



ITTEHAD CHEMICALS LIMITED

3rd Quarterly Report
March 31, 2008



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ITTEHAD CHEMICALS LIMITED

3rd Quarterly Condensed Interim Financial Statements

*for the period ended March 31, 2008
(Un-Audited)*

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BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Abdul Sattar Mr. Fawad Yousuf Ms. Noor-ul-Huda	Chairman & Chief Executive Director Director Director Director Director
AUDIT COMMITTEE	Mr. Mansoor Ahmed Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri	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 : 042-7981646	
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 Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited Pak Libya Holding Co. (Pvt.) Limited The Bank of Punjab Faysal Bank Limited United Bank Limited KASB Bank Limited Standard Chartered Bank Limited Citi Bank Allied Bank Limited My Bank Limited Pak Kawait Investment Co. (Pvt.) Limited	
AUDITORS	M/s.BDO Ebrahim & Co., Chartered Accountants, 2 nd Floor, Block-C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021-5683189-5683498 Fax: 021-5684239	
LEGAL ADVISORS	M/s. Tahir Ali Tayebi & Co. 310, Marine Point, Schon Circle, Block 9, Clifton, Karachi. Ph : 021-5370458 Fax : 021-5370459	

On behalf of the Board of Directors, I am pleased to present this review of your Company's performance for the period ended March 31, 2008.

During the period of nine months under review Company's net sales grew by 4% as compared to the corresponding period of last year and closed at Rs. 1,920.36 million as against Rs. 1,849.31 million. Average production and sales volumes for the period under review have been lower than the corresponding period of last year mainly due to power breakdowns and irregular gas supply which have also hit the overall profitability of the Company. Over and above, cost inputs especially imported raw materials and components remained under pressure due to depreciation of Pak Rupee. Besides this, multiple revisions in gas & energy prices have also caused the margins to come down. Gross margin for the period under review has thus remained at 19% as against 22% and earning per share has touched to Rs. 0.53 as compared to Rs. 1.73 in the corresponding preceding period of last year.

The prospects of rising inflation, higher interest rates, rupee devaluation and escalating fuel charges are increasing cost of production of the Company. Under these circumstances, maintaining good margins would be challenging and management is therefore putting its best efforts to mitigate the adverse impacts of these factors through bringing in price rationalization, production efficiencies and improvement in operations. The Management believes that diversification of Company's products also plays an important role in the profitability and competitiveness. Investment in Chlorinated Paraffin Wax (CPW) plant of the Company is a part of this strategy which is expected to start commercial production in due course.

At present demand of Caustic Soda is on surge and this is likely to continue till the end of current financial year. Going forward, though management is ready to reap benefit from the growing demand however it is highly dependent on the availability of corresponding production volumes which are suffering from the above stated obstructions. Despite the foregoing, management will make its best endeavors to obtain better financial results during the last quarter of the current financial year.

On behalf of the Board, I express thanks to the Company staff, valued customers and other stakeholders for their support and cooperation.

