Independent Auditor's Review Report on Review of Ittefaq Iron Industries Limited

Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Ittefaq Iron Industries Limited** ("the Company") as at December 31, 2024 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial neoformation for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on aur review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2024 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

MUHAMMAD KALEEM RATHOR
(Engagement Partner)

Lahore
Date: February 24, 2025

UDIN: RR202410377SCMoPbcBO

KALEEM & COMPANY
LAHORE
Chartered Accountants

KALEEM & COMPANY
CHARTERED ACCOUNTANTS

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 31 DECEMBER 2024

	Note	Un-audited 31-Dec-2024 Rupees	Audited 30-Jun-2024 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	7	**1,443,433,640**	1,443,433,640
Share premium	8	**774,507,925**	774,507,925
Loan from directors/sponsors	9	**316,329,215**	316,329,215
Surplus on revaluation of property, plant and equipment		**950,066,759**	968,864,778
Un-appropriated profit		**422,534,003**	646,590,818
		3,906,871,542	4,149,726,376
NON-CURRENT LIABILITIES			
Long-term finances	10	**246,011,592**	280,967,808
Liabilities against asset subject to finance lease		-	-
Deferred taxation		**21,130,129**	40,273,056
Deferred liabilities		**57,289,464**	195,503,176
		324,431,185	516,744,040
CURRENT LIABILITIES			
Trade and other payables		**437,585,078**	366,052,868
Unclaimed dividends		**373,720**	373,720
Mark-up accrued on borrowings		**66,912,533**	81,311,696
Short-term borrowings	11	**1,061,275,858**	1,061,934,562
Current portion of long term liabilities		**20,819,408**	46,484,095
		1,586,966,597	1,556,156,941
CONTINGENCIES AND COMMITMENTS	12	-	-
		5,818,269,324	6,222,627,357
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,317,269,445**	2,400,707,985
Right to use assets	14	**46,172,270**	51,302,522
Long-term deposits		**20,026,226**	20,026,226
		2,383,467,941	2,472,036,733
CURRENT ASSETS			
Stores, spare parts and loose tools		**430,116,254**	462,512,202
Stock in trade		**966,629,979**	987,359,425
Trade debts		**1,373,428,019**	1,695,040,906
Loans and advances		**106,497,423**	104,347,183
Trade deposits and prepayments		**139,768,116**	134,790,299
Tax refunds due from government		**402,515,570**	338,297,646
Cash and bank balances		**15,846,022**	28,242,963
		3,434,801,383	3,750,590,624
		5,818,269,324	6,222,627,357

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive Officer | **Director** | **Chief Financial Officer**

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2024

	Half year ended		Quarter ended	
	31-Dec-2024	31-Dec-2023	**31-Dec-2024**	31-Dec-2023
	Rupees	Rupees	**Rupees**	Rupees
Sales - net	**1,240,075,372**	1,233,946,440	**567,732,731**	474,976,318
Cost of sales	**(1,359,682,134)**	(1,401,353,420)	**(607,802,191)**	(671,755,961)
Gross (loss) / profit	**(119,606,762)**	(167,406,980)	**(40,069,460)**	(196,779,643)
Other income	**17,030,273**	1,919,122	**15,968,971**	1,772,149
Distribution and marketing cost	**(31,639,486)**	(29,311,092)	**(15,072,449)**	(2,484,052)
Administrative and general expenses	**(70,609,439)**	(67,057,712)	**(37,118,018)**	(32,824,634)
Other operating cost	**(12,265,564)**	(12,265,584)	**(5,930,800)**	(6,132,795)
Finance cost	**(29,405,841)**	(28,474,987)	**(15,442,479)**	(19,451,768)
	(143,920,330)	(137,109,375)	**(73,563,746)**	(60,893,249)
Loss before levies and taxation	**(246,496,819)**	(302,597,233)	**(97,664,235)**	(255,900,743)
Levies	**(15,500,942)**	(15,424,331)	**(7,096,659)**	(5,937,204)
Loss before levies	**(261,997,761)**	(318,021,564)	**(104,760,894)**	(261,837,947)
Taxation	**19,142,927**	4,936,114	**(25,514,111)**	(21,291,934)
Loss after taxation	**(242,854,834)**	(313,085,450)	**(130,275,005)**	(283,129,881)
Total comprehensive loss	**(242,854,834)**	(313,085,450)	**(130,275,005)**	(283,129,881)
Loss per share - basic and diluted	**(1.68)**	(2.17)	**(0.90)**	(1.96)

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive Officer	**Director**	**Chief Financial Officer**

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2024 (UNAUDITED)

