

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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## CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Sattar Mr. Fawad Yousuf	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Mansoor Ahmed Mr. Abdul Sattar Khatri Mr. Mohammad Siddique	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Noor Zaman Khan	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042- 6306586 - 88 Fax : 042- 6365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042-7980026 - 28 Fax : 042-7990544	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042-5839182 Fax: 042-5869037	
BANKERS TO THE COMPANY	Askari Commercial Bank Ltd Metropolitan Bank Ltd Muslim Commercial Bank Ltd Pakistan Industrial Credit & Investment Corporation Ltd Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd Pak Libya Holding Co. (Pvt.) Ltd The Bank of Punjab Faysal Bank Ltd. United Bank Ltd KASB Bank Ltd. Union Bank Ltd Citi Bank	
AUDITORS	M/s. Ebrahim & Co., Chartered Accountants, 2nd Floor, Block-C, Lakson Square Bldg. No.1, Sarwar Shaheed Road, Karachi. Ph : 021-568 31 89 – 568 34 98 Fax : 021-568 42 39	
LEGAL ADVISORS	M/s. Tahir Ali Tayebi & Co. 310, Marine Point, Schon Circle, Block 9, Clifton, Karachi. Ph : 021-537 04 58 Fax : 021-537 04 59	

## **Our Vision**

To be a sustainable and growth oriented Company who plays competitive role in industry and adds value to economy through excellence in technological advancement and quality products

## **Our Mission**

The mission of Ittehad is to be

A Company built on sound financial footings that achieves excellent operating results through efficiency and cost control

A Company that consistently benefits its stakeholders through enhanced quality and profitability

A Company that achieves a high level of customer care service by providing quality products and positive feedback

A Company that provides excellent working environment to its employees that assists in enhancing their strengths and abilities, create cultures that foster motivation and promote individual growth

A Company that contributes towards a good corporate citizenship and sets highest standards in serving the society

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **14<sup>th</sup> Annual General Meeting of Ittehad Chemicals Limited** will be held at Registered Office of the Company at 39-Empress Road, Lahore, on October 31, 2005 at 11.30 a.m. to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Extra Ordinary General Meeting held on August 10, 2005.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2005 together with the Directors' Report to the shareholders and Auditors' Report thereon.
3. To approve the issuance of Bonus Shares already issued to the shareholders of the Company, in the proportion of 20 shares for every 100 shares held i.e. @ 20%, as recommended by the Board of Directors on February 25, 2005.
4. To appoint auditors to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.

### Special Business

5. To consider and approve the investment of Rs. 175.000 million in Chemi Chloride Industries Limited ("CCIL"), an associated company, under section 208 of the Companies Ordinance 1984 and to pass, with or without modification, the following resolution as special resolution;

**RESOLVED THAT** pursuant to section 208 of the Companies Ordinance 1984, Ittehad Chemicals Limited [the "Company"] be and is hereby authorized to invest Rs. 175,000,000/- (Rupees one hundred and seventy five million only) in the equity of Chemi Chloride Industries Limited (CCIL), an associated Company, for the purpose of setting up a Calcium Chloride Prill plant at Kala Shah Kaku for the manufacture and sale of Calcium Chloride in all forms and grades and other allied products.

**ALSO RESOLVED** that Mr. **ABDUL SATTAR KHATRI** the Director of the Company, (hereinafter referred to as the "Authorized Director") be and is hereby authorized do and cause to be done all such acts as are necessary to give effect to the above resolution.

**ALSO RESOLVED** that all acts, deeds and things done by the Authorized Director for and on behalf of and in the name of the Company shall be binding acts, deeds and things done by the Company.

6. To transact any other business of the Company with the permission of the Chair.

By Order of the Board

Lahore: October 07, 2005

**NOOR ZAMAN KHAN**  
COMPANY SECRETARY

**NOTES:**

1. The share transfer books of the Company will remain closed from **October 23, 2005** to **October 31, 2005** (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Registered Office of the Company, not less than **48 hours** before the time of meeting.
3. In case of corporate entity, the board of directors' resolution or power of attorney with specimen signature of the nominee shall be produced (unless it had been provided earlier) at the time of meeting.
4. Shareholders who have deposited their shares into Central Depository Company are advised to bring their National Identity Cards or Original Passports along with their CDC account numbers at the meeting venue to facilitate identification.
5. Shareholders are advised to immediately notify the change in their addresses, if any to our registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K commercial, Model Town, Lahore (Ph: 042-5839182, Fax: 042-5869037).

**STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984**

Ittehad Chemicals Limited ("ICL") proposed to invest Rs. 175.000 million in Chemi Chloride Industries Limited ("CCIL"), an associated company, according to the following details:

Disclosures as required under Section 208 of the Companies Ordinance 1984 and SRO 865(I)/2000 dated December 6, 2000 are as under,

<b>Sr. No.</b>	<b>Required Disclosure</b>	<b>Details</b>
I	Name of investee company or associated undertaking;	Chemi Chloride Industries Limited ("CCIL")
II	Nature, amount and extent of investment;	Equity Investment of Rs. 175.000 Million,

III	Average market price of the shares intended to be purchased during preceding six months in case of listed companies ;	Not applicable; as CCIL is not a listed company.
IV	Break-up value of shares intended to be purchased on the basis of last published financial statements;	Rs. 10/- per share
V	Price at which shares will be purchased;	Rs. 10/- per share
VI	Earning per share of investee company in last three years;	Earning per share is not available as the Company has not conducted any operation in last three years
VII	Source of funds from where shares will be purchased;	Through issue of Preference Shares
VIII	Period for which investment will be made;	Long term investment for foreseeable future
IX	Purpose of investment;	CCIL will set up a Calcium Chloride Prill plant at Kala Shah Kaku to produce and sell Calcium Chloride, in all forms and grades, and other allied products. The main raw material for manufacture of Calcium Chloride is Chlorine as HCL (Hydro Chloric Acid) , which will be sold to CCIL by ICL. CCIL will be producing 40,000 Metric Tons (MT) of dry calcium chloride prills of 94-98% per annum which will be exported, thus earning valuable foreign exchange for Pakistan.
X	Benefits likely to accrue to the company and the shareholders from the proposed investment; and	CCIL will purchase chlorine from ICL in the form of HCL thereby not only saving the neutralization cost being incurred by ICL but also generating extra revenue for ICL. Besides this ICL will also earn dividend income on its investment.
XI	Interest of directors and their relatives in the investee company.	Directors are interested upto the extent of their holding in the investee company

That the proposed amount will be invested in CCIL with in one year from the date of receipt of money from PS issue.

CCIL, in lieu of the investment of the proposed investment, shall issue ordinary shares to ICL at a proposed price of Rs. 10/- each.

It is expected that the present profitability of the Company shall not be impaired, rather it will in fact be increased, due to the proposed investment in CCIL and there will be no negative impact on profits available to the ordinary shareholders in case CCIL operates on break even. This is because of the fact that the Company will be generating extra revenues for the shareholders from the proposed investment in the form of (a) reduction in neutralization cost, (b) sale of "HCL as chlorine" to CCIL and (c) dividend income from CCIL, as is obvious from the following financial projections:

<b>Net (after tax ) savings of ICL due to investment in CCIL</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>Rupees in million</b>		
Net Savings from reduction in neutralization cost	14.393	27.187	31.984
Net savings from sale of "HCL as chlorine"	44.489	82.958	96.203
Net dividend income	17.299	47.807	68.877
	<u>76.181</u>	<u>157.952</u>	<u>197.064</u>
Less: dividend to preference shareholders (assumed @ 15%)	<u>(37.500)</u>	<u>(37.500)</u>	<u>(37.500)</u>
Net total savings from investment	<u><u>38.681</u></u>	<u><u>120.452</u></u>	<u><u>159.564</u></u>

## DIRECTORS' REPORT TO SHAREHOLDERS

The Directors are pleased to announce another year of strong growth. As a result of operational and financial strategies, the Company has continued to make progress over the years in delivering shareholders' value. The Directors feel delighted in presenting the annual report together with audited financial statements of the Company for the year ended June 30, 2005.

### Operating and Financial results

During the year under review the Company's net sales revenue shot up to Rs. 1.903 billion up by 25.70% from Rs. 1.514 billion in the previous year showing an impressive growth. Gross margin improved to 17.50 % as compared to 15.09 % in last year, recording a growth of 15.97 %. Increase in sales, power synergy due to IEM plant and better product mix has sailed the Company to healthy profit coupled with continued strong performance.

Operating profit came at Rs. 152.65 million compared with Rs. 129.89 million, recording an increase of 17.52 % as compared to previous year. Profit after tax remained at Rs. 50.49 million as compared to Rs. 45.16 million posting an increase of 11.80 %. Operating profit and profit after tax have been adversely affected by a provision of Rs. 56.250 million made in these accounts for diminution in value of investment of the Company in Chemi Viscofibre Limited. Reasons for the provision have been explained below. Had there been no such provision, the Company's operating profit and profit after tax would have reached to Rs. 206.09 million and Rs. 84.24 million respectively giving an increase of 58.67 % and 86.54% respectively over the preceding year.

The market for the Company's products continued to expand as is evident from the following comparison of product wise sales volumes in metric tons:

Products	2005	2004	% increase
Caustic Soda	72,167	61,004	18.30%
Hydro Choleric Acid	82,871	68,063	21.76%
Sodium Hypo Chlorite	45,137	42,202	6.95%
Others	14,548	13,022	11.72%

Major contribution, i.e. 89%, in total sales revenue, both in current and previous years, has come from sale of Caustic Soda and Sodium Hypo Chlorite.

The ratio of gross production of Caustic Soda at DSA and IEM plants has remained 58:42 as against 64:36 in last year. The management intends to shift the major part of production at IEM plant to get maximum power cost savings.

On the cost front, mercury has seen highest ever increase in its price which has affected the profitability. Prices of some other raw materials have also increased during the year under review. Plant maintenance costs have been kept at minimum level to maintain the operating efficiency and reliability of the plants performance. Other fixed and variable overheads have also been closely monitored to keep the gross margin at optimum level. Rise in sales volumes and increase in local and international transport fares has caused the freight expense to go upward. Increase in rates of mark up and working capitals needs has resulted in increase in financial charges. Capitalization of mark up in first quarter of previous financial year on term finances obtained for IEM plant has also caused unfavorable variance in financial charges this year.