April 28, 2008
Lahore

On Behalf of the Board



Muhammad Siddique Khatri
Chief Executive

CONDENSED INTERIM BALANCE SHEET


as at March 31, 2008

		March 31, 2008 (Un-Audited)	June 30, 2007 (Audited)
	Note	(Rupees in thousands)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,271,228	2,359,749
Capital work in progress	7	82,076	47,679
		<u>2,353,304</u>	<u>2,407,428</u>
Intangible assets		1,187	1,538
Investment property		82,140	82,140
Long term investments		65,416	65,542
Deferred cost		263	901
Long term deposits		11,475	14,205
		<u>2,513,785</u>	<u>2,571,754</u>
CURRENT ASSETS			
Stores, spares and loose tools		319,802	290,006
Stock in trade		132,238	102,285
Trade debts		350,051	444,614
Loans and advances		60,607	26,163
Trade deposits and short term prepayments		11,126	8,195
Other receivables		6,268	307
Tax refunds due from the Government		439	439
Taxation-net		64,393	60,563
Cash and bank balances		55,248	29,130
		<u>1,000,172</u>	<u>961,702</u>
TOTAL ASSETS		<u><u>3,513,957</u></u>	<u><u>3,533,456</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 (June 30, 2007: 75,000,000) shares of Rs. 10/- each	8.1	750,000	750,000
Issued, subscribed and paid up capital			
36,000,000 (June 30, 2007: 36,000,000) ordinary shares of Rs. 10/- each	8.2	360,000	360,000
Reserves		369,398	404,477
Shareholders' equity		729,398	764,477
SURPLUS ON REVALUATION OF FIXED ASSETS		643,372	643,372
NON CURRENT LIABILITIES			
Long term financing	9	809,375	584,158
Long term murabaha	10	350,000	217,438
Liabilities against assets subject to finance lease	11	603	913
Deferred liabilities		269,170	246,640
		1,429,148	1,049,149
CURRENT LIABILITIES			
Trade and other payables		223,059	190,038
Mark up accrued		32,694	51,006
Short term borrowings		364,243	442,930
Current portion of long term financings		92,043	392,484
		712,039	1,076,458
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>3,513,957</u></u>	<u><u>3,533,456</u></u>

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



CHIEF EXECUTIVE



DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

for the period ended March 31, 2008 (Un-Audited)

	Note	Nine months ended		Quarter ended	
		March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
(Rupees in thousands)					
Sales - net	13	1,920,359	1,849,306	641,304	618,081
Cost of sales		<u>(1,558,681)</u>	<u>(1,438,598)</u>	<u>(549,673)</u>	<u>(483,190)</u>
Gross profit		361,678	410,708	91,631	134,891
Selling and distribution expenses		(104,401)	(96,772)	(28,699)	(30,797)
General and administrative expenses		(49,714)	(43,629)	(17,080)	(14,412)
Other operating expenses		(2,960)	(6,061)	98	(1,891)
Other operating income		12,979	2,903	5,243	713
Operating profit		<u>217,582</u>	<u>267,149</u>	<u>51,193</u>	<u>88,504</u>
Finance Cost		<u>(165,505)</u>	<u>(156,360)</u>	<u>(52,902)</u>	<u>(53,526)</u>
Net profit for the period		52,077	110,789	(1,709)	34,978
Taxation		<u>(33,030)</u>	<u>(48,396)</u>	<u>(3,675)</u>	<u>(10,574)</u>
Profit after taxation		<u>19,047</u>	<u>62,393</u>	<u>(5,384)</u>	<u>24,404</u>
Earnings per share - basic and diluted (Rupees)	15	<u>0.53</u>	<u>1.73</u>	<u>(0.15)</u>	<u>0.68</u>

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


CHIEF EXECUTIVE

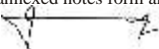

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT

for the period ended March 31, 2008 (Un-Audited)

	Nine months ended	
	March 31, 2008	March 31, 2007
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	52,077	110,789
Adjustments for non cash charges and other items:		
Depreciation	135,305	145,067
Amortization of intangible assets	451	36
Provision for gratuity	1,194	339
Amortization of deferred cost	638	638
Gain on disposal of fixed assets	-	(361)
Foreign exchange gain	(631)	(29)
Finance cost	165,505	156,360
	354,539	412,839
(Increase) / decrease in current assets		
Stores, spares and loose tools	(29,796)	15,197
Stock in trade	(29,953)	(19,892)
Trade debts	94,563	(175,064)
Loan and advances	(34,444)	(26,270)
Trade deposits and short term prepayments	(2,931)	(2,471)
Other receivables	(5,961)	1,901
	(8,522)	(206,599)
Increase in current liabilities		
Trade and other payables	33,620	34,184
Cash generated from operations	379,637	240,424
Taxes paid	(15,524)	(1,694)
Dividend paid	(54,000)	-
Gratuity paid	-	(140)
Net cash generated from operating activities	310,113	238,590
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - (net)	(27,519)	(20,212)
Additions to intangible assets	(100)	(1,303)
Additions to capital work in progress	(53,628)	(36,757)
Proceeds from disposal of operating fixed assets	-	570
Long term investments	-	(63,400)
Long term deposits	2,730	(53)
Net cash (used in) investing activities	(78,517)	(121,155)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(41,633)	(41,633)
Proceeds from long term financing	750,000	350,000
Repayment of long term financing	(689,878)	(441,718)
Proceeds from long term murabaha	350,000	50,000
Repayment of long term murabaha	(311,188)	(48,188)
Liabilities against assets subject to finance leases	(275)	-
Finance cost paid	(183,817)	(132,656)
Short term borrowings	(78,687)	(67,285)
Net cash generated from / (used in) financing activities	(205,478)	(331,480)
Net increase / (decrease) in cash and cash equivalents	26,118	(214,045)
Cash and cash equivalents at beginning of the period	29,130	257,713
Cash and cash equivalents at end of the period	55,248	43,668
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	55,248	43,668

