

# **Ittehad Chemicals Limited**

**Quarterly Report March 31, 2004**

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## **Ittehad Chemicals Limited**

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## **DIRECTORS' REVIEW**

We feel pleasure in presenting the un-audited accounts of your Company for the nine months ended March 31, 2004.

We continued to focus on operational improvement and cost reduction which are essential for improving margins and returns in a challenging business climate. Our growth remained positive despite negative impact of high power tariff and industry overcapacity.

We ended the period under review with net sales of Rs. 1,072 million which were higher by 12% relative to the sales of Rs. 956 million in the same period last year. Gross margin achieved at Rs. 161 million against Rs. 110 million, reflecting an improvement of 46 %. Net profit before tax came in at Rs. 64 million, compared with Rs. 47 million, posting an increase of 36% over the same preceding period. This profitability hike stems essentially from the reduction in per metric ton utilization of power as a result of Ion Exchange Membrane (IEM) plant and increase in production volume.

We also improved our cash flows and reduced our net debt. Although the profit before tax for the period under review yielded appreciable increase as compared to the corresponding period of last year but the profit after tax is lower due to the higher deferred tax charge resulting from capitalization of IEM plant.

No Company in our industry has been unaffected by the enormous increases in energy costs. To mitigate the adverse impact of this element, your Board has decided to set up a captive power plant within the factory premises. As we had stated in previous quarterly report, since a lengthy legal procedure is involved in installation of the plant at Ittehad Energy Limited, the subsidiary Company, we took the said decision as an immediate solution to meet post WTO challenges. Arrangement for financing and selection of a suitable captive power plant are in process.

The task now before us is to build on our progress and continue to improve our financial performance. Our ultimate objective remains what it has always been: to achieve excellent operating results through efficiency and cost control.

On behalf of the Board of Directors I want to thank our shareholders, valued customers, and financiers for their support in taking our business forward. We also express our appreciation to our staff for their continuing cooperation.

On behalf of the Board

April 20, 2004  
Lahore.

Ghulam Mustafa Khatri  
Chief Executive Officer

**ITTEHAD CHEMICALS LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2004**

	Note	March 31, 2004 Unaudited (Rupees in thousand)	June 30, 2003 Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets	4	814,063	666,717
Mercury in cells		29,617	27,715
Mercury held for capital expenditure		1,038	1,228
Spares held for capital expenditure		11,555	82,620
		<u>856,273</u>	<u>778,280</u>
Long term investments		57,538	57,538
Long term security deposits		11,915	6,808
Deferred cost		3,614	3,269
		<u>929,340</u>	<u>845,895</u>
<b>CURRENT ASSETS</b>			
Stores and spares		109,220	106,778
Stock in trade		49,581	40,395
Trade debts		216,854	148,748
Advances, deposits, prepayments and other receivables		147,311	151,306
Cash and bank balances	5	38,311	286,742
		<u>561,277</u>	<u>733,969</u>
<b>TOTAL ASSETS</b>		<u>1,490,617</u>	<u>1,579,864</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized share capital			
30,000,000 ordinary shares of Rs. 10/- each		<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid up capital			
25,000,000 shares of Rs.10/- each		250,000	250,000
Unappropriated profits		155,527	160,870
Shareholders' equity		405,527	410,870
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital		249,950	250,000
Long term loans		283,189	368,945
Liabilities against assets subject to finance lease		-	218
Deferred liabilities		91,230	27,486
		<u>624,369</u>	<u>646,649</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		96,574	71,277
Short term running finance		174,500	56,967
Creditors, accrued and other liabilities		189,633	144,076
Refundable to unsuccessful subscribers of Term Finance Certificates		-	212,525
Dividend	6	14	37,500
		<u>460,721</u>	<u>522,345</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,490,617</u>	<u>1,579,864</u>