The Company is still enjoying minimum current tax due to brought forward losses which arose last year on account of capitalization of IEM plant. Increase in Income tax refundable appears because of the pending refund of Rs. 50 million, out of

which Rs. 37 million have been recovered in August 2005.

Debit balance of Sales Tax arises because of Zero rating of Caustic Soda in the Federal Budget 2005-06 announced on June 06, 2005. However the decision was withdrawn by CBR on June 30, 2005 and therefore Zero rating lasted for twenty four days only.

The Company generated strong operating cash flows of Rs. 81.11 million which were used to service working capital requirements, cover debt, taxation and finance capital investments. The inflow was the result of high profitability, decrease in trade receivables, decrease in income taxes paid and increase in accrued liabilities.

Taxes paid during the year were lower than previous year because of exemption obtained from tax authorities against deduction of tax at source. Exemption was sought in view of tax refunds.

Cash used in investing activities increased due to capital expenditure incurred on Captive Power Plant installation. Receipts against term loans obtained for Power Plant formed the major part of cash outflow from financing activities.

#### **Investment in Chemi Viscofibre Limited (CVF)**

The year saw an unfavorable variance in other operating expenses caused by hundred percent provision for diminution in value of investment in CVF. The investee Company is engaged in the business of manufacturing and selling of natural, re-generated and man made fibres including viscose and allied products. The Company has been operating in loss and facing liquidity problems due to under utilization of installed capacity because of limited supply of filtered water and frequent power interruptions.

The management is in the process of negotiating a package with the lenders for

deferment of repayment of existing debts for eighteen months and disbursement of additional facility of Rs. 350 million for expansion of existing capacity of the plant.

The sponsor shareholders have continued to show their support for the project and Rs. 142.525 million has been injected by them to meet the financial obligations of the Company.

The management of the investee Company is confident that they will successfully negotiate the desired restructuring and additional financing package with the lenders. The management is confident that sufficient cash flows and profits will be generated which will enable the Company to recoup the accumulated losses. Directors of the Company however, as a matter of prudence, made full provision in these accounts.

#### **Captive Power Plant**

Installation of five (5) Wartsila 18V34SG Gas Engines having total output of 29.935 MW has been completed in September 2005. These engines have been installed at factory premises of the Company. The project will not only reduce reliance on WAPDA / Lahore Electric Supply Company but also decrease the production cost considerably. Now around 55% of the total power required for production processes is expected to be generated by the Company itself. Cost saving benefits will appear in the forthcoming quarters.

#### **Disinvestment in Ittehad Energy Limited**

Shareholders, in the Extra Ordinary General Meeting of the Company held on March 28, 2005, have approved disinvestment of entire holding of the Company in its subsidiary, Ittehad Energy Limited. Since the Company's captive power plant has been installed in September 2005, power generation through subsidiary is therefore no more desired.

### **IEM Plant - Further Expansion Project**

As stated in previous Directors' Report, in order to meet the increasing demand of Caustic Soda, Company had decided to increase the production capacity of Caustic; by installing more electrolyzers in its Ion Exchange Membrane plant that will result in substantially increased production of caustic soda at relatively lower cost. This expansion will increase our installed capacity by 100 MT per day thus giving us an increased production facility of 33,000 MT per year.

Electrolyzers and auxiliary equipments have been purchased from ELTECH Systems Corporation, U.S.A, which is one of the leading suppliers in the chlor-alkali plant technology and also a supplier of IEM plant of the Company. Estimated cost of the project is around Rs. 360 million out of which Rs. 250 million have been arranged through term loans, Rs. 75 million from issuance of Preference Shares and the rest from Company's own resources. The project is expected to be completed by March 2006.

### **Investment in Real Estate**

The Company intends to purchase lands in different industrial and residential areas of the country in order to earn profits through development of housing schemes for sale to general public or selling the same on price appreciation in future. For this purpose your Company has paid advance for purchase of lands.

### **Investment in Calcium Chloride Project**

Shareholders of the Company, in the Extra Ordinary General Meeting of the Company held on August 10, 2005 approved issuance of Preference Shares of Rs. 250 million. The preference shares are non voting and cumulative in nature and shall be privately placed to the banks and financial institutions through Askari Commercial Bank Limited, advisor and arranger to the issue. Application for approval of the issue has been submitted to the Securities and

Exchange Commission of Pakistan (SECP), Islamabad.

Out of the proceeds raised through PS issue, Rs. 175 million will be invested in the equity of Chemi Chloride Industries Limited ("CCIL"), an associated company and the rest of the amount will be utilized to finance the expansion of IEM plant of the Company as stated earlier. The CCIL project has been planned to produce 40,000 MT per annum of Calcium Chloride. It shall be an export-oriented project, which will utilize surplus production of Chlorine produced along with Caustic Soda in Company's production process. The operations of CCIL are expected to commence in first quarter of financial year 2006-07.

The Company and CCIL will launch the project through a joint venture with Janyvar BV Havelte, Netherlands. 70% of the cost will be funded through the equity investment of ICL raised through PS Issue while M/s Janyvar BV Havelte, Netherlands will contribute 25% and the sponsors of CCIL shall contribute the balance 5%. The plant will have a total capacity of producing 40,000 MT of Calcium Chloride prills per annum for the export market.

### **Going Forward**

For years, ICL has been known as a company that consistently looks for ways to improve; to find out what is expected, and achieve more than what was thought possible.

This philosophy shapes everything that we do here at ICL, right down to the very products that we make.

Looking ahead we see that the country's economy would accelerate further thereby rapidly increasing production in textile, soap and other industries where our products are used as major raw materials. Therefore demand for our products especially of Caustic Sod would continue to strengthen in the years to come.

The Company continued to find the new markets for its products and as a result export sales has seen 30% growth over the preceding year.

Timely installation of Power Plant and expansion of IEM plant would not only help to reduce the manufacturing cost of the products, meet the increasing demand of Caustic Soda but also bring robust increase in profitability of the Company.

Our key focus areas in the year ahead will be:

- Setting and expanding key performance indicators
- Lowering dependence on WAPDA power supply
- Successful commissioning of IEM expansion project
- Enhancing quality of the products and expanding customers' portfolio
- Reviewing our corporate framework and developing our policies accordingly

We believe that we have positioned ourselves to meet the forthcoming competitive environment. We will continue to focus on our core objectives as they relate to financial performance. These objectives represent challenging but achievable milestones in our drive to become a leading business.

### **Appropriation of Profit**

In view of continuing investment in ongoing capital projects, the Board of Directors of your Company has not recommended any cash dividend for the year ended June 30, 2005. The stock dividend @ 20% declared on February 25, 2005 is to be considered as final.

### **Statutory Payments**

Details of outstanding statutory dues are included in note No. 21 of the financial statements.

### **Directors**

During the year Mr. Usman Ghani Khatri, Mr. Ghulam Mustafa Khatri and Mr. Abdul Hai Khatri had resigned from the Board. Mr. Usman Ghani Khatri and Mr. Ghulam Mustafa Khatri were also acting as Chairman and Chief Executive of the Company respectively. The Board accepted the resignations and recorded its appreciation of services rendered by the retiring Directors.

Mr. Muhammad Siddique Khatri, who is already a Director on the Board, had been appointed as Chairman and Chief Executive of the Company. Mr. Abdul Ghafoor Khatri, Ms. Farhana Sattar and Mr. Fawad Yousuf had been appointed as Directors to fill-in the casual vacancies on the Board.

During the year seven Board meetings were held and number of meetings attended by each director is given here under:

Names of Directors	No. of Meetings Attended
Mr. Usman Ghani Khatri	6
Mr. Ghulam Mustafa Khatri	6
Mr. Abdul Sattar Khatri	7
Mr. Abdul Aziz Khatri	5
Mr. Mansoor Ahmed Khatri	5
Mr. Mohammad Siddique	5
Mr. Abdul Hai Khatri	5
Mr. Abdul Ghafoor	2
Ms. Farhana Sattar	2
Mr. Fawad Yousuf	2

The directors who could not attend the meetings were granted leave of absence.

### **Provident Fund**

Value of investments in provident fund as per un-audited accounts for the year ended on June 30, 2005 was Rs. 2.315 million.

### **Summary of Financial Results**

Summary of Financial Results for the last six years is annexed with this report.

### **Auditors**

The present auditors M/s. Ebrahim & Co., Chartered Accountants retire at the ensuing Annual General Meeting and have offered their services for reappointment. The Audit Committee recommends the appointment of M/s Ebrahim & Co., as auditors of the Company for the year ending June 30, 2006.

### **Pattern of Shareholding**

Pattern of shareholding of the Company as on June 30, 2005 is enclosed with this report together with additional information required under the Code of Corporate Governance.

### **Corporate and Financial Reporting**

The status of compliance with the Corporate and Financial Reporting requirements is as follows:

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate

governance, as detailed in the listing regulations.

### **Compliance with the Code of Corporate Governance**

The Company's statement of compliance with the Code of Corporate Governance is annexed with this report.

### **Audit Committee Meetings**

The meetings of the Audit Committee were held once in every quarter. Meetings were also held before and after completion of external audit where external auditors were present in the meetings. There had been no change in the composition of the Committee during the year under review.

### **Employees**

The Company is committed to the principle of equal opportunity in employment. Employment policies are fair and equitable addressing the needs of the employee and the business.

The Directors would like to put on record their appreciation of the sustained efforts and co-operation of employees of the Company in maintaining the high productivity levels.

### **Acknowledgement**

We take this opportunity to express thanks to our shareholders, valued customers, financial institutions and suppliers for their support and assistance.