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


CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the period ended March 31, 2008 (Un-Audited)

	Issued, subscribed and paid-up capital	Capital reserve - Fair value reserve	Unappropriated profits	Total
(Rupees in thousand)				
Balance as at July 01, 2006	300,000	809	326,030	626,839
Bonus shares issued during the period	60,000	-	(60,000)	-
Fair value gain	-	52	-	52
Profit after taxation for the period	-	-	62,393	62,393
Balance as at March 31, 2007	360,000	861	328,423	689,284
Fair value gain	-	273	-	273
Profit after taxation for the period	-	-	74,920	74,920
Balance as at June 30, 2007	360,000	1,134	403,343	764,477
Fair value gain	-	(126)	-	(126)
Dividend paid	-	-	(54,000)	(54,000)
Profit after taxation for the period	-	-	19,047	19,047
Balance as at March 31, 2008	360,000	1,008	368,390	729,398

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


CHIEF EXECUTIVE


DIRECTOR

1 NATURE AND STATUS OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatized on July 03, 1995 when 90% of the shares were transferred to the buyer.

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

During the period the Company received shares against investments in Chemi Chloride Industries Limited (CCIL) as a result of which the Company held 93.33% of the shares issued, subscribed and paid up capital of CCIL.

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

2 STATEMENT OF COMPLIANCE

These financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

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

The disclosures made in these financial statements have, however, been limited in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".

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

3 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2007.

4 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

5 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2007.

	Note	March 31, 2008 (Un-audited) (Rupees in thousands)	June 30, 2007 (Audited)
6 OPERATING FIXED ASSETS			
Opening book value		2,359,749	2,510,171
Additions during the period/year	6.1	46,784	73,288
		<u>2,406,533</u>	<u>2,583,459</u>
Disposals during the period/year	6.2	-	(29,009)
Depreciation charged during the period/year		(135,305)	(194,701)
		<u>(135,305)</u>	<u>(223,710)</u>
Closing book value		<u>2,271,228</u>	<u>2,359,749</u>

6.1 Details of additions during the period / year are as follows:

Owned assets:

Freehold land	11,359	4,798
Building on freehold land	-	121
Railway sidings	3,318	2,005
Plant and machinery	25,842	58,160
Other equipments	2,464	139
Furniture and fixtures	463	1,490
Vehicles	1,229	3,647
Office and other equipment	2,076	1,557
	<u>46,751</u>	<u>71,917</u>
Assets subject to finance lease:		
Vehicle	33	1,371
	<u>46,784</u>	<u>73,288</u>

6.2 Details of disposals during the period / year are as follows:

Freehold land	-	28,800
Vehicle	-	209
	<u>-</u>	<u>29,009</u>

7 CAPITAL WORK -IN-PROGRESS

Plant and machinery	80,537	47,679
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7.1 An amount of Rs. 19.232 million (June 30, 2007: Rs. 36.414 million) has been transferred to operating fixed assets during the period.