**Note:** The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	Note	Nine months ended		Quarter ended	
		March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003
<b>(Rupees in thousand)</b>					
Sales – Net		1,072,342	956,261	381,441	322,608
Cost of sales	8	911,281	846,503	331,903	283,116
Gross profit		161,061	109,758	49,538	39,492
Other income		1,248	1,051	571	425
		162,309	110,809	50,109	39,917
Administrative and selling expenses		65,218	47,327	25,374	17,171
Others		5,349	4,667	683	1,491
		70,567	51,994	26,057	18,662
Operating profit		91,742	58,815	24,052	21,255
Financial charges		28,126	11,755	15,518	3,988
Profit before taxation		63,616	47,060	8,534	17,267
Taxation					
Current		5,400	17,000	1,900	6,400
Deferred		63,559	(5,914)	32,876	1,332
		68,959	11,086	34,776	7,732
Profit after taxation		(5,343)	35,974	(26,242)	9,535
Unappropriated profit brought forward		160,870	151,228	171,612	155,154
Unappropriated profit carried forward		155,527	187,202	145,370	164,689
Basic and diluted earnings per share	9	Rs. (0.21)	Rs. 1.44	Rs. (1.05)	Rs. 0.38

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	<b>March 31, 2004</b>	<b>March 31 2003</b>
	<b>(Rupees in thousand)</b>	
<b>Cash flows from operating activities</b>		
Funds provided from operations		
Net profit for the period	63,616	47,060
Adjustments for non cash charges and other items:		
Depreciation	45,045	16,592
Provision for gratuity	225	205
Amortization of deferred cost	638	-
Mercury consumed	4,680	7,412
Financial charges	28,126	11,755
	<u>142,330</u>	<u>83,024</u>
<b>Decrease/ (increase) in current assets</b>		
Stores and spares	68,623	(311,712)
Stock in trade	(9,186)	998
Trade debts	(68,106)	(57,462)
Loans, advances and other receivables	21,149	(17,022)
	12,480	(385,198)
<b>Increase in current liabilities</b>		
Refunded against oversubscribed money of TFC issue	(212,525)	-
Creditors, Accrued and other liabilities	43,391	13,683
	<u>(14,324)</u>	<u>(288,491)</u>
<b>Cash generated from operations</b>		
Taxes paid	(22,554)	(28,086)
Dividend paid	(37,486)	(37,500)
Gratuity paid	(40)	-
	<u>(74,404)</u>	<u>(354,077)</u>
Net cash used in operating activities		

	<b>March 31, 2004</b>	<b>March 31, 2003</b>
<b>Note</b>	<b>(Rupees in thousand)</b>	
<b>Cash flows from investing activities</b>		
Additions to fixed assets	(33,331)	(3,409)
Additions to capital work in progress	(159,060)	(30,414)
Mercury purchases	(6,392)	(9,333)
Long term deposits	(5,107)	-
Deferred cost	(983)	-
Net cash used in investing activities	(204,873)	(43,156)
<b>Cash flows from financing activities</b>		
Redeemable capital	(50)	-
Long term loans	(60,273)	340,792
Liabilities against assets subject to finance leases	(404)	(2,145)
Financial charges paid	(25,960)	(9,356)
Short term running finances	117,533	69,888
Net cash flow from financing activities	30,486	399,179
Net increase/(decrease) in cash equivalents	(248,431)	1,946
Cash and cash equivalents at the beginning of the period	286,742	16,203
Cash and cash equivalents at the end of the period	5 38,311	18,149

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	<b>Issued, subscribed and paid up capital</b>	<b>Unappropriated profit</b>	<b>Total</b>
<b>(Rupees in thousand)</b>			
Balance as at July 1, 2002	250,000	151,228	401,228
Profit after taxation for the nine months ended March 31, 2003	-	35,974	35,974
Balance as at March 31, 2003	250,000	187,202	437,202
Balance as at July 1, 2003	250,000	160,870	410,870
Loss after taxation for the nine months ended March 31, 2004	-	(5,343)	(5,343)
Balance as at March 31, 2004	250,000	155,527	405,527

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

**1. NATURE AND STATUS 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 when 90% of the shares were transferred to the buyer.

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 share of the Company to the general public.

The registered office of the Company is situated at 39, Empress Road, Lahore. The Company is engaged in business of manufacturing and selling caustic soda and other allied chemicals.

**2. STATEMENT OF COMPLIANCE**

These financial statements are un-audited but subject to limited scope review by the auditors as required by Code of Corporate Governance under listing regulations of the Stock Exchanges and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan.