For and on behalf of the board



**Muhammad Siddique Khatri**  
Chairman and Chief Executive

Lahore: October 07, 2005

## SIX YEARS' SUMMARY OF FINANCIAL RESULTS

(Rupees in Million)

	2005	2004	2003	2002	2001	2000
<b>Profit and loss account</b>						
Net sales revenue	1,903	1,514	1,321	1,307	1,239	1,187
Gross profit	333	228	165	181	181	231
Operating profit	153	130	89	107	117	119
Profit before tax	90	88	76	96	103	105
Profit after tax	50	45	47	53	58	72
<b>Balance sheet</b>						
Net operating fixed assets	687	739	189	150	155	151
Capital work in progress	807	105	478	88	45	46
Current assets	848	536	734	408	380	394
Issued, subscribed and paid up capital	300	250	250	250	250	250
Unappropriated profit	207	206	161	151	136	116
Equity	507	456	411	401	386	366
Redeemable capital (TFCs)	167	250	250	-	-	-
Long term financing and morabaha	780	258	369	22	14	-
Deferred liabilities	117	63	27	27	12	9
Short term borrowings including current maturities	609	282	128	116	55	75
<b>Profitability ratios</b>						
Gross profit	17.5%	15.1%	12.5%	13.8%	14.6%	19.5%
Operating profit	8.0%	8.6%	6.7%	8.2%	9.4%	10.0%
Profit after tax	2.7%	3.0%	3.6%	4.1%	4.7%	6.1%
Return on equity	10.3%	11.6%	13.4%	15.3%	20.5%	13.8%
Return on operating fixed assets	7.1%	9.7%	27.7%	34.8%	37.9%	53.1%
Earning per share (rupees)	1.68	1.51	1.89	2.11	2.30	2.87
<b>Liquidity ratios</b>						
Current ratio (times)	1.02	1.21	1.40	1.30	1.53	1.43
Working capital	20	92	212	95	122	118
Acid test (times)	0.63	0.79	1.12	0.86	0.83	0.92
<b>Leverage ratio</b>						
Debt equity	64:36	51:49	54:46	1:99	4:96	1:99

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

### Ittehad Chemicals' Core Principles

At the core of ICL are the values of integrity, honesty and respect for people, and our reputation is founded on these. The trust and confidence of those with whom we deal is a real asset, critical for achieving continued growth and success.

### Ittehad Chemicals' Code of Conduct

#### Business Integrity

ICL insists on integrity, honesty and fairness in all aspects of our business.

All business transactions must be reflected accurately and fairly in ICL's accounts in accordance with established procedures.

#### Our Commitment to Our Stakeholders

We at ICL recognize our corporate responsibility to five main groups of stakeholders. We are committed:

##### (a) To Shareholders

We believe in honoring the trust, our investors place in us. We therefore have a responsibility to:

- Apply professional and diligent management in order to secure a fair and competitive return on our shareholder's investment;
- Keep all the shareholders prudently informed regarding matters related to business;
- Conserve, protect, and increase the shareholders value of investment;
- Respect shareholders requests, suggestions, complaints, and formal resolutions.

##### (b) To Employees

We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- To provide and maintain safe conditions of work, with competitive terms and conditions of employment.
- Insist on a policy of diversity, by selecting, developing and retaining employees on the basis of ability and qualifications for the work to be performed, without any form of discrimination and prejudice.
- Encourage the involvement of employees in the planning and direction of their work.

##### (c) To Customers

We believe in treating all customers with dignity. We therefore have a responsibility to:

- Win and retain customers by developing and providing products that offer value in terms of price, quality, safety and environmental impact.
- Be responsive to customer comments and complaints.
- Treat our customers fairly in all aspects of our business transactions

#### **(d) To Suppliers**

Our relationship with suppliers must be based on mutual trust and respect. We therefore have a responsibility to:

- Seek fairness and truthfulness in all our activities;
- Ensure that our business activities are free from coercion;
- Foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- Seek, encourage and prefer suppliers whose employment practices respect human dignity.

#### **(e) To the Community**

We conduct business as responsible corporate citizens, observe the laws of our country, give proper regard to the health, safety and the environment, and be sensitive to and supportive of our local cultural, social, educational and economic needs.

#### **Health, Safety and the Environment**

We have established safe and healthy working conditions for all our employees.

To this end, we measure, appraise and report performance on the basis of continuous improvement and with the longer-term aim of enhancing the sustainability of our business and that of our customers and suppliers.

#### **Compliance, Monitoring and Reporting**

Compliance with this Code is monitored and reviewed by the ICL Board, as part of its risk management process. Day-to-day responsibility in this regard is delegated to senior operating management.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulation No. 37 of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least four (4) independent non-executive directors and no director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board during the year under review were filled-up with in 30 days of occurrence.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The working papers were circulated generally 2-3 days before the meetings. The Company now endeavors to send the working papers seven days before the meeting along with notice thereof. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members are well aware of their duties and responsibilities.
10. The appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms & conditions of employment were approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
16. Meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function as required by the Code
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



**Muhammad Siddique Khatri**  
Chairman and Chief Executive

Lahore: October 07, 2005

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES  
ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2004**

The Company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulation No. 38 of the Karachi Stock Exchange (Guarantee) Limited.

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line and a 'K' with a period.

**Muhammad Siddique Khatri**  
Chairman and Chief Executive

Lahore: October 07, 2005

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ITTEHAD CHEMICALS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

Place: ISLAMABAD  
Dated: October 07, 2005

**Ebrahim & Co.**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ITTEHAD CHEMICALS LIMITED** as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account togetherwith the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.3 of the notes to the financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Place: ISLAMABAD  
Dated: October 07, 2005

**Ebrahim & Co.**  
Chartered Accountants

**BALANCE SHEET  
AS AT JUNE 30, 2005**

	Note	2005 (Rupees in thousand)	2004
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed` assets	3	686,562	739,316
Capital work in progress	4	807,334	106,647
		<u>1,493,896</u>	<u>845,963</u>
Mercury in cells		39,830	30,562
		<u>1,533,726</u>	<u>876,525</u>
Long term Investments	5	341	57,705
Deferred cost	6	2,601	3,451
Long term deposits		14,658	11,962
		<u>1,551,326</u>	<u>949,643</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	232,708	112,702
Stock in trade	8	95,014	42,384
Trade debts	9	171,516	205,995
Loans and advances	10	118,800	7,986
Trade deposits and short term prepayments	11	4,198	3,864
Other receivables	12	8,964	6,429
Tax refunds due from the Government	13	59,968	28,446
Taxation-net	14	75,773	100,109
Cash and bank balances	15	80,831	30,731
		<u>847,772</u>	<u>538,647</u>
<b>TOTAL ASSETS</b>		<u><u>2,399,098</u></u>	<u><u>1,488,289</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
75,000,000 (2004:30,000,000) shares of Rs. 10 /- each	16.1	750,000	300,000
Issued, subscribed and paid up capital	16.2	300,000	250,000
Capital reserve - Fair value reserve		333	167
Unappropriated profit		206,516	206,026
Shareholders' equity		<u>506,849</u>	<u>456,193</u>
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital	17	166,533	249,800
Long term financing	18	592,820	257,885
Long term morabaha	19	187,500	-
Deferred liabilities	20	117,154	77,667
		<u>1,064,007</u>	<u>585,352</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	201,681	160,771
Mark up accrued	22	18,025	4,299
Short term borrowings	23	359,397	181,481
Current portion of long term financing	24	249,137	100,193
		<u>828,242</u>	<u>446,744</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	25	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,399,098</u></u>	<u><u>1,488,289</u></u>

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



**Muhammad Siddique Khatri**  
Chief Executive




**Abdul Sattar Khatri**  
Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2005**

	Note	2005 (Rupees in thousand)	2004
Sales	26	1,902,864	1,513,920
Cost of sales	27	<u>(1,569,781)</u>	<u>(1,285,458)</u>
Gross profit		333,083	228,462
Selling and distribution expenses	28	<u>(75,586)</u>	<u>(58,296)</u>
Administrative expenses	29	<u>(47,597)</u>	<u>(37,905)</u>
Other operating expenses	30	<u>(61,412)</u>	<u>(5,040)</u>
Other operating income	31	<u>4,165</u>	<u>2,667</u>
		<u>180,430</u>	<u>98,574</u>
Operating profit		152,653	129,888
Finance cost	32	<u>62,509</u>	<u>41,764</u>
Profit before taxation		90,144	88,124
Taxation	33	<u>39,654</u>	<u>42,968</u>
Profit after taxation		<u>50,490</u>	<u>45,156</u>
Earnings per share-basic and diluted			
Before provision for taxation	34	<u>Rs. 3.00</u>	<u>Rs. 2.94</u>
After provision for taxation	34	<u>Rs. 1.68</u>	<u>Rs. 1.51</u>

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

The annexed notes form an integral part of these financial statements.

  
**Muhammad Siddique Khatri**  
Chief Executive

  
**Abdul Sattar Khatri**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	2005	2004
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	90,144	88,124
Adjustments for items not involving movement of funds:		
Depreciation	76,837	65,454
Provision for gratuity	358	301
(Gain) / Loss on sale of fixed assets	(173)	14
Gain on sale of investment	(243)	-
Gain on foreign exchange	(120)	-
Amortization of deferred cost	850	801
Mercury consumed	11,798	6,427
Provision for doubtful advances and deposits	544	-
Provision for doubtful debts	1,889	248
Provision for diminution in value of investment	56,250	-
Advances and deposits written off	732	707
Finance cost	62,509	41,764
	301,375	203,840
<b>Decrease/(Increase) in current assets</b>		
Stores, spares and loose tools	(120,006)	74,734
Stock in trade	(52,419)	55
Trade debts	32,691	(57,495)
Loans and advances	(112,069)	20,931
Trade deposits and short term prepayments	(334)	4,823
Other receivables	(2,535)	(6,056)
Tax refund due from the Government	(9,761)	-
	(264,433)	36,992
<b>(Decrease)/Increase in current liabilities</b>		
Refundable to unsuccessful subscribers of TFCs	-	(212,525)
Trade and other liabilities	50,202	39,527
	87,144	67,834
<b>Cash generated from operation</b>	(7,126)	(22,552)
Taxes paid	(117)	(40)
Gratuity paid	79,901	45,242
Net cash inflow from operating activities	79,901	45,242
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets	(25,736)	(617,373)
Less: Transfer from capital work in progress	1,807	571,427
Transfer from leased to owned assets	1,283	429
	(22,646)	(45,517)
Additions to capital work in progress	(702,494)	(198,235)
Proceeds from sale of fixed assets	544	110
Mercury purchases	(21,277)	(10,090)
Long term investments	1,523	-
Long term deposits	(2,696)	(5,154)
Deferred cost	-	(983)
Net cash outflow from investing activities	(747,046)	(259,869)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redeemable capital	(100)	(100)
Long term borrowings	388,465	(81,990)
Long term morabaha	200,000	-
Liabilities against assets subject to finance leases	(253)	(472)
Finance cost paid	(48,783)	(45,841)
Dividend paid	-	(37,495)
Short term borrowings	177,916	124,514
Net cash inflow / (outflow) from financing activities	717,245	(41,384)
Net increase / (decrease) in cash and cash equivalents	50,100	(256,011)
Cash and cash equivalents at the beginning of the year	30,731	286,742
Cash and cash equivalents at the end of the year	80,831	30,731