NOTES TO THE CONDESNSED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

		March 31, 2008	June 30, 2007
	Note	(Un-audited)	(Audited)
(Rupees in thousands)			
8 SHARE CAPITAL			
8.1 Authorized Share Capital			
50,000,000 (June 30, 2007: 50,000,000) ordinary shares of Rs. 10/- each		500,000	500,000
25,000,000 (June 30, 2007: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		<u>750,000</u>	<u>750,000</u>
8.2 Issued, subscribed and paid up capital			
100,000 (June 30, 2007: 100,000) fully paid in cash		1,000	1,000
24,900,000 (June 30, 2007: 24,900,000) issued for consideration other than cash		249,000	249,000
11,000,000 (June 30, 2007: 11,000,000) fully paid bonus shares		110,000	110,000
		<u>360,000</u>	<u>360,000</u>
9 LONG TERM FINANCING			
From banking companies and financial institutions - Secured			
Balance as at July 01		799,253	939,541
Obtained during the period / year	9.1	750,000	350,000
		1,549,253	1,289,541
Repayments made during the period / year		(689,878)	(490,288)
		859,375	799,253
Current portion shown under current liabilities		(50,000)	(215,095)
		<u>809,375</u>	<u>584,158</u>
9.1 The Company has obtained long term Islamic finance facility amounting Rs. 1,100 million through a syndicate of banks led by Standard Chartered Bank (Pakistan) Limited. This loan has been obtained by the Company to swap its conventional loans into Islamic financing mode with better terms.			
The finance is secured against first pari passu charge over plant and machinery of the company with 25% security margin and carries mark-up at the rate of average six months KIBOR plus 200 bps.			
10 LONG TERM MURABAHA			
From banking companies - Secured			
Balance as at July 01		311,188	337,500
Obtained during the period / year	9.1	350,000	50,000
		661,188	387,500
Less: Repayments made during the period / year		(311,188)	(76,312)
		350,000	311,188
Less: Current portion shown under current liabilities		-	(93,750)
		<u>350,000</u>	<u>217,438</u>
10.1 This facility has been obtained under financing facility described in note 9.1 and is repayable in nine equal bi-annual installments.			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

	March 31, 2008	June 30, 2007
	(Un-audited)	(Audited)
	(Rupees in thousands)	
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Secured		
Balance as at July 01	1,286	-
Addition during the period / year	<u>-</u>	<u>1,371</u>
	1,286	1,371
Less: Payments made during the period / year	<u>(275)</u>	<u>(85)</u>
	1,011	1,286
Current portion shown under current liabilities	<u>(408)</u>	<u>(373)</u>
	<u>603</u>	<u>913</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

- a) Demand created for assessment year 1996-97 with respect to disallowance of expenses incurred on account of Golden Hand Shake (GHS) and of Voluntary Separation Scheme (VSS) amounting to Rs. 56.437 million for reason of non deduction of withholding tax on payment of such expenses had 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 66-A of the Income Tax Ordinance, 1979 without considering the directions of ITAT. Management had filed a revised petition before ITAT and Reference Application before the Learned Lahore High Court (LHC). The said reference application is pending before LHC.

The matter has now been remanded back to IAC by ITAT. In order to avoid further delay in the subject case, management had filed an application in October 2007 to the Federal Board of Revenue (FBR) for appointment of an Alternative Dispute Resolution Committee (ADRC). FBR appointed the said committee on November 22, 2007. Decision of FBR in the light of recommendations of ADRC is expected in due course.

In case the management is not satisfied with the decision of FBR, it would continue to pursue the matter before the Lahore High Court. In the event of an adverse decision, the Company would be faced with a charge against profit of Rs. 34.107 million (June 30, 2007: Rs. 34.107 million).