**3. ACCOUNTING POLICIES**

3.1 The accounting policies and methods of computation followed in the preparation of half yearly financial statements are the same as those of published annual financial statements for the year ended June 30, 2003.

3.2 The Company continues to enter into transactions with related parties at prices determined on an arm's length basis using the comparable uncontrolled price method or cost plus method as applicable.

#### 4. TANGIBLE FIXED ASSETS

##### 4.1 Additions/transfers during the period

The following tangible fixed assets have been added / deleted during the period ended March 31, 2004:

Particulars	Additions	Transfer from capital work in progress
	(Rupees in thousand)	
Buildings on freehold land	-	29,914
Plant and machinery	28,501	540,300
Furniture and fixtures	706	-
Office and other equipments	1,574	-
Vehicles	3,439	-
	<u>34,220</u>	<u>570,214</u>

##### 4.2 Depreciation

Effective July 01, 2003 the Company has revised its accounting estimates in respect of depreciation on fixed assets. Depreciation on additions is charged from the month in which the asset is put to use and on disposals, up to the month the asset has been in use, in line with the recommendations of The Institute of Chartered Accountants of Pakistan. Had the Company not changed its accounting estimates the profit before tax for the period would have decreased by Rs. 15.772 million.

**March 31,**                      **June 30,**  
**2004**                              **2003**  
**(Rupees in thousand)**

#### 5. CASH AND BANK BALANCES

Cash in hand	1,304	259
Cash at banks in:		
in current accounts	36,987	286,463
in deposit accounts	20	20
	<u>37,007</u>	<u>286,483</u>
	<u>38,311</u>	<u>286,742</u>

**March 31,                      June 30,**  
**2004                              2003**  
**(Rupees in thousand)**

**6.      DIVIDENDS**

Proposed	-	37,500
Unclaimed	14	-
	14	37,500
	14	37,500

**7.      CONTINGENCIES AND COMMITMENTS**

**7.1    Contingencies**

Grid station claim of Saigal Brothers Ltd not acknowledged in view of High Court order in which writ petition was dismissed	4,200	4,200
Claim of Saigal Brothers Ltd for storage tanks not acknowledged	2,564	2,564
Demand created with respect to disallowance of expenditure of non-deduction of with holding tax on payments made under GHS/VSS not provided for on account of pending appeal	34,107	56,437
Tax liabilities not provided for on account of pending assessments	12,928	2,723
Demands of sales tax not acknowledged on account of pending appeals	17,786	19,208
Guarantees issued by banks on behalf of the Company	28,282	19,137
	99,867	104,269
	99,867	104,269

## 7.2 Commitments

The commitments of the Company as at balance sheet date comprise of the following:

	<b>March 31, 2004</b>	<b>June 30, 2003</b>
	<b>(Rupees in thousand)</b>	
Against outstanding letters of credit	22,303	33,566
Against capital expenditure	-	5,268
	<u>22,303</u>	<u>38,834</u>

<b>Nine months ended</b>		<b>Quarter ended</b>	
<b>March 31, 2004</b>	<b>March 31, 2003</b>	<b>March 31, 2004</b>	<b>March 31, 2003</b>
<b>(Rupees in thousand)</b>			

## 8. COST OF GOODS SOLD

Cost of goods manufactured	907,649	857,608	332,740	275,466
Opening stock of finished goods	21,534	19,137	17,065	38,153
Purchase of trading goods	-	261	-	-
	<u>929,183</u>	<u>877,006</u>	<u>349,805</u>	<u>313,619</u>
Closing stocks of finished goods	(19,152)	(30,503)	(19,152)	(30,503)
Cost of raw materials traded	1,250	-	1,250	-
	<u>911,281</u>	<u>846,503</u>	<u>331,903</u>	<u>283,116</u>

## 9. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	<u>(5,343)</u>	<u>35,974</u>	<u>(26,242)</u>	<u>9,535</u>
	<b>Number of shares</b>			
Average issued ordinary shares	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Earnings per share	<u>Rs. (0.21)</u>	<u>Rs. 1.44</u>	<u>Rs. (1.05)</u>	<u>Rs. 0.38</u>

## 10. TRANSACTIONS WITH RELATED PARTIES

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

	<b>March 31, 2004</b>	<b>March 31, 2003</b>
	<b>(Rupees in thousand)</b>	
Marketing service charges	9,856	9,758
Sale of goods and services	35,003	11,507
Contribution to staff retirement benefit plans	92	91

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length prices determined using the comparable uncontrolled price method or cost plus method as relevant to the transactions.