**Muhammad Siddique Khatri**  
Chief Executive



**Abdul Sattar Khatri**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Issued, subscribed and paid up capital</b>	<b>Capital reserve - Fair value reserve</b>	<b>Un- appropriated profits</b>	<b>Total</b>
	(Rupees in thousand)			
Balance as at July 01, 2003	250,000	--	160,870	410,870
Effect of change in accounting policy with respect to dividend declared after the balance sheet date being non adjusting event	--	--	37,500	37,500
Balance as at July 1, 2003 restated	250,000	--	198,370	448,370
Final dividend for the year ended June 30, 2003	--	--	(37,500)	(37,500)
Fair value gain	--	167	--	167
Profit after taxation for the year	--	--	45,156	45,156
Balance as at June 30, 2004	250,000	167	206,026	456,193
Fair value gain	--	166	--	166
Profit after taxation for the year	--	--	50,490	50,490
Issue of bonus shares	50,000	--	(50,000)	--
Balance as at June 30, 2005	300,000	333	206,516	506,849

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



**Muhammad Siddique Khatri**  
Chief Executive



**Abdul Sattar Khatri**  
Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2005**

### **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 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 shares 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. The Company also deals in real estate business.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Statement of Compliance**

2.1.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.1.2 During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance 1984, which is effective from the financial year ended on or after July 05, 2004. This has resulted in change in accounting policies pertaining to recognition of dividends proposed subsequent to the year end, deferred cost and exchange differences (note 2.3.1).

#### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values and for financial assets and financial liabilities, if any, in accordance with recognition and measurement criteria as laid down in IAS - 39.

## NOTES TO THE ACCOUNTS

### 2.3 Changes in accounting policies and methods

2.3.1 The Company has not recognized the final dividend proposed subsequent to the year end as a liability to comply with the requirements of revised Fourth Schedule to the Companies Ordinance, 1984 as referred in note 2.1.2 This change in policy has been accounted for retrospectively and comparative figures have been restated in accordance with the recommended benchmark treatment of IAS 8 'Net Profit and Loss for the Period, Fundamental Errors and changes in Accounting polices'. If the policy had not been changed prior year balances of un appropriated profit would have decreased and liability for dividend would have increased by Rs. 37.500 million.

2.3.2 Foreign currency translation policy to the extent of recognizing resultant exchange differences arising on translation has been changed. Now all exchange differences are included in profit and loss account currently. Previously exchange differences arising on loans utilized for the acquisition of fixed assets were capitalized and all other exchange differences were charged to profit and loss account. The change in accounting policy as explained above has no effect on the results of the reporting periods.

2.3.3 Expenses incurred on issue of Term Finance Certificates (TFCs) are classified as deferred cost and amortized as per the stated policy. Securities and Exchange Commission of Pakistan (SECP) vide its circular No.1 of 2005 dated January 19, 2005 has stated that the listed companies and their subsidiaries, which were carrying deferred costs in their financial statements as on July 5, 2004, are allowed to continue to treat such costs according to the requirement of the substituted Fourth Schedule. However, after July 5, 2004 such companies are not allowed to include any further deferred cost in their financial statements. Therefore, the Company has decided to suspend any further capitalization in deferred cost as per the requirements of the Circular.

### 2.4 Property, plant and equipment and depreciation

#### a) Operating fixed assets

These are stated at cost less accumulated depreciation and impairment, if any, except land which is stated at cost. Cost comprises of actual cost including, interest and charges and trial run operational results.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in fixed assets note.

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

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

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

## NOTES TO THE ACCOUNTS

### b) Capital work-in-progress

Capital work-in-progress represents expenditure on fixed assets on the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work-in-progress is stated at cost.

### 2.5 Finance leases

The Company accounts for assets acquired under financial leases by recording the assets and related liabilities.

The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the Company.

Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

### 2.6 Investments

#### a) Subsidiaries

Investment in subsidiary companies is carried at cost. However, provision for diminution in value is made, if considered permanent.

#### b) Associates

Investments in associated companies are stated at cost less impairment in value, if any, in pursuance to IAS-28, "Accounting for Investments in Associates".

#### c) Others

Other investment is classified as "available for sale" and is recognized at cost, being the fair value of consideration given including acquisition charges.

After initial recognition investments are measured at fair value. Gains and losses on investments available for sale, are recognized as separate component of equity until investments are sold, disposed off, or until the investment is determined to be impaired, at which time the accumulated gains / losses previously reported in equity are included in profit and loss account of the Company. The fair value of publicly traded investment is based on quoted market prices at the balance sheet date.

### 2.7 Deferred cost

Expenses incurred on issue of Term Finance Certificates (TFCs) are being amortised over a period of five years from the date of issue of TFCs. No further deferred cost has been included in these financial statements during the year as stated in note 2.3.3.

## NOTES TO THE ACCOUNTS

### 2.8 Stores and spares

Stores and spares are valued at moving average cost less provision for obsolescence and slow moving items determined by the management. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

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

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

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

### 2.10 Mercury in cells and in hand

This is stated at average cost.

### 2.11 Trade debts and other receivables

Trade debts and other receivables are carried at the amount billed / charged, less an estimate made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provision is made against those having no activity during the last three years and is considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

### 2.12 Taxation

#### a) Current

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

#### b) Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or subsequently enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

## NOTES TO THE ACCOUNTS

### 2.13 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis.

### 2.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

### 2.15 Provisions

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

### 2.16 Cash and cash equivalents

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

### 2.17 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

### 2.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to profit and loss account currently.

### 2.19 Offsetting of financial assets and financial liabilities

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

### 2.20 Foreign currency transactions and translation

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

## NOTES TO THE ACCOUNTS

### 2.21 Staff retirement benefits

The Company operates an un-funded gratuity scheme for its permanent employees. Provision is based on actuarial valuation of the scheme carried out as at June 30, 2005 in accordance with IAS-19 "Employee Benefits" and the resulting vested portion of past service cost has been charged to income in the current year.

Contribution is made to this scheme on the basis of actuarial recommendations. Actuarial gains and losses at each valuation date are charged to profit and loss account. Gratuity is payable to staff on completion of prescribed qualifying period of service under the scheme.

A recognized provident fund scheme is also in operation, which covers all permanent employees. The Company and the employees make equal contributions.

### 2.22 Compensated absences

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

### 2.23 Revenue recognition

Sales are recognized on despatch of goods to customers.

Interest income is recognized on accrual basis.

Dividend is recognized as a liability in the period in which it is declared and approved by company and shareholders.

### 2.24 Cash and bank balances

Cash and bank balances are carried at cost.

### 2.25 Transaction with related parties

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. The prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

### 2.26 Interest and charges

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

### 2.27 Recoating expenses of DSA Plant

Provision has been made in these accounts for the erosion of coating on the anodes during the year based on best estimates available. Anodes once recoated are used for a period of three years.

## NOTES TO THE ACCOUNTS

### 3. OPERATING FIXED ASSETS

Particulars	C O S T					Rate %	D E P R E C I A T I O N				Written Down value As at 30-06-2005
	As at 01-07-2004	Additions	(Deletion)	Trial run profit	As at 30-06- 2005		As at 01-07-2004	(Adjust- ment)	For the Year	As at 30-06-2005	
	(Rupees in thousands)						(Rupees in thousands)				
<b>Operating</b>											
<b>Owned</b>											
Freehold land	486	-	-	-	486		-	-	-	-	486
Buildings on freehold land	68,739	6,983	-	-	75,722	5 - 10	19,847	-	4,988	24,835	50,887
Railway sidings	1,950	-	-	-	1,950	10	1,601	-	35	1,636	314
Plant and machinery	860,664	13,114	-	-	873,778	10	195,460	-	67,187	262,647	611,131
Other equipments	33,436	-	-	-	33,436	15	24,715	-	1,308	26,023	7,413
Furniture and fixtures	3,443	243	-	-	3,686	10	1,329	-	222	1,551	2,135
Office & other equipment	8,569	1,798	-	-	10,367	15-30	4,224	-	1,153	5,377	4,990
Vehicles						20 -					
	21,820	3,598	(1,109)	-	24,309	25	13,271	(112)	1,944	15,103	9,206
	999,107	25,736	(1,109)	-	1,023,734		260,447	(112)	76,837	337,172	686,562
<b>Leased</b>											
Vehicles	1,283	-	(1,283)	-	-	20	626	(626)	-	-	-
<b>Total Rupees - 2005</b>	<u>1,000,390</u>	<u>25,736</u>	<u>(2,392)</u>	<u>-</u>	<u>1,023,734</u>	<u>-</u>	<u>261,073</u>	<u>(738)</u>	<u>76,837</u>	<u>337,172</u>	<u>686,562</u>
<b>Total Rupees - 2004</b>	<u>384,689</u>	<u>617,373</u>	<u>(784)</u>	<u>(889)</u>	<u>1,000,389</u>	<u>-</u>	<u>195,849</u>	<u>(230)</u>	<u>65,454</u>	<u>261,073</u>	<u>739,316</u>

3.1 Depreciation charge for the year has been allocated as under:

		2005	2004
		(Rupees in thousand)	
Cost of sales	27	74,765	63,552
Selling and distribution expenses	28	319	280
Administrative expenses	29	1,753	1,622
		<u>76,837</u>	<u>65,454</u>

3.2 Disposal of operating fixed assets

Description	Cost	(Rupees in thousand)				Mode of disposal	Sold to
		Accumulated depreciation	Written Down value	Sale proceeds	Gain on disposal		
Vehicle	900	538	362	444	82	Negotiation	Mr. Ali Khandar
Vehicle	209	200	9	100	91	Negotiation	Mr. Salman Khalid
	<u>1,109</u>	<u>738</u>	<u>371</u>	<u>544</u>	<u>173</u>		

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>4. CAPITAL WORK IN PROGRESS</b>			
This comprises of:			
Plant and machinery		782,077	100,935
Building		25,257	5,712
		<u>807,334</u>	<u>106,647</u>
An amount of Rs.1.807 million (2004: Rs.571.427 million) has been transferred to operating fixed assets. During the year interest and charges amounting to Rs.34.164 million (2004: Rs.37.648 million) have been capitalized.			
<b>5. LONG TERM INVESTMENTS</b>			
Investment in subsidiary company - unquoted			
Ittehad Energy Limited			
NIL(2004:28,000) fully paid ordinary shares of Rs. 10/- each			
Equity held: NIL (2004:80%)		-	280
Advance against issue of shares		-	1,000
	5.1	<u>-</u>	<u>1,280</u>
Investment in associated company - unquoted			
Chemi Visco Fibre Limited			
5,625,000 (2004: 5,625,000) fully paid ordinary shares of Rs. 10/- each			
Equity held: 7.91 % (2004: 7.91 %)			
(Chief Executive: Mr. Usman Ghani Khatri)	5.2	56,250	56,250
Less: Provision for diminution in value of Investment	30	(56,250)	-
		<u>-</u>	<u>56,250</u>
Investment in others - Quoted			
Available for sale			
National Bank of Pakistan Limited - quoted			
3,158 ordinary shares including 2,375 bonus shares of Rs.10/- each			
Add: Fair value gain		8	8
		333	167
		<u>341</u>	<u>175</u>
		<u>341</u>	<u>57,705</u>

- 5.1 The company disinvested its entire holding in the subsidiary company at a price of Rs.18.67 being the fair value per share.