- b) The liability for income tax determined for assessment year 2002-03 amounted to Rs. 46.112 million. The Company had filed an appeal to the Commissioner Appeals (CIT) against the assessment order of Deputy Commissioner Income Tax (DCIT). CIT appeals vide his order dated October 03, 2005 has given the decision in favour of the Company and accepted all the items as permissible which were not acknowledged by the DCIT. The department has filed an appeal against the order of CIT Appeals. In the event of an adverse decision the Company would be faced with a charge against profit of Rs. 5.974 million (June 30, 2007: Rs. 5.974 million).
- c) Additional Commissioner Audit vide his order dated March 24, 2006 amended assessment of Tax Year 2005 and added back certain provisions to the extent of Rs. 58.693 million. CIT Appeals allowed these expenses whereas the Department has challenged this order. In case of adverse decision, charge to profit will be to the extent of disallowance and tax liability will be accordingly increased.

NOTES TO THE CONDESNSED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.898 million (June 30, 2007: Rs. 5.086 million) against these claims.
- e) Letters of guarantee outstanding as at March 31, 2008 were Rs.207.927 million (June 30, 2007: Rs.202.887 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounted to Rs.118 million (June 30, 2007:nil)

12.2 Commitments

Commitments as on March 31, 2008 were as follows:

- a) Against letters of credit outstanding amounting to Rs.45.491 million (June 30, 2007: Rs. 69.016 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2007: Rs. 5.047 million).
- c) Against purchase of End User Licences of SAP Business One (ERP System) amounting Rs. 1.065 million (June 30, 2007: Rs. 2.05 million).

Nine months ended		Quarter ended	
March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
(Rupees in thousands)		(Rupees in thousands)	

13 COST OF SALES

Raw materials consumed	250,869	228,529	81,344	86,128
Stores, spares and loose tools consumed	141,250	132,088	57,675	38,975
Packing materials consumed	5,629	4,545	1,715	1,972
Salaries, wages and other benefits	78,931	67,413	27,168	22,957
Fuel and power	878,808	877,150	289,464	294,677
Repair and maintenance	12,623	14,756	4,458	3,972
Insurance	5,917	7,279	1,979	2,427
Depreciation	133,162	142,938	44,652	47,653
Vehicle running expenses	5,749	4,299	1,961	1,478
Postage, printing and stationery	1,483	1,252	557	352
Other expenses	2,022	1,761	770	435
	1,516,443	1,482,010	511,743	501,026
Opening work-in-process	3,200	3,322	3,543	3,452
Closing work-in-process	(3,543)	(3,452)	(3,543)	(3,452)
	(343)	(130)	-	-
Cost of goods manufactured	1,516,100	1,481,880	511,743	501,026
Cost of stores traded	2,289	409	395	409
Opening stock of finished goods	59,312	31,600	56,555	57,046
Closing stock of finished goods	(19,020)	(75,291)	(19,020)	(75,291)
	40,292	(43,691)	37,535	(18,245)
	1,558,681	1,438,598	549,673	483,190

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

	Nine months ended		Quarter ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	(Rupees in thousands)		(Rupees in thousands)	
Associated companies				
Sales of good and services	8,552	1,227	2,013	798
Late payment charges	-	299	-	29
Marketing services charges	19,382	18,625	6,448	6,217
Investment made	-	63,400	-	-
Land rentals	8,744	-	3,298	-
Loans and advances made	19,218	3,023	1,792	463
Mark up on loans and advances	872	58	539	49
Contribution to staff retirement benefit plans	94	101	27	36
Remuneration and other benefits	20,405	10,109	6,802	5,535

15 BASIC AND DILUTED EARNING PER SHARE

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

- Profit after taxation (Rupees in thousands)	19,047	62,393	(5,384)	24,404
- Weighted average number of ordinary shares (in thousands)	36,000	36,000	36,000	36,000
Earnings per share (Rupees)	0.53	1.73	(0.15)	0.68

16 DATE OF AUTHORISATION

These financial statements were authorized for issue on April 28, 2008 by the Board of Directors of the Company.

17 GENERAL

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED**3rd Quarterly Condensed Consolidated
Interim Financial Statements**

*for the period ended March 31, 2008
(Un-Audited)*

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On behalf of the Board of Directors I am pleased to present the un-audited consolidated financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL) for the period ended March 31, 2008.