## 11. GENERAL

- i) These financial statements were authorized for the issue on April 20, 2004 by the Board of Directors of the Company.
- ii) Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.
- iii) Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2004**

	Note	March 31, 2004 Unaudited (Rupees in thousand)	June 30, 2003 Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets	5	819,300	671,954
Mercury in cells		29,617	27,715
Mercury held for capital expenditure		1,038	1,228
Spares held for capital expenditure		11,555	82,620
		<u>861,510</u>	<u>783,517</u>
Long term investments		56,258	56,258
Long term security deposits		11,915	6,808
Pre-operating expenses		2,024	2,007
Deferred cost		3,656	3,312
		<u>935,363</u>	<u>851,902</u>
<b>CURRENT ASSETS</b>			
Stores and spares		109,220	106,778
Stock in trade		49,581	40,395
Trade debts		216,854	148,748
Advances, deposits, prepayments and other receivables		147,311	151,306
Cash and bank balances	6	38,583	287,014
		<u>561,549</u>	<u>734,241</u>
<b>TOTAL ASSETS</b>		<u><u>1,496,912</u></u>	<u><u>1,586,143</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized share capital			
30,000,000 ordinary shares of Rs. 10/- each		<u>300,000</u>	<u>300,000</u>
Issued, subscribed and paid up capital			
25,000,000 shares of Rs.10/- each		250,000	250,000
Unappropriated profits		<u>155,527</u>	<u>160,870</u>
Shareholders' equity		405,527	410,870
<b>MINORITY INTEREST</b>		70	70
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital		249,950	250,000
Long term loans		283,189	368,945
Liabilities against assets subject to finance lease		-	218
Deferred liabilities		91,230	27,486
		<u>624,369</u>	<u>646,649</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		96,574	71,277
Short term running finance		174,500	56,967
Creditors, accrued and other liabilities		195,858	150,285
Refundable to unsuccessful subscribers of Term Finance Certificates		-	212,525
Dividend	7	14	37,500
		<u>466,946</u>	<u>528,554</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,496,912</u></u>	<u><u>1,586,143</u></u>

**Note:** The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	Note	Nine months ended		Quarter ended	
		March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003
<b>(Rupees in thousand)</b>					
Sales – Net		1,072,342	956,261	381,441	322,608
Cost of sales	9	911,281	846,503	331,903	283,116
Gross profit		161,061	109,758	49,538	39,492
Other income		1,248	1,051	571	425
		162,309	110,809	50,109	39,917
Administrative and selling expenses		65,218	47,327	25,374	17,171
Others		5,349	4,667	683	1,491
		70,567	51,994	26,057	18,662
Operating profit		91,742	58,815	24,052	21,555
Financial charges		28,126	11,755	15,518	3,988
Profit before taxation		63,616	47,060	8,534	17,267
Taxation					
Current		5,400	17,000	1,900	6,400
Deferred		63,559	(5,914)	32,876	1,332
		68,959	11,086	34,776	7,732
Profit after taxation		(5,343)	35,974	(26,242)	9,535
Unappropriated profit brought forward		160,870	151,228	165,804	167,529
Unappropriated profit carried forward		155,527	187,202	139,562	177,064
Basic and diluted earnings per share	10	Rs. (0.21)	Rs. 1.44	Rs. (1.05)	Rs. 0.38