## NOTES TO THE ACCOUNTS

- 5.2 The management has made a full provision against the carrying value of the investment in Chemi Viscofibre Limited, an associated company. The provision has been made as a matter of prudence since the project of the investee company is not operating and there is some uncertainty regarding future earnings and related cash flows.

	2005	2004
	(Rupees in thousand)	
<b>6. DEFERRED COST</b>		
Balance as of July 01,	3,451	3,269
Add: Expenditure incurred during the year	-	983
	<u>3,451</u>	<u>4,252</u>
Less: Amortization for the year	850	801
	<u>2,601</u>	<u>3,451</u>
<b>7. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	60,349	14,541
Spares:		
in hand	179,066	119,370
in transit	15,302	931
	194,368	120,301
Loose tools	423	292
	<u>255,140</u>	<u>135,134</u>
Less: Provision for obsolete stores and spares	22,432	22,432
	<u>232,708</u>	<u>112,702</u>
<b>8. STOCK IN TRADE</b>		
Raw materials:		
in hand	48,210	19,007
in transit	26,027	4,999
	74,237	24,006
Packing materials	1,441	1,117
Mercury in hand	2,255	2,044
Work in process	2,710	2,546
Finished goods	14,371	12,671
	<u>95,014</u>	<u>42,384</u>

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>9. TRADE DEBTS</b>			
Secured			
Considered good		47,161	116,806
Unsecured			
Considered good	9.1	124,355	89,189
Considered doubtful		24,653	22,865
		<u>149,008</u>	<u>112,054</u>
		196,169	228,860
Less: Provision for doubtful debts	9.2	<u>24,653</u>	<u>22,865</u>
		<u>171,516</u>	<u>205,995</u>

9.1 These include balances due from associated companies aggregating Rs. 48.329 million (2004: Rs. 32.034 million) comprising of the following:

Chemi Visco Fibre Limited	9.1.1	41,058	22,113
Chemitex Industries Limited		6,742	9,503
Chemi Dyestuff Industries (Private) Limited		529	418
		<u>48,329</u>	<u>32,034</u>

Maximum aggregate amount remaining outstanding from associated companies at the end of any month during the year was Rs. 95.509 million (2004: Rs. 34.232 million).

9.1.1 The amount under this head includes a balance of Rs. 40.026 million receivables from Chemi Visco Fibre (CVF), an associated company. This balance is net of payment made as per the settlement agreement dated June 29, 2005 as approved by the Board of directors of the Company in their meeting dated June 29, 2005. The balance is receivable in equal quarterly installments latest by June 30, 2006. Subsequent to the balance sheet date first installment of Rs.10.007 million has been received from CVF and no provision has been made in these financial statements for the balance outstanding as the management believes that the total amount shall be recovered from CVF.

9.2 Movement of provision for doubtful debts is as follows:

Opening balance		22,865	23,259
Adjustment on account of:			
Reversal for amount of doubtful debts realized		(101)	(642)
Provision for doubtful debts for the year		1,889	248
Net adjustment		<u>1,788</u>	<u>(394)</u>
Closing balance		<u>24,653</u>	<u>22,865</u>

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>10. LOANS AND ADVANCES</b>			
Advances (unsecured – considered good)			
To employees		729	1,574
For supplies and services		68,818	5,842
Against purchase of land	10.1	49,087	-
Against import		166	570
		<u>118,800</u>	<u>7,986</u>
Considered doubtful			
For supplies and services		1,525	1,225
For employees		225	-
		<u>1,750</u>	<u>1,225</u>
		120,550	9,211
Less: Provision for doubtful advances		<u>(1,750)</u>	<u>(1,225)</u>
		<u>118,800</u>	<u>7,986</u>

10.1 The amount under this head includes payments made under two agreements for purchase of land amounting to Rs. 44.650 million. The transactions have been made with the intent to realize profits by selling the land at an appropriate time in short term period. As per terms of the agreements the amount paid represents the initial installment against total consideration aggregating to Rs. 99.004 million. The balance payable under the two agreements is Rs. 54.354 million latest by December 31, 2005. Based on the valuation report by M/s. Sakina Enterprises the fair value of these lands is greater than the total value payable under the two agreements.

### 11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits			
Considered good		2,834	3,000
Considered doubtful		292	364
		<u>3,126</u>	<u>3,364</u>
Less: Provision for doubtful deposits		<u>(292)</u>	<u>(364)</u>
		2,834	3,000
Prepayments		<u>1,364</u>	<u>864</u>
		<u>4,198</u>	<u>3,864</u>

### 12. OTHER RECEIVABLES (Considered goods)

Insurance claims receivable		8,700	6,165
Others		264	264
		<u>8,964</u>	<u>6,429</u>

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>13. TAX REFUNDS DUE FROM THE GOVERNMENT</b> (Considered goods)			
Income tax		50,207	28,446
Sales tax		9,761	-
		<u>59,968</u>	<u>28,446</u>
<b>14. TAXATION-NET</b>			
Advance income tax		134,160	148,796
Less: Provision for taxation		<u>(58,387)</u>	<u>(48,687)</u>
		<u>75,773</u>	<u>100,109</u>
<b>15. CASH AND BANK BALANCES</b>			
Cash in hand		1,445	221
Cash at banks			
In current accounts		79,367	30,490
In deposit accounts	15.1	19	20
		<u>79,386</u>	<u>30,510</u>
		<u>80,831</u>	<u>30,731</u>

15.1 The rate of interest on deposit accounts were ranging from 0.6% to 1 % per annum (2004: 1.5% to 3% per annum).

## 16. CAPITAL

### 16.1 AUTHORIZED SHARE CAPITAL

2005	2004		2005	2004
Number of shares			(Rupees in thousand)	
50,000,000	30,000,000	Ordinary shares of Rs. 10 each	500,000	300,000
25,000,000	-	Preference shares of Rs. 10 each	250,000	-
<u>75,000,000</u>	<u>30,000,000</u>		<u>750,000</u>	<u>300,000</u>

## NOTES TO THE ACCOUNTS

### 16.2 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2005	2004		2005 (Rupees in thousand)	2004 (Rupees in thousand)
Number of ordinary shares of Rs.10/- each				
100,000	100,000	Fully paid in cash	1,000	1,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
5,000,000	-	Fully paid bonus shares	50,000	-
<u>30,000,000</u>	<u>25,000,000</u>		<u>300,000</u>	<u>250,000</u>
		Shares held by associated companies	<u>10.18%</u>	<u>10.18%</u>
<u>3,054,000</u>	<u>2,545,000</u>			

Subsequent to balance sheet date a resolution has been passed in an extra ordinary general meeting of shareholders held on August 10, 2005, for issuance of non voting cumulative preference shares of Rs. 250 million.

17. REDEEMABLE CAPITAL	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
Term finance certificates(TFCs) – Secured		249,800	249,900
Less: Current portion shown under current liabilities	24	<u>(83,267)</u>	<u>(100)</u>
		<u>166,533</u>	<u>249,800</u>

The TFCs have been issued as fully paid scrip of Rs. 5,000 denomination or exact multiple thereof for general public and Rs. 100,000 denomination or exact multiple thereof for Pre-IPO investors. These are listed on Karachi Stock Exchange (Guarantee) Limited.

#### Terms and conditions

##### Call option

The Company may redeem the TFCs by way of the exercise of the call option by giving notice in writing to the TFC holders and the Trustee at least sixty days prior to the option redemption date. The call option will be exercisable after a period of 18 months from the last date of public subscription. The call option may only be exercised by the Company with respect to all of the outstanding TFCs.

## NOTES TO THE ACCOUNTS

### **Put option**

The investors have no right to exercise put option.

### **Rate of return**

The return on TFCs is payable semi annually and is calculated at the State Bank of Pakistan's discount rate plus 2.50% per annum with a floor of 7% per annum and cap of 12% per annum.

### **Principal redemption**

Principal amount shall be redeemed in six semi annual installments after a grace period of twenty four months from the last date of public subscription.

### **Security**

The TFCs are secured by way of first pari passu charge on all present and future fixed assets of the Company with 15% margin by hypothecation charge and memorandum confirming constructive deposit of title deeds.

### **Trustee**

In order to secure the interests of the TFC holders, ORIX Investment Bank Pakistan Limited (ORIX) has been appointed as Trustee for the issue. ORIX will be paid trustee fee at 0.035% per annum of the outstanding principal. The fee shall be payable at the beginning of each year commencing from the date of signing of Trust Deed and on subsequent anniversary thereof.

The Trustee shall ensure that the terms and conditions of the security documents are adhered to and that the interests of the TFC holders are safe guarded by taking actions that it deems necessary in the event of any breach of terms and conditions of the TFC instrument, the Trust Deed and the security documents by the Company.

### **Redemption reserve**

No redemption reserve has been established for redemption of TFCs in view of the projected financial cash flows. The Company shall have adequate funds to meet its financial obligations arising from the issue of TFCs.