As reported in Dec 2007 review, commercial production of Calcium Chloride was delayed because of non availability of gas to the plant. Though production started after restoration of gas supply in March 2008 however the plant could not yet achieve the projected capacity due to some technical problems. Foreign supplier has been contacted in this respect but they expressed reluctance to send their engineers to Pakistan till the peaceful resolution of security problems in the country. Management anticipates that it would be very difficult to run the plant above 20% capacity in the current circumstances. Management therefore looks forward a varying production and sales volumes till the plant comes to smooth production for which we are putting our best efforts.

CCIL posted an after tax loss of Rs. 21.66 million primarily due to fixed overheads which could not be recovered on account of delay in commercial production and under utilization of capacity. The subsidiary company has therefore reported a negative earning per share of Rs. 12.37 for the period under review whereas group's negative earning came in at Rs. 0.27 per share.

As we informed the shareholders in the previous review report, Janyvar BV Havelte, Netherlands, a party to the JV agreement dated Nov 22, 2005, has not yet paid the subscription money of Rs. 21.189 million, despite repeated reminders, which is outstanding against their agreed share of Rs. 23.00 million, i.e., 25% of the proposed paid up capital of CCIL total amounting to Rs. 92.00 million. Shareholders of Ittehad Chemicals Limited, the holding company, have therefore cautiously granted approval, in the extra ordinary general meeting held on March 28, 2008, to make further investment in the equity of CCIL up to a maximum of Rs. 23.00 million in order to take up the entitlement of Janyvar to the extent of their failure to pay their outstanding investment amount. In case Ittehad Chemicals Limited puts this further investment in CCIL its total holding would reach to 95% maximum from the current 70%. Ittehad Chemicals Limited and sponsors of CCIL, as parties to the JV Agreement, are also considering to issue a legal notice to Janyvar for not putting their agreed share of investment in CCIL under the terms of JV Agreement.

April 28, 2008
Lahore

On Behalf of the Board



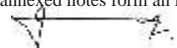
Muhammad Siddique Khatri
Chief Executive

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

as at March 31, 2008

		March 31, 2008 (Un-Audited)	June 30, 2007 (Audited)
		(Rupees in thousands)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,466,004	2,359,749
Capital work in progress	7	82,076	47,679
		2,548,080	2,407,428
Intangible assets		1,187	1,538
Investment property		82,140	82,140
Goodwill		6,445	-
Long term investments		1,016	65,542
Deferred cost		328	901
Long term deposits		12,340	14,205
		2,651,536	2,571,754
CURRENT ASSETS			
Stores, spares and loose tools		321,344	290,006
Stock in trade		146,716	102,285
Trade debts		347,453	444,614
Loans and advances		43,917	26,163
Trade deposits and short term prepayments		16,710	8,195
Other receivables		-	307
Tax refunds due from the Government		439	439
Taxation-net		65,832	60,563
Cash and bank balances		58,141	29,130
		1,000,552	961,702
		3,652,088	3,533,456
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 (June 30, 2007: 75,000,000) shares of Rs. 10/- each	8.1	750,000	750,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
36,000,000 (June 30, 2007: 36,000,000) ordinary shares of Rs.10/- each	8.2	360,000	360,000
Reserves		340,586	404,477
Shareholders' equity		700,586	764,477
Advance against future issue of shares		1,811	-
MINORITY INTEREST			
		3,204	-
		705,601	764,477
SURPLUS ON REVALUATION OF FIXED ASSETS		643,372	643,372
NON CURRENT LIABILITIES			
Long term financing	9	915,405	584,158
Long term murabaha	10	350,000	217,438
Liabilities against assets subject to finance lease	11	603	913
Deferred liabilities		269,170	246,640
		1,535,178	1,049,149
CURRENT LIABILITIES			
Trade and other payables		235,747	190,038
Mark up accrued		35,979	51,006
Short term borrowings		373,054	442,930
Current portion of long term financings		123,157	392,484
		767,937	1,076,458
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		-	-
TOTAL EQUITY AND LIABILITIES		3,652,088	3,533,456