	Share capital	Reserves			Equity portion of loan from directors	Total equity
		Capital		Revenue		
		Share premium	Surplus on revaluation of operating asset	Un-appropriated profit		
	----------	----------	Rupees	----------	----------	
Balance as at 30 June 2023 (Audited)	1,443,433,640	774,507,925	532,070,860	1,506,712,930	316,329,215	4,573,054,570
Loss for the period	-	-	-	(313,085,450)	-	(313,085,450)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(313,085,450)	-	(313,085,450)
Incremental depreciation - net of tax	-	-	(9,266,141)	9,266,141	-	-
Balance as at 31 December 2023 (Un-audited)	1,443,433,640	774,507,925	522,804,719	1,202,893,621	316,329,215	4,259,969,120
Balance as at 30 June 2024 (Audited)	**1,443,433,640**	**774,507,925**	**968,864,778**	**646,590,818**	**316,329,215**	**4,149,726,376**
Loss for the period	-	-	-	**(242,854,834)**	-	**(242,854,834)**
Other comprehensive income	-	-	-	-	-	-
	-	-	-	**(242,854,834)**	-	**(242,854,834)**
Incremental depreciation - net of tax	-	-	**(18,798,019)**	**18,798,019**	-	-
Balance as at 31 December 2024 (Un-audited	**1,443,433,640**	**774,507,925**	**950,066,759**	**422,534,003**	**316,329,215**	**3,906,871,542**

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive Officer	**Chief Financial Officer**	**Director**

ITTEFAQ IRON INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2024

	----- Six months ended -----	
	31-Dec-2024	31-Dec-2023
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before levies and taxation	**(246,496,819)**	(302,597,233)
Adjustments for non-cash charges / items:		
Depreciation of property, plant and equipment	**88,820,792**	64,810,262
Provision for gratuity	**10,819,313**	10,549,326
Finance cost	**29,405,841**	(28,474,987)
	129,045,946	46,884,601
Loss before working capital changes	**(117,450,873)**	(255,712,632)
Working capital changes		
Stores, spare parts and loose tools	**32,395,948**	50,757,238
Stock in trade	**20,729,446**	87,009,349
Trade debts	**321,612,887**	261,293,573
Loans and advances	**(2,150,240)**	(28,428,453)
Trade deposits and prepayments	**(4,977,817)**	(6,698,406)
Sales tax refunds due from government	**(28,894,246)**	(77,430,058)
Trade and other payables	**71,532,210**	12,434,863
	410,248,188	298,938,106
Cash generated / (used in) from operations	**292,797,315**	43,225,474
Income tax paid	**(50,824,620)**	(36,226,261)
Finance cost paid	**(43,805,004)**	26,539,895
Gratuity paid	**(149,033,025)**	(3,286,662)
Net cash generated in operating activities	**49,134,666**	30,252,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(252,000)**	(952,668)
Capital work in progress	**-**	(10,697,727)
Net cash generated/ (used in) investing activities	**(252,000)**	(11,650,395)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	**(658,704)**	10,692,188
Repayment of current portion	**(25,664,687)**	(19,743,822)
Long-term finances	**(34,956,216)**	-
Net cash generated from financing activities	**(61,279,607)**	(9,051,634)
Net increase / (decrease) in cash and cash equivalents	**(12,396,941)**	9,550,417
Cash and cash equivalents at beginning of the period	**28,242,963**	20,868,768
Cash and cash equivalents at end of the period	**15,846,022**	30,419,185

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Chief Executive Officer	**Director**	**Chief Financial Officer**

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

1 STATUS AND ACTIVITES

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended June 30, 2024.

3 BASIS OF PREPARATION

The comparative unconsolidated condensed interim statement of financial position presented in these unconsolidated condensed interim financial statements has been extracted from the unconsolidated annual audited financial statements of the Company for the year ended June 30, 2024, whereas comparative unconsolidated condensed interim statement of profit or loss and comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows have been extracted from the unconsolidated condensed interim financial statements for the six months ended December 31, 2023.

4 BASIS OF MEASUREMENT

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

5 FUNCTIONAL AND PRESENTATION CURRENCY

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

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2024.

6.1 Changes in accounting standards, interpretations and pronouncements

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 01, 2024. However, these do not have any significant impact on the Company's financial reporting, therefore, have not been detailed in these condensed interim financial statements.

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

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

ITTEFAQ IRON INDUSTRIES LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

		Un-Audited 31-Dec-2024 Rupees	Audited 30-Jun-2024 Rupees
7	**SHARE CAPITAL**		
	Authorized capital		
	300,000,000 (2023: 300,000,000) Ordinary shares of Rs. 10 each	**3,000,000,000**	3,000,000,000
	Issued, subscribed and paid-up share capital		
	121,750,000 (2023: 121,750,000) Ordinary shares of Rs. 10 each fully paid in cash	**1,217,500,000**	1,217,500,000
	9,471,240 (2023: 9,471,240) Ordinary shares of Rs. 10 each for consideration other than cash	**94,712,400**	94,712,400
	13,122,124 (2023: 13,122,124) Ordinary shares of Rs. 10 each issued as bonus shares	**131,221,240**	131,221,240
		1,443,433,640	1,443,433,640
8	**CAPITAL RESERVES**		
	Share premium	**774,507,925**	774,507,925

8.1 This represents premium of Rs. 20.20 per share received by the Company adjusted by the transaction cost of Rs. 68.842 million on initial public offering ('IPO') of 41,750,000 shares of Rs. 10 each in the year 2017. This reserve can be utilized by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

9	**LOAN FROM DIRECTORS/SPONSORS**		
	At the beginning of the year	**316,329,215**	316,329,215
	Add: Addition during the year	**-**	-
	Less: Repayment during the year	-	-
	At the end of the year	**316,329,215**	316,329,215

9.1 It is interest free loan from directors amounting to Rs. 316.329 million (2024: Rs. 316.329 million). This loan has been classified into equity as per regulations of TR 32 issued by the Institute of Chartered Accountant of Pakistan.