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>18 LONG TERM FINANCING</b>			
<b>Secured</b>			
Long term borrowings	18.1	226,190	337,725
Syndicate finances	18.2	500,000	-
		<u>726,190</u>	<u>337,725</u>
Less: Current portion shown under current liabilities	24	(153,370)	(99,840)
		<u>572,820</u>	<u>237,885</u>
<b>Unsecured</b>			
Loans from directors	18.3	5,672	5,672
Others	18.3	14,328	14,328
		<u>20,000</u>	<u>20,000</u>
		<u>592,820</u>	<u>257,885</u>

### 18.1 Long term borrowings

<b>Banking companies</b>			
Metropolitan Bank Limited	18.1.1	-	8,302
Askari Commercial Bank Limited	18.1.2	30,000	80,000
		<u>30,000</u>	<u>88,302</u>
<b>Other financial institutions</b>			
Saudi Pak Agricultural and Industrial Corporation	18.1.3	58,929	75,000
Pakistan Industrial Credit and Investment Corporation	18.1.4	137,261	174,423
		<u>196,190</u>	<u>249,423</u>
		<u>226,190</u>	<u>337,725</u>

18.1.1 This finance is secured against second floating charge over fixed assets of the Company, and carries markup at 3 months average KIBOR Ask rate plus 1.82% (with floor of 4.75%) per annum. Loan is repayable in eight quarterly installments commencing from April 2003. Last installment was due in February 2005.

18.1.2 This finance is secured against first pari passu charge over fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 3.21% (with floor of 5.00%) per annum. Loan is repayable in ten quarterly installments commencing from December 2003. Last installment is due in March 2006.

18.1.3 This finance is secured against the first pari passu charge over present and future fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 2.70 % (with floor of 5.40 %) per annum. Loan is repayable in fourteen quarterly installments commencing from November 2004. Last installment is due in February 2008.

## NOTES TO THE ACCOUNTS

18.1.4 This finance is secured against first pari passu charge over all assets of the Company except inventories and carries mark up at 6 months average KIBOR Ask rate plus 3.83% per annum. Loan is repayable in twenty quarterly installments commencing from December 2003. Last installment is due in September 2008.

### 18.2 Syndicate financing from banking companies and other financial institutions:

Name of lender	First date of principal repayment	Last date of repayment	(Rupees in thousand)
Banking companies			
United bank limited	Feb. 2006	Nov. 2009	350,000
The bank of Punjab	Feb. 2006	Nov. 2009	50,000
KASB bank limited	Jan. 2006	Oct. 2009	50,000
Financial institutions			
Pak Libya Holding company (Private) Limited.	Jan. 2006	Oct. 2009	50,000
			<u>500,000</u>

18.2.1 Syndicated term finance facility is secured against first pari passu charge over present and future fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 1.8% (with floor of 3% and cap of 9%) per annum. Loan is repayable in sixteen equal quarterly installments.

18.3 These loans are unsecured, interest free and are not repayable within next twelve months.

	Note	2005 (Rupees in thousand)	2004
<b>19. LONG TERM MORABAHA</b>			
Faysal Bank Limited	19.1	100,000	-
Faysal Bank Limited	19.2	100,000	-
		<u>200,000</u>	-
Less: current portion shown under current liabilities	24	<u>(12,500)</u>	-
		<u>187,500</u>	-

19.1 This finance is secured against first pari passu charge over all fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 1.80% (with floor of 3% and cap of 9%) per annum. Loan is repayable in sixteen equal quarterly installments commencing from February 2006. Last installment is due in November 2009.

19.2 This finance is secured against first pari passu charge over all fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 2.25% per annum. Loan is repayable in eight equal semi-annual installments commencing from April 2006. Last installment is due in October 2009.

## NOTES TO THE ACCOUNTS

20.	DEFERRED LIABILITIES	Note	2005 (Rupees in thousand)	2004
	Provision for gratuity	20.1	2,139	1,898
	Provision for recoating of DSAs	20.2	23,570	14,278
	Deferred tax	20.3	91,445	61,491
			<u>117,154</u>	<u>77,667</u>

### 20.1. Defined benefit plan

#### a. General description

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

Annual charge is based on actuarial valuation carried out as at June 30, 2005 using the Projected Unit Credit Method. The charge for the year ended June 30, 2005 has been estimated in the actuarial valuation report using the same assumptions.

#### b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	9% per annum
Expected rate of increase in salary	8% per annum

#### c. Reconciliation of payable to defined benefit plan

Present value of obligation	<u>2,139</u>	<u>1,898</u>
Liability recognized in balance sheet	<u>2,139</u>	<u>1,898</u>

#### d. Movement of the liability recognized in the balance sheet

Present value of the obligation at the start of the year	1,898	1,637
Current service cost	206	173
Interest cost	152	128
Contribution paid to outgoing employees	<u>(117)</u>	<u>(40)</u>
Closing net liability	<u>2,139</u>	<u>1,898</u>

#### e. Charge for the year

Current service cost	206	173
Interest cost	<u>152</u>	<u>128</u>
Charge for the year	<u>358</u>	<u>301</u>

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>20.2 Provision for Dimensionally Stable Anodes (DSAs)</b>			
Balance brought forward		28,274	25,215
Payments made against recoating of anodes		(7,781)	(9,249)
Provision made during the year for recoating		19,540	12,308
		<u>40,033</u>	<u>28,274</u>
Less: Current portion included in accrued liabilities		<u>(16,463)</u>	<u>(13,996)</u>
		<u>23,570</u>	<u>14,278</u>

### 20.3 Deferred Tax

Deferred tax liability comprises as follows:

Taxable temporary differences			
Tax depreciation allowances		110,971	120,207
Finance lease arrangements		-	141
Deferred cost		910	1,208
		<u>111,881</u>	<u>121,556</u>
Deductible temporary differences			
Provision for gratuity		(749)	(664)
Provision for diminution in investment		(19,687)	-
Unused tax losses		-	(59,401)
		<u>91,445</u>	<u>61,491</u>

## 21. TRADE AND OTHER PAYABLES

Trade creditors		34,851	11,428
Accrued liabilities	21.1	116,575	116,582
Advances from customers		27,287	5,359
Deposits-interest free repayable on demand		15,353	13,988
		<u>194,066</u>	<u>147,357</u>
Sales tax payable		-	6,387
Income tax deducted at source		456	422
Workers' Profit Participation Fund	21.2	4,972	4,852
Workers' Welfare Fund		1,689	1,689
Other liabilities		498	64
		<u>201,681</u>	<u>160,771</u>

21.1 These include a balance due to Chemi Multifabrics Limited, an associated company, amounting to Rs.5.483 million (2004: 5.962). Maximum aggregate amount remaining outstanding at the end of any month during the year was Rs.10.352 million (2004: Rs. 5.962 million).

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>21.2 Workers' Profit Participation Fund</b>			
Balance as on 01 July		4,852	4,203
Interest at prescribed rate	32	302	268
		<u>5,154</u>	<u>4,471</u>
Less: Amount paid to fund		4,941	4,271
		<u>213</u>	<u>200</u>
Current year's allocation at 5%	30	4,759	4,652
Closing balance as at June 30		<u>4,972</u>	<u>4,852</u>

The Company retains the allocation of this fund for its business operations till the amounts are paid to the fund together with interest at prescribed rate under the Act.

## 22. MARK UP ACCRUED

Accrued mark up/interest			
Secured			
Long term borrowings		2,188	2,404
Term finance certificate		315	274
Syndicate term finance		7,898	-
Long term Morabaha		2,984	-
Short term borrowings		4,640	1,621
		<u>18,025</u>	<u>4,299</u>

## 23. SHORT TERM BORROWINGS

Secured			
Running finances			
Muslim Commercial Bank Limited	23.1	90,051	85,309
Metropolitan Bank Limited	23.2	24,828	7,158
Askari Commercial Bank Limited	23.3	145,154	9,014
The Bank of Punjab Limited	23.4	49,670	50,000
		309,703	151,481
Morabaha			
Faysal Bank Limited	23.5	49,694	30,000
		<u>359,397</u>	<u>181,481</u>

23.1 This facility is secured against first pari passu charge over present and future fixed and current assets of the Company and hypothecation of stocks of chemicals and carries mark-up at 6 months average KIBOR Ask rate plus 1% spread (with floor of 3.50%) per annum. The limit of finance is Rs. 90.00 million (2004: Rs. 90.00 million).

## NOTES TO THE ACCOUNTS

23.2 This facility is secured against first pari passu charge over fixed and current assets of the Company and carries mark-up at 6 months average KIBOR Ask rate plus 1% per annum. The limit of finance is Rs.25 million (2004: Rs. 60 million)

23.3 This facility is secured against first pari passu hypothecation charge over current assets of the Company and carries mark-up at 6 months average KIBOR Ask rate plus 1.71% (with floor of 3.50%) per annum. The limit of finance is Rs. 150.00 million (2004: Rs. 150.00 million).

23.4 This facility is secured against floating charge over all present and future current assets of the Company and carries mark-up at 6 months average KIBOR Ask rate plus 65 bps (with floor of 3.50%) per annum. The limit of finance is Rs. 50.00 million (2004: Rs. 50 million).

23.5 This facility is secured against first pari passu charge over present and future current and fixed assets of the Company and carries mark up at 6 months average KIBOR Ask rate plus 200 bps per annum. The limit of finance is Rs. 100.00 million (2004: Rs. 100.00 million).

	Note	2005 (Rupees in thousand)	2004
<b>24. CURRENT PORTION OF LONG TERM FINANCING</b>			
Redeemable capital	17	83,267	100
Long term financing	18	153,370	99,840
Long term Morabaha	19	12,500	-
Liabilities against assets subject to finance leases		-	253
		<u>249,137</u>	<u>100,193</u>

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingent liabilities

a) Claim lodged by M/s Saigol Brothers Limited (SBL), of Rs. 2.608 million (2004: Rs. 2.608 million) on account of rent of storage tanks at Faisalabad used by Ittehad Chemicals Limited from July 1, 1973 to March 10, 1982 of which only Rs. 0.044 million (2004: Rs. 0.044 million) has been acknowledged and provided for in the accounts.

b) Demand created for assessment year 1996 - 1997 with respect to disallowance of expenses incurred on account of Golden Hand Shake and Voluntary Separation Scheme amounting to Rs. 56.437 million for reason of non-deduction of withholding tax on payment has been set aside by the Honorable Income Tax Appellate Tribunal (ITAT) with direction to re compute the tax liability by using the specified methodology. The Inspecting Additional Commissioner (IAC), vide his order dated December 23, 2003, had restored the original assessment under section 66A without considering the directions of ITAT. Management had filed a revised petition before ITAT and Reference Application before the Learned Lahore High Court. The matter has now been remanded back to the IAC by ITAT with instruction to follow the directions of ITAT. In the event of adverse decision the Company would be faced with a charge against profit of Rs.34.107 million. (2004: Rs. 34.107 million).