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


CHIEF EXECUTIVE


DIRECTOR

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

for the period ended March 31, 2008 (Un-Audited)

Note	Nine months ended		Quarter ended	
	March 31, 2008 (Rupees in thousands)	March 31, 2007 (Rupees in thousands)	March 31, 2008 (Rupees in thousands)	March 31, 2007 (Rupees in thousands)
Sales - Net	1,920,902	1,849,306	645,484	618,081
Cost of sales	13 (1,572,224)	(1,438,598)	(562,757)	(483,190)
Gross profit	348,678	410,708	82,727	134,891
Selling and distribution expenses	(104,955)	(96,772)	(29,253)	(30,797)
General and administrative expenses	(50,871)	(43,629)	(18,273)	(14,412)
Other operating expenses	(2,996)	(6,061)	98	(1,891)
Other operating income	1,747	2,903	743	713
Operating profit	191,603	267,149	36,042	88,504
Finance cost	(169,246)	(156,360)	(56,644)	(53,526)
Net profit for the period	22,357	110,789	(20,602)	34,978
Taxation	(33,057)	(48,396)	(3,702)	(10,574)
Profit after taxation	(10,700)	62,393	(24,304)	24,404
Minority Interest	(935)	-	(935)	-
	(9,765)	62,393	(23,369)	24,404
Earnings/(loss) per share - basic and diluted (Rupees)	15 <u>Rs. (0.27)</u>	<u>Rs. 1.73</u>	<u>Rs. (0.65)</u>	<u>Rs. 0.68</u>

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



CHIEF EXECUTIVE



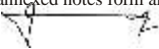
DIRECTOR

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

for the period ended March 31, 2008 (Un-Audited)

	Nine months ended	
	March 31, 2008	March 31, 2007
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	22,357	110,789
Adjustments for non cash charges and other items:		
Depreciation	140,694	145,067
Amortization of intangible assets	451	36
Provision for gratuity	1,194	339
Amortization of deferred cost	638	638
Gain on disposal of fixed assets	-	(361)
Loss on foreign exchange	1,183	(29)
Finance cost	169,246	156,360
	335,763	412,839
(Increase) / decrease in current assets		
Stores, Spares and loose tools	(31,338)	15,197
Stock in trade	(44,431)	(19,892)
Trade debts	97,161	(175,064)
Loan and advances	(17,754)	(26,270)
Trade deposits and short term prepayments	(8,515)	(2,471)
Other receivables	307	1,901
	(4,570)	(206,599)
Increase in current liabilities		
Trade and other payables	45,583	34,184
Cash generated from operations	376,776	240,424
Income taxes paid	(15,551)	(1,694)
Dividend paid	(54,000)	-
Gratuity paid	-	(140)
Net cash generated from operating activities	307,225	238,590
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(27,677)	(20,212)
Additions to intangible assets	(100)	(1,303)
Additions to capital work in progress	(64,009)	(36,757)
Acquisition of subsidiary	1,150	-
Proceeds from sale of operating fixed assets	-	570
Investments	-	(63,400)
Long term deposits	2,730	(53)
Net cash (used in) investing activities	(87,906)	(121,155)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(41,633)	(41,633)
Proceeds from long term financing	763,000	350,000
Repayment of long term financing	(689,878)	(441,718)
Proceeds from long term murabaha	350,000	50,000
Repayment of long term murabaha	(311,188)	(48,188)
Repayment of liabilities against subject to finance lease	(275)	-
Finance cost paid	(190,458)	(132,656)
Short term borrowings	(69,876)	(67,285)
Net cash generated from / (used in) financing activities	(190,308)	(331,480)
Net increase/(decrease) in cash and cash equivalents	29,011	(214,045)
Cash and cash equivalents at beginning of the period	29,130	257,713
Cash and cash equivalents at the end of the period	58,141	43,668
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	58,141	43,668

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


CHIEF EXECUTIVE


DIRECTOR

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the period ended March 31, 2008 (Un-Audited)