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	<b>March 31, 2004</b>	<b>March 31 2003</b>
	<b>(Rupees in thousand)</b>	
<b>Cash flows from operating activities</b>		
Funds provided from operations		
Net profit for the period	63,616	47,060
Adjustments for non cash charges and other items:		
Depreciation	45,045	16,592
Provision for gratuity	225	205
Amortization of deferred cost	638	-
Mercury consumed	4,680	7,412
Financial charges	28,126	11,755
	<u>142,330</u>	<u>83,024</u>
<b>Decrease/ (increase) in current assets</b>		
Stores and spares	68,623	(311,712)
Stock in trade	(9,186)	998
Trade debts	(68,106)	(57,462)
Loans, advances and other receivables	21,149	(17,022)
	12,480	(385,198)
<b>Increase in current liabilities</b>		
Refunded against oversubscribed money of TFC issue	(212,525)	-
Creditors, Accrued and other liabilities	43,407	13,683
<b>Cash generated from operations</b>	<u>(14,308)</u>	<u>(288,491)</u>
Taxes paid	(22,554)	(28,086)
Dividend paid	(37,486)	(37,500)
Gratuity paid	(40)	-
Net cash used in operating activities	<u>(74,388)</u>	<u>(354,077)</u>

	<b>March 31, 2004</b>	<b>March 31, 2003</b>
<b>Note</b>	<b>(Rupees in thousand)</b>	
<b>Cash flows from investing activities</b>		
Additions to fixed assets	(33,331)	(3,409)
Additions to capital work in progress	(159,060)	(30,414)
Mercury purchases	(6,392)	(9,333)
Long term deposits	(5,107)	-
Deferred cost and pre-operating expenses	(999)	-
Net cash used in investing activities	(204,873)	(43,156)
<b>Cash flows from financing activities</b>		
Redeemable capital	(50)	-
Long term loans	(60,273)	340,792
Liabilities against assets subject to finance leases	(404)	(2,145)
Financial charges paid	(25,960)	(9,356)
Short term running finances	117,533	69,888
Net cash flow from financing activities	30,846	399,179
Net increase/(decrease) in cash equivalents	(248,431)	1,946
Cash and cash equivalents at the beginning of the period	287,014	16,203
Cash and cash equivalents at the end of the period	5 38,583	18,149

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

	<b>Issued, subscribed and paid up capital</b>	<b>Unappropriated profit</b>	<b>Total</b>
<b>(Rupees in thousand)</b>			
Balance as at July 1, 2002	250,000	151,228	401,228
Profit after taxation for the nine months ended March 31, 2003	-	35,974	35,974
Balance as at March 31, 2003	250,000	187,202	437,202
Balance as at July 1, 2003	250,000	160,870	410,870
Loss after taxation for the nine months ended March 31, 2004	-	(5,343)	(5,343)
Balance as at March 31, 2004	250,000	155,527	405,527

Note: The annexed notes form an integral part of these accounts.

**CHIEF EXECUTIVE**

**DIRECTOR**

**ITTEHAD CHEMICALS LIMITED**  
**NOTES TO THE CONSOLIDATED ACCOUNTS**  
**FOR THE PERIOD ENDED MARCH 31, 2004 (UNAUDITED)**

**1. NATURE AND STATUS 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 when 90% of the shares were transferred to the buyer.

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 share of the Company to the general public.

The registered office of the Company is situated at 39, Empress Road, Lahore. The Company is engaged in business of manufacturing and selling caustic soda and other allied chemicals.

Ittehad Energy Limited, (the subsidiary) was incorporated in Pakistan on December 20, 1995 as a public limited company under the Companies Ordinance, 1984. The address of its registered office is C-12, South Avenue, S.I.T.E. Karachi. The principal activity of the subsidiary upon implementation of project will be generation and transmission of power. The Company is in the process of deciding to set up a Coal – Fired Power Plant of 36 mega watts.

The Company has acquired 80% shares in the subsidiary on June 27, 2003

**2. BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of Ittehad Chemicals Limited and its subsidiary company. The financial statements of the parent and subsidiary companies are prepared up to same reporting date using consistent accounting policies and are combined on a line by line basis.

All intra company balances and transactions, if any, are eliminated Minority interest is calculated on the basis of their proportionate share in the net assets of the subsidiary.

### 3. STATEMENT OF COMPLIANCE

These financial statements are un-audited being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan.

### 4. ACCOUNTING POLICIES

4.1 The accounting policies and methods of computation followed in the preparation of half yearly consolidated financial statements are the same as those of published annual financial statements for the year ended June 30, 2003.