## NOTES TO THE ACCOUNTS

- c) Deputy Commissioner of Income Tax (DCIT) had determined liability for assessment year 2002-03 amounting to Rs.46.112 million. The Company has filed an appeal to the Commissioner of Income Tax (Appeals) against the decision of DCIT. In the event of adverse decision the Company would be faced with a charge of Rs.10.205 million against profit (2004: 10.205 million ).
- d) Letters of guarantee outstanding as at June 30, 2005 amounted to Rs. 84.843 million (2004: Rs. 30.443 million).

### 25.2 Commitments

Commitments as on June 30, 2005 were as follows:

- a) Against letters of credit amounting to Rs. 236.894 million (2004: Rs. 303.836 million).
- b) Capital commitments amounting to Rs. Nil (2004: Rs. 7.722 million).
- c) Commitments against purchase of land amounting to Rs. 64.400 million (2004: Rs. Nil).

	Note	2005 (Rupees in thousand)	2004
<b>26. SALES</b>			
Sales			
Manufacturing	26.1	2,200,904	1,825,415
Trading		7,172	2,050
		<u>2,208,076</u>	<u>1,827,465</u>
Less: Sales tax		276,332	290,335
Commission to selling agents		28,880	23,210
		<u>305,212</u>	<u>313,545</u>
		<u>1,902,864</u>	<u>1,513,920</u>

- 26.1 The amount under this head includes Export Sales amounting to Rs. 15.500 million (2004: Rs. 11.906 million).

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>27. COST OF SALES</b>			
Raw materials consumed			
Opening stock		19,007	17,385
Purchases		236,435	144,367
		<u>255,442</u>	<u>161,752</u>
Raw material traded		(725)	(1,250)
Closing stock		<u>(48,210)</u>	<u>(19,007)</u>
		206,507	141,495
Other factory overheads			
Stores, spares and loose tools consumed		96,458	84,188
Packing materials consumed		2,756	1,919
Production supplies consumed		23,541	12,308
Mercury consumed		11,798	6,427
Salaries, wages and benefits	27.1	63,866	58,039
Fuel and power		1,060,985	880,938
Repairs and maintenance		12,214	15,716
Insurance		3,833	2,850
Depreciation	3.1	74,765	63,552
Vehicle running expenses		5,000	6,507
Postage, printing and stationery		2,578	2,228
Other expenses		971	839
		<u>1,358,765</u>	<u>1,135,511</u>
Work in process			
Opening		2,546	1,113
Closing		<u>(2,710)</u>	<u>(2,546)</u>
		<u>(164)</u>	<u>(1,433)</u>
Cost of goods manufactured		1,565,108	1,275,573
Cost of raw material traded		725	1,250
Cost of stores traded		4,350	110
Finished goods			
Opening		12,671	21,534
Purchases of trading goods		1,298	-
Stock issued for capital expenditure		-	(338)
Closing		<u>(14,371)</u>	<u>(12,671)</u>
		<u>(402)</u>	<u>8,525</u>
		<u><u>1,569,781</u></u>	<u><u>1,285,458</u></u>

27.1 This amount includes Rs.0.111 million (2004: Rs 0.104 million) in respect of employees' retirement benefits.

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>28. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and benefits	28.1	4,964	4,722
Traveling and conveyance		241	231
Vehicle running expenses		468	349
Advertisement		1,025	1,179
Telephone, telex and postage		1,014	1,039
Rent, rates and taxes		610	591
Printing and stationery		155	161
Fee and subscription		84	60
Fuel and power		639	551
Freight outwards		46,687	33,659
Repair and maintenance		127	85
Depreciation	3.1	319	280
Marketing service charges		19,253	15,389
		<u>75,586</u>	<u>58,296</u>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	29.1	21,922	19,025
Traveling and conveyance		7,935	6,484
Vehicle running expenses		1,512	1,171
Telephone, telex and postage		1,191	1,384
Rent, rates and taxes		1,320	1,320
Printing and stationery		294	163
Fee and subscription		4,157	2,279
Legal and professional charges		527	520
Fuel and power		769	722
Provision for doubtful trade debts		1,889	248
Provision for doubtful advances and deposits		544	-
Advances and deposits written off		732	707
Loss on disposal of fixed assets		-	14
Repair and maintenance		358	330
Depreciation	3.1	1,753	1,622
Amortization of deferred cost		850	801
Donations	29.2	1,844	1,115
		<u>47,597</u>	<u>37,905</u>

29.1 This amount includes Rs 0.022 million (2004: Rs 0.019 million) in respect of employees' retirement benefits.

29.2 Donations do not include any amounts in whom, any Director of the Company or their spouse has any interest.

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>30. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration			
Audit fee		200	125
Half yearly review fee		63	50
Tax and certification charges		115	188
Out of pocket expenses		25	25
		403	388
Provision for diminution in value of investment	5	56,250	-
Workers' profit participation fund	21.2	4,759	4,652
		<u>61,412</u>	<u>5,040</u>
<b>31. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Recovery of bad debts		101	642
Dividend income		4	5
Gain on sale of investment		243	-
Gain on foreign exchange		120	-
Provision against doubtful deposits written back		92	-
Return on bank deposits		-	57
		560	704
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets		173	-
Sales of scrap		2,955	1,963
		3,128	1,963
<b>Income from related parties</b>			
Late payment charges on overdue invoices		477	-
		<u>4,165</u>	<u>2,667</u>
<b>32. FINANCE COST</b>			
Markup/interest on:			
Long term loans		23,751	18,405
Term finance certificates		25,029	17,957
Finance leases		3	33
Short term borrowings		11,811	3,591
Workers' profit participation fund	21.2	302	268
		60,896	40,254
Bank charges and commission		1,613	1,431
Foreign exchange loss		-	79
		<u>62,509</u>	<u>41,764</u>

## NOTES TO THE ACCOUNTS

	Note	2005 (Rupees in thousand)	2004
<b>32. FINANCE COST</b>			
Markup/interest on:			
Long term loans		23,751	18,405
Term finance certificates		25,029	17,957
Finance leases		3	33
Short term borrowings		11,811	3,591
Workers' profit participation fund	21.2	302	268
		<u>60,896</u>	<u>40,254</u>
Bank charges and commission		1,613	1,431
Foreign exchange loss		-	79
		<u>62,509</u>	<u>41,764</u>

## 33. TAXATION

For the year:			
Current		9,700	7,800
Prior year		-	(474)
Deferred Tax		29,954	35,642
		<u>39,654</u>	<u>42,968</u>

Numerical reconciliation between the average effective tax rate and the applicable tax rate is as under :

	(Percentage)	
Applicable tax rate	35.00	35.00
Tax effect on account of :	(6.80)	(5.80)
Amounts chargeable to tax at different rates	(17.40)	(20.30)
Brought forward losses	-	(0.50)
Charge in prior years tax	33.20	40.40
Deferred tax charge	9.00	13.80
Average effective tax rate charged to profit and loss account	<u>44.00</u>	<u>48.20</u>

## NOTES TO THE ACCOUNTS

	2005	2004
<b>34. EARNINGS PER SHARE- BASIC AND DILUTED</b>		
	<b>Number of shares in thousand</b>	
Average issued ordinary shares	30,000	30,000
	<b>(Rupees in thousand)</b>	
Profit before provision for taxation	90,144	88,124
Profit after provision for taxation	50,490	45,156
Average issued ordinary shares	30,000	30,000
Earnings per share before provision for taxation	Rs. 3.00	Rs. 2.94
Earnings per share after provision for taxation	Rs. 1.68	Rs. 1.51

### 35. TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties including associated undertakings comprise, local associated undertakings, staff retirement funds, Directors and key management personnel. Transactions with related parties are as follows:

Marketing service charges	19,255	15,643
Sale of goods and services	81,369	62,543
Contribution to staff retirement benefits plan	133	123
Remuneration to directors and key management personnel	9,199	5,433

### 36. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

#### 36.1 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

#### 36.2 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risk in respect of financial liabilities in United States dollars is Rs. 236.894 million (2004: Rs. 303.836 million).

#### 36.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

#### 36.4 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities are estimated to approximate their fair values.

## NOTES TO THE ACCOUNTS

### 36.5 Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and financial liabilities can be evaluated from following schedule:

	Interest / markup bearing			Non - interest bearing			Total	Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
	..... (Rupees in thousand).....						2005	2004
<b>Financial Assets</b>								
Long term Investments	-	-	-	-	341	341	341	57,705
Long term deposits	-	-	-	-	14,656	14,656	14,656	11,962
Trade debts	41,058	-	41,058	130,457	-	130,457	171,515	205,995
Loans and advances	-	-	-	118,801	-	118,801	118,801	7,986
Trade deposits	-	-	-	2,834	-	2,834	2,834	3,000
Other receivables	-	-	-	8,964	-	8,964	8,964	6,429
Dues with Government departments	-	-	-	59,968	-	59,968	59,968	28,446
Cash and bank balances	19	-	19	80,813	-	80,813	80,832	30,731
2005	41,077	-	41,077	401,837	14,997	416,833	457,911	352,254
2004	20	-	20	282,567	69,667	352,234	352,254	
<b>Financial Liabilities</b>								
Redeemable capital	83,267	166,533	249,800	-	-	-	249,800	249,900
Long term borrowings	153,370	572,820	726,190	-	20,000	20,000	746,190	357,725
Long term Morabaha	12,500	187,500	200,000	-	-	-	200,000	-
Liabilities against finance leases	-	-	-	-	-	-	-	253
Deferred liabilities	-	-	-	-	2,139	2,139	2,139	1,898
Trade and other liabilities	-	-	-	201,683	-	201,683	201,683	175,049
Mark up accrued	18,026	-	18,026	-	-	-	18,026	4,299
Short term borrowings	359,397	-	359,397	-	-	-	359,397	181,481
2005	626,560	926,853	1,553,413	201,683	22,139	223,822	1,777,235	970,605
2004	281,674	487,685	769,359	179,348	21,898	201,246	970,605	
On balance sheet gap:								
2005	(585,482)	(926,853)	(1,512,335)	200,154	(7,142)	193,012	(1,319,324)	
2004	(281,654)	(487,685)	(769,339)	103,219	47,769	150,988	(618,351)	
<b>Unrecognized assets and liabilities</b>								
Commitments	-	-	-	64,400	-	64,400	64,400	7,722
Letters of credit	-	-	-	236,894	-	236,894	236,894	303,836
Off balance sheet gap:								
2005	-	-	-	301,294	-	301,294	301,294	311,558
2004	-	-	-	311,558	-	311,558	311,558	
<b>Net financial assets /(liabilities)</b>								
2005	(585,482)	(926,853)	(1,512,335)	(101,140)	(7,142)	(108,282)	(1,620,618)	(929,909)
2004	(281,654)	(487,685)	(769,339)	(208,339)	47,769	(160,570)	(929,909)	

Effective interest rates are mentioned in the respective notes to the account.

