and spares	12,000	7,500	6,000	1,500
Other expenses	736	1,331	429	429
	2,578,932	2,758,219	1,385,278	1,326,986
Opening work in process	38,912	38,143	40,502	43,313
Closing work in process	(43,366)	(42,457)	(43,366)	(42,457)
	(4,454)	(4,314)	(2,864)	856
Cost of goods manufactured	4,104,746	3,635,724	2,212,919	1,797,721
Cost of stores traded	-	28	-	-
Opening stock of finished goods	392,491	446,016	443,648	418,146
Closing stock of finished goods	(385,760)	(397,079)	(385,760)	(397,079)
	6,731	48,937	57,888	21,067
	4,111,477	3,684,689	2,270,807	1,818,788

26 OTHER INCOME

Gain on sale of fixed assets	815	657	491	594
Gain on disposal of right to use assets	2,822	-	2,822	-
Sale of scrap	15,660	46,929	5,060	19,841
Gain on extinguishment of original GIDC liability	25,486	-	25,486	-
Government grants	2,762	-	2,762	-
Gain on foreign exchange	-	710	-	-
Return on bank and investment	1,376	-	1,366	-
	48,921	48,296	37,987	20,435

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2020	2019	2020	2019
(Rupees in thousand)			

27 OTHER OPERATING EXPENSES

Auditors' remuneration				
Audit fee	400	400	200	200
Half yearly review fee	250	250	156	155
Tax and certification charges	50	115	50	115
Out of pocket expenses	95	134	95	134
	795	899	501	604
Loss on sale of fixed assets (27.1)	21,507	36,941	12,584	10,707
Workers' profit participation fund	33,748	-	18,564	-
Loss on foreign exchange	4,375	-	3,308	-
Workers welfare fund	15,737	1,275	9,012	1,273
	<u>76,162</u>	<u>39,115</u>	<u>43,969</u>	<u>12,584</u>

27.1 This figures includes loss on account of scrapping of Electrolizer and storage tank as no future economic benefits are expected from its use.

28 TAXATION

Current	76,764	-	41,742	-
Current - FTR	2,100	-	856	-
Prior year	(625)	449	(625)	-
Deferred	148,112	(17,353)	73,744	14,575
	<u>226,351</u>	<u>(16,904)</u>	<u>115,717</u>	<u>14,575</u>

(Unaudited)			
Half year ended December 31,		Quarter ended December 31,	
2020	2019	2020	2019

29 EARNINGS /(LOSS) PER SHARE - BASIC AND DILUTED

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

Profit / (loss) after taxation - (Rs. in thousand)	427,426	(31,563)	256,966	25,114
Weighted average number of ordinary shares - (in thousand)	84,700	84,700	84,700	84,700
Earnings /(loss) per share - basic and diluted - (Rs.)	<u>5.05</u>	<u>(0.37)</u>	<u>3.03</u>	<u>0.30</u>

30 TRANSACTIONS WITH RELATED PARTIES

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

	(Unaudited)			
	Half year ended December 31,		Quarter ended December 31,	
	2020	2019	2020	2019
Transaction with:				
Relationship with the Company				
Basis of relation				
Nature of transaction				
Related party				
Chemi Multifabrics Limited				
Family relation				
Marketing service charges	25,534	19,876	13,904	10,156
Retirement benefit plans				
Contribution to staff retirement benefit plans	266	266	146	132
Key management personnel				
Remuneration and other benefits	39,028	38,490	19,514	19,625

30.1 The Company has made investment in shares/equity of Ittehad Salt Processing (Private) Limited a related party during the period ended June 30, 2020 an amount of Rs. 19,000.

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

31 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 between market participations at the measurement date.

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

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

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

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

There were no financial instruments held by the Company which are measured at fair value as of December 31, 2020 and June 30, 2020.