4.2 The Group continues to enter into transactions with related parties at prices determined on an arm's length basis using the comparable uncontrolled price method or cost plus method as applicable.

### 5. TANGIBLE FIXED ASSETS

#### 5.1 Additions/transfers during the period

The following tangible fixed assets have been added / deleted during the period ended March 31, 2004:

<b>Particulars</b>	<b>Additions</b>	<b>Transfer from capital work in progress</b>
	—————(Rupees in thousand)—————	
Buildings on freehold land	-	29,914
Plant and machinery	28,501	540,300
Furniture and fixtures	706	-
Office and other equipments	1574	-
Vehicles	3,439	-
	<u>34,220</u>	<u>570,214</u>

#### 5.2 Depreciation

Effective July 01, 2003 the Company has revised its accounting estimates in respect of depreciation on fixed assets. Depreciation on additions is charged from the month in which the asset is put to use and on disposals, up to the month the asset has been in use, in line with the recommendations of The Institute of

Chartered Accountants of Pakistan. Had the Company not changed its accounting estimates the profit before tax for the period would have decreased by Rs. 15.772 million.

**March 31,**                      **June 30,**  
**2004**                              **2003**  
**(Rupees in thousand)**

**6. CASH AND BANK BALANCES**

Cash in hand	1,524	259
Cash at banks in:		
in current accounts	37,039	286,463
in deposit accounts	20	20
	37,059	286,483
	38,583	286,742

**7. DIVIDENDS**

Proposed	-	37,500
Unclaimed	14	-
	14	37,500

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

Grid station claim of Saigal Brothers Ltd not acknowledged in view of High Court order in which writ petition was dismissed	4,200	4,200
Claim of Saigal Brothers Ltd for storage tanks not acknowledged	2,564	2,564
Demand created with respect to disallowance of expenditure of non-deduction of with holding tax on payments made under GHS/VSS not provided for on account of pending appeal	34,107	56,437
Tax liabilities not provided for on account of pending assessments	12,928	2,723
Demands of sales tax not acknowledged on account of pending appeals	17,786	19,208
Guarantees issued by banks on behalf of the Company	28,282	19,137
	<u>99,867</u>	<u>104,269</u>

### 8.2 Commitments

The commitments of the Company as at balance sheet date comprise of the following:

	<b>March 31, 2004</b>	<b>June 30, 2003</b>
	<b>(Rupees in thousand)</b>	
Against outstanding letters of credit	22,303	33,566
Against capital expenditure	-	5,268
	<u>22,303</u>	<u>38,834</u>

	Nine months ended		Quarter ended	
	March 31, 2004	March 31, 2003	March 31, 2004	March 31, 2003
	(Rupees in thousand)			

## 9. COST OF GOODS SOLD

Cost of goods manufactured	907,649	857,608	332,740	275,466
Opening stock of finished goods	21,534	19,137	17,065	38,153
Purchase of trading goods	-	261	-	-
	929,183	877,006	349,805	313,619
Closing stocks of finished goods	(19,152)	(30,503)	(19,152)	(30,503)
Cost of raw materials traded	1,250	-	1,250	-
	<u>911,281</u>	<u>846,503</u>	<u>331,903</u>	<u>283,116</u>

## 10. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	<u>(5,343)</u>	<u>35,974</u>	<u>(26,242)</u>	<u>9,535</u>
	<b>Number of shares</b>			
Average issued ordinary shares	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Earnings per share	<u>Rs. (0.21)</u>	<u>Rs. 1.44</u>	<u>Rs. (1.05)</u>	<u>Rs. 0.38</u>

## 11. TRANSACTIONS WITH RELATED PARTIES

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

	March 31, 2004	March 31, 2003
	(Rupees in thousand)	
Marketing service charges	9,856	9,758
Sale of goods and services	35,003	11,507
Contribution to staff retirement benefit plans	92	91

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length prices determined using the comparable uncontrolled price method or cost plus method as relevant to the transactions.

## **12. GENERAL**

- i) These financial statements were authorized for the issue on April 20, 2004 by the Board of Directors of the Company.
- iv) Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.
- v) Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.

**CHIEF EXECUTIVE**

**DIRECTOR**