## NOTES TO THE ACCOUNTS

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	<b>(Rupees in thousand)</b>					
Managerial remuneration	667	400	1,333	1,411	4,133	1832
House rent allowance	300	180	600	626	1,860	824
Medical expenses	33	20	67	48	206	92
	<u>1,000</u>	<u>600</u>	<u>2,000</u>	<u>2,085</u>	<u>6,199</u>	<u>2,748</u>
Number of persons	1	1	2	4	9	5

The Company also provides the Chief Executive and some of the Directors and Executives with free use of cars and mobile phones.

### 38. CAPACITY AND PRODUCTION

	Installed capacity Tons		Actual production Tons		Reasons for shortfall
	2005	2004	2005	2004	
Caustic soda	110,550	106,051	81,392	65,961	Production remained below the installed capacity because required power load was not available.
Liquid chlorine	13,200	13,200	10,921	9,141	Lack of demand
Hydrochloric acid	123,750	123,750	98,209	82,777	Lack of demand
Sodium Hypochlorite	49,500	49,500	45,178	42,161	Lack of demand
Bleaching earth	3,300	3,300	2,315	2,524	Shortage of raw material and slow market.
Sulphuric acid	3,300	3,300	-	1,132	Very fluctuating market, prices are fixed on fortnightly basis, which is difficult to follow. Plant was run for captive use only.
Zinc sulphate	600	600	51	175	Low production because of non availability of required raw materials within the country.

### 39. NUMBER OF EMPLOYEES

Total number of employees (including contracted) at the year-end was 668 (2004: 655).

## NOTES TO THE ACCOUNTS

### 40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for the issue on October 07, 2005 by the Board of Directors of the Company.


### 41. CORRESPONDING FIGURES

Previous years' figures have been re-arranged and re-classified wherever necessary for the purposes of comparison. Major changes made during the year were as follows:

- Consequent to change in treatment of proposed dividend as referred to note 2.3.1 corresponding figures of dividend has been restated.
- Other receivable and due from Government departments previously presented as "Loan, advances and other receivables" have been classified separately.
- Selling and distribution expenses previously included in the "Administrative, selling and distribution expenses" have been classified separately.
- Consequent to change in definition of executive in substituted Fourth Schedule to the Companies Ordinance 1984, corresponding figures of remuneration of executives have been restated.
- Advance tax, net of provision, amounting to Rs.100.109 million has been shifted from "Advances, deposits, prepayments and other receivables" to the face of the balance sheet for proper disclosure purposes.
- To comply with the requirements of IAS 16, Property, plant and equipment, prior year figure of "Capital work in progress" has been restated to include Rs. 1.962 million previously classified as "Stores held for capital expenditure".
- An amount of Rs. 2.044 million previously classified as "Mercury held for capital expenditure" has been shown as "Mercury in hand" under Stock in trade for proper disclosure.
- "Provision for recoating of DSAs" previously included in "Accrued Liabilities" has been classified as "Deferred liabilities" in view of useful life of recoated DSAs which are used over a period of three years. Current portion of the provision has however been included in "Accrued liabilities".

### 42. GENERAL

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



**Muhammad Siddique Khatri**  
Chief Executive



**Abdul Sattar Khatri**  
Director

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
2	1	100	53
5	101	500	1600
76	501	1000	47549
130	1001	5000	373500
168	5001	10000	1015059
3	10001	15000	34500
2	15001	20000	30895
1	20001	25000	21331
6	25001	30000	180000
-	-	-	-
1	35001	40000	38400
1	40001	45000	44296
-	-	-	-
4	55001	60000	235555
-	-	-	-
1	65001	70000	66000
-	-	-	-
3	115001	120000	360000
-	-	-	-
1	125001	130000	125400
3	130001	135000	394200
1	135001	140000	139200
-	-	-	-
2	145001	150000	300000
-	-	-	-
1	160001	165000	162000
-	-	-	-
1	175001	180000	180000
-	-	-	-
3	205001	210000	630000
-	-	-	-
1	220001	225000	222220
-	-	-	-
2	235001	240000	472800
-	-	-	-
4	265001	270000	1069200
-	-	-	-



No. of Shareholders	Shareholding		Total Shares Held
	From	To	
5	290001	295000	1467331
3	295001	300000	896400
-	-	-	-
1	310001	315000	312000
-	-	-	-
1	325001	330000	330000
-	-	-	-
1	335001	340000	338400
1	340001	345000	344400
-	-	-	-
1	370001	375000	372000
-	-	-	-
1	380001	385000	384000
1	385001	390000	390000
-	-	-	-
1	395001	400000	398400
-	-	-	-
1	655001	660000	660000
-	-	-	-
1	705001	710000	705559
-	-	-	-
1	775001	780000	780000
-	-	-	-
1	1405001	1410000	1405200
-	-	-	-
1	1475001	1480000	1477800
-	-	-	-
1	1645001	1650000	1648800
-	-	-	-
1	1795001	1800000	1796400
-	-	-	-
1	1860001	1865000	1862352
-	-	-	-
1	2025001	2030000	2026800
-	-	-	-
1	2295001	2300000	2298000
-	-	-	-
1	3960001	3965000	3962400
449			30000000

## PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

NO. OF SHAREHOLDERS	PARTICULARS	SHARES HELD	%AGE
2	<b>ASSOCIATED COMPANIES</b> Chemitex Industries Ltd. Jhelum Silk Mills (Pvt.) Ltd.	1,648,800 1,405,200	5.4960% 4.6840%
		<b>3,054,000</b>	<b>10.1800%</b>
11	<b>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</b> Mr. Muhammad Siddique Khatri Mr. Muhammad Siddique Khatri (CDC) Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Sattar Mr. Fawad Yousuf Mr. Fawad Yousuf (CDC) Mrs. Sabina w/o Muhammad Siddique Khatri Mrs. Fareeda w/o Abdul Ghafoor Khatri Mrs. Hafsa w/o Abdul Aziz Khatri Mrs. Mah-e-Darakhshan w/o Mansoor Ahmed Khatri	120,000 3,962,400 384,000 1,796,400 338,400 270,000 266,400 312,000 21,331 294,000 236,400 294,000 120,000	0.4000% 13.2080% 1.2800% 5.9880% 1.1280% 0.9000% 0.8880% 1.0400% 0.0711% 0.9800% 0.7880% 0.9800% 0.4000%
		<b>8,415,331</b>	<b>28.0511%</b>
7	<b>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</b> National Fertilizer Corp. of Pakistan Adeel & Nadeem Securities Pvt Ltd. (CDC) Jamshaid & Hasan Securities Pvt. Ltd. (CDC) N.H. Securities Pvt. Ltd. (CDC) Networth Securities Pvt. Ltd. (CDC) Sitara Chemical Industries Ltd. (CDC) Time Securities Pvt. Ltd. (CDC)	9,259 1,800 44,296 1,200 6,000 30,000 3,200	0.0309% 0.0060% 0.1477% 0.0040% 0.0200% 0.1000% 0.0107%
		<b>95,755</b>	<b>0.3192%</b>
0	<b>FINANCIAL INSTITUTIONS</b>	0	0.0000%
429	<b>SHARES HELD BY THE GENERAL PUBLIC</b>	18,434,914	61.4497%
449		<b>30,000,000</b>	<b>100.0000%</b>
	<b>TOTAL:</b>		
1	<b>SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL</b> Mr. Muhammad Siddique Khatri	<b>Holding</b> 4,082,400	<b>Percentage</b> 13.6080%

During the year under review the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children was as under:

Sr. No.	Name	Sale	Purchase	Bonus Shares
1	Mr. Abdul Aziz Khatri	-	-	56,400
2	Mr. Abdul Sattar Khatri	-	-	299,400
3	Mr. Mansoor Ahmed Khatri	-	-	45,000
4	Ms. Farhana Sattar	-	-	44,400
5	Mr. Muhammad Siddique Khatri	725,500	1,715,000	680,400
6	Mr. Abdul Ghafoor Khatri	-	-	64,000
7	Mr. Fawad Yousuf	-	-	55,555
8	Mrs. Hafsa w/o Abdul Aziz	-	-	49,000
9	Mrs. Mah-e-Darakhshan w/o Mansoor Ahmed Khatri	-	-	20,000
10	Mrs. Sabina w/o Muhammad Siddique Khatri	-	-	49,000
11	Mrs. Fareeda w/o Abdul Ghafoor Khatri	-	-	39,400

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member/members of ITTEHAD CHEMICALS LIMITED, and holder of \_\_\_\_\_ shares as per Registered Folio No./CDC Participant's ID and A/c No. \_\_\_\_\_ Sub A/c No. \_\_\_\_\_ do hereby appoint Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ who is also a member of ITTEHAD CHEMICALS LIMITED, vide Registered folio No./CDC Participant's as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 14<sup>th</sup> Annual General Meeting of the company to be held on Monday, October 31, 2005 at 11:30 a.m. at the Registered Office - 39, Empress Road, Lahore - and at any adjournment thereof.

Signed by me/us this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

1. Witness \_\_\_\_\_
2. Witness \_\_\_\_\_

Please affix here  
Revenue Stamp of  
rupees five and  
sign across

Signature of Member(s)

Place: \_\_\_\_\_

### Important:

1. The Proxy Form, together with the power of attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the registered office of the company at 39-Empress Road, Lahore, as soon as possible but not later than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the company except a corporation being a member may appoint as its proxy and officer of such corporation whether a member of the company or not.
3. If a member appoints more than one proxy, and more than one instruments of proxy are deposited by a member with the company, all such instruments or proxy shall be rendered invalid.

### For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original NIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (if it has not been provided earlier) along with proxy form to the Company.