9.2 A loan to an entity by the director with undetermined repayment period, which is agreed to be paid at the discretion of the entity does not pass the test of liability and is to be recorded as equity at face value. This is not subsequently remeasured. The decision by the entity at any time in future to deliver cash or any other financial asset to settle the director's loan would be a direct debit to equity.

10	**LONG-TERM FINANCES**		
	Bank of Punjab Limited-FATR/FIM	**157,728,464**	163,134,000
	Bank of Punjab Limited-CF	**109,102,536**	121,697,000
		266,831,000	284,831,000
	Soneri Bank Limited-DF	**-**	36,051,659
	Less: Current Portion of Long term Loans	**(20,819,408)**	(39,914,851)
		246,011,592	280,967,808
11	**SHORT TERM BORROWINGS**		
	Cash finances:		
	National Bank of Pakistan	**166,945,609**	166,945,609
		166,945,609	166,945,609
	FATR / FIM:		
	National Bank of Pakistan	**694,989,535**	694,989,535
	Soneri Bank Limited	**199,340,714**	199,999,418
		894,330,249	894,988,953
		1,061,275,858	1,061,934,562

12 CONTINGENCIES AND COMMITMENTS

12.1 ***Contingencies***

(a) The Company is in litigation with National Bank of Pakistan ('NBP') wherein NBP had filed suits bearing # COS 22222/2019 and COS 67073/2019 before High Court against the Company for recovery of Rs. 887.812 million. The Company had filed counter suits against NBP, as below:

i) The Company had filed a suit bearing # COS 217367/2018 before the High Court against NBP's claims of certain facilities of letters of credit.

ii) The Company with other claimants filed a suit bearing # COS 18377/2019 before High Court for recovery of Rs. 942.50 million on account of damages. The said petition is pending adjudication.

iii) The Company had filed a suit before Banking Court IV, Lahore against NBP's attempt to include the name of the Company on 'electronic credit information bureau' ('E-CIB') of State Bank of Pakistan. The said court had allowed an interim relief to the Company by issuing a stay order. The matter is pending adjudication.

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

The company is contesting all these cases vigorously and legal consultants is of the view that the said matters would be decided in favor of the company, therefore no provision has been recognized as per IAS 37 in the financial statements.

(b) Bank guarantees amounting to Rs. 114,913,110 (2023: Rs. 114,913,610) had been issued in favors of the Company by various financial institutions.

(c) Accrued markup on Bank of Punjab is contingent upon timely repayment of loan installments as per the agreed schedule.

12.2	***Commitments***			
	Irrevocable letters of credit/contracts		**208,359,911**	208,359,911
13	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	**13.1**	**2,317,269,445**	2,400,707,985
	Capital work-in-progress	**13.2**	-	-
			2,317,269,445	2,400,707,985
13.1	**Operating fixed assets**			
	Balance at the beginning of the period-WDV		**2,400,707,985**	1,803,069,860
	Add: Addition during the period		**252,000**	101,146,268
	Add: Transfer from CWIP	**13.2**	-	82,217,724
	Add: Revaluation surplus during the year		-	563,975,123
	Less: Depreciation during the period		**(83,690,540)**	(149,700,990)
	Balance at the end of the period		**2,317,269,445**	2,400,707,985
13.2	**Capital work-in-progress**			
	Balance at the beginning of the period		-	72,521,259
	Add: Addition during the period		-	9,696,465
	Transfer to operating assets			
	Building on freehold land		-	(6,379,539)
	Plant and machinery		-	(61,333,933)
	Electric installation and equipment		-	(14,504,252)
			-	(82,217,724)
	Balance at the end of the period		-	-
14	**RIGHT-OF-USE ASSETS**			
	Plant and machinery acquired on lease		**51,302,522**	57,002,802
	Add: Further expense incurred by the Company		-	-
			51,302,522	57,002,802
	Less: Depreciation on right-of-use assets (On no. of days basis)		**(5,130,252)**	(5,700,280)
			46,172,270	51,302,522

14.1 Depreciation is charged on reducing balance basis.

15 TRANSACTIONS WITH RELATED PARTIES

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

Related Party	*Basis of relationship*	*Nature of transaction*	**Un-Audited 31-Dec-2024**	Audited 30-Jun-2024
			Rupees	
Chief executive	Shareholder	Remuneration	**5,563,763**	11,147,526
Directors	Shareholders	Remuneration	**3,366,877**	6,733,753
Executives	Related parties	Remuneration	**7,419,232**	14,838,463
			16,349,872	32,719,742

16 CORRESPONDING FIGURES

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

17 AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on February 24,2024.

Chief Executive Officer | **Director** | **Chief Financial Officer**