32 FINANCIAL INSTRUMENTS BY CATEGORY

	Carrying value			Fair value			
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in thousand) -----							
On-Balance sheet financial instruments							
As at December 31, 2020							
Financial assets at amortised cost							
Long term investment	19	-	19	-	-	-	-
Long-term deposits	52,131	-	52,131	-	-	-	-
Trade debts - net of provisions	921,077	-	921,077	-	-	-	-
Loans and advances	17,989	-	17,989	-	-	-	-
Short term investment	276,323	-	276,323	-	-	-	-
Trade deposits	2,497	-	2,497	-	-	-	-
Cash and bank balances	442,335	-	442,335	-	-	-	-
	<u>1,712,371</u>	<u>-</u>	<u>1,712,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortised cost							
Long term financing	-	454,048	454,048	-	-	-	-
Long term diminishing musharaka	-	1,459,485	1,459,485	-	-	-	-
Lease liabilities	-	39,724	39,724	-	-	-	-
GIDC payable	-	151,379	151,379	-	-	-	-
Trade and other payables	-	1,713,156	1,713,156	-	-	-	-
Mark-up accrued	-	33,954	33,954	-	-	-	-
Short-term borrowings	-	516,099	516,099	-	-	-	-
	<u>-</u>	<u>4,367,845</u>	<u>4,367,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at June 30, 2020							
Financial assets at amortised cost							
Long term investment	19	-	19	-	-	-	-
Long-term deposits	52,042	-	52,042	-	-	-	-
Trade debts - net of provisions	799,171	-	799,171	-	-	-	-
Loans and advances	8,039	-	8,039	-	-	-	-
Trade deposits	1,137	-	1,137	-	-	-	-
Cash and bank balances	134,501	-	134,501	-	-	-	-
	<u>994,909</u>	<u>-</u>	<u>994,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortised cost							
Long term financing	-	359,228	359,228	-	-	-	-
Long term diminishing musharaka	-	1,460,519	1,460,519	-	-	-	-
Lease liabilities	-	50,562	50,562	-	-	-	-
Trade and other payables	-	1,078,763	1,078,763	-	-	-	-
Gratuity	-	142,380	142,380	-	-	-	-
GIDC payable	-	426,196	426,196	-	-	-	-
Mark-up accrued	-	78,374	78,374	-	-	-	-
Short-term borrowings	-	1,138,575	1,138,575	-	-	-	-
	<u>-</u>	<u>4,734,597</u>	<u>4,734,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

32.1 The Company has valued free hold land at fair value and classified under property, plant and equipment and investment property. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the condensed interim financial statements.

32.2 Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

32.3 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 period.

33 FINANCIAL RISK MANAGEMENT

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

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

The condensed interim financial statements does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2020.

The Company's financial risk management objective and policies are consistent with that disclosed in the annual financial statements for the year ended June 30, 2020.

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

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

35 CORRESPONDING FIGURES

35.1 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period except deferred capital grant amounting to Rs. 2.674 million, previously classified under non-current liabilities, has now been classified as current portion in current liability under respective heads (Note: 19) for the purpose of better presentation.

35.2 In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2020 and the corresponding figures in the condensed interim statement of profit or loss and the condensed interim comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity comprise of balances of comparable period as per the condensed interim financial statements of the Company for the half year ended December 31, 2019.

	Note	(Un-audited) December 31, 2020 (Rupees in thousand)	(Audited) June 30, 2020
36 CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	442,335	198,701
Short-term investments	13	276,323	-
		<u>718,658</u>	<u>198,701</u>

37 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENT

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, 2020. While this is still an evolving situation as at the time of issuing these condensed interim financial statements yet, to date the operations of the Company have continued uninterrupted during this pandemic, future effects cannot be predicted. However, the management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

38 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue on February 19, 2021 by the Board of Directors of the Company.

39 GENERAL

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

39.2 The Board of Directors of the company in its meeting held on February 19, 2021 have declared an interim dividend at 20% i.e. Re. 2 per share (June 30, 2020 : 10% i.e. Re. 1 per share). These financial statements do not reflect this appropriation.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER



Ms Certification
No of Certificate 236



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