	Attributable to equity holders of parent				Minority Interest	Total Equity
	Issued, subscribed and paid-up capital	Capital reserve- Fair value reserve	Unappropriated profits	Total		
	(Rupees in thousands)					
Balance as at July 01, 2006	300,000	809	326,030	626,839	-	626,839
Bonus shares issued during the period	60,000	-	(60,000)	-	-	-
Fair value gain	-	52	-	52	-	52
Profit after taxation for the period	-	-	62,393	62,393	-	62,393
Balance as at March 31, 2007	360,000	861	328,423	689,284	-	689,284
Fair value gain	-	273	-	273	-	273
Profit after taxation for the period	-	-	74,920	74,920	-	74,920
Balance as at June 30, 2007	360,000	1,134	403,343	764,477	-	764,477
Fair value loss	-	(126)	-	(126)	-	(126)
Dividend paid	-	-	(54,000)	(54,000)	-	(54,000)
Profit/(Loss) after taxation for the period	-	-	(9,765)	(9,765)	3,204	(6,561)
Balance as at March 31, 2008	360,000	1,008	339,578	700,586	3,204	703,790

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


CHIEF EXECUTIVE


DIRECTOR

1 NATURE AND STATUS OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was privatised 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.

During the period the Company received shares against investments in Chemi Chloride Industries Limited (CCIL) as a result of which the Company held 93.33% of the shares issued, subscribed and paid up capital of CCIL.

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

2 STATEMENT OF COMPLIANCE

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

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

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

3 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed consolidated financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2007.

The financial statement of the subsidiary is consolidated on a line by line basis and all intra-group balances and transactions have been eliminated.

4 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

5 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2007.

	Note	March 31, 2008 (Un-audited) (Rupees in thousands)	June 30, 2007 (Audited)
6 OPERATING FIXED ASSETS			
Opening book value		2,359,749	2,510,171
Additions during the period/year	6.1	246,949	73,288
		<u>2,606,698</u>	<u>2,583,459</u>
Disposals during the period / year		-	(29,009)
Depreciation charged during the period / year	6.2	(140,694)	(194,701)
		<u>(140,694)</u>	<u>(223,710)</u>
Closing book value		<u>2,466,004</u>	<u>2,359,749</u>
6.1 Details of additions during the period / year are as follows			
Owned Assets:			
Freehold land		11,359	4,798
Building on freehold land		21,182	121
Railway sidings		3,318	2005
Plant and machinery		201,324	58,160
Trial run loss		2,231	-
		<u>203,555</u>	<u>58,160</u>
Other equipments		2,464	139
Furniture and fixtures		501	1,490
Vehicles		2,267	3,647
Office and other equipment		2,270	1,557
		<u>246,916</u>	<u>71,917</u>
Assets subject to finance lease:			
Vehicle		33	1,371
		<u>246,949</u>	<u>73,288</u>
6.2 Details of disposals during the period / year are as follows:			
Freehold land		-	28,800
Vehicle		-	209
		<u>-</u>	<u>29,009</u>
7 CAPITAL WORK -IN-PROGRESS			
Plant and machinery		82,076	47,679
		<u>82,076</u>	<u>47,679</u>
7.1 An amount of Rs. 212.858 million (June 30, 2007: Rs. 36.414 million) has been transferred to operating fixed assets during the period.			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

	March 31 2008	June 30, 2007
Note	(Un-audited)	(Audited)
	(Rupees in thousands)	
8 SHARE CAPITAL		
8.1 Authorized Share Capital		
50,000,000 (June 30, 2007: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2007: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>750,000</u>	<u>750,000</u>
8.2 Issued, subscribed and paid up capital		
100,000 (June 30, 2007: 100,000) fully paid in cash	1,000	1,000
24,900,000 (June 30, 2007: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2007: 11,000,000) fully paid bonus shares	110,000	110,000
	<u>360,000</u>	<u>360,000</u>

9 LONG TERM FINANCING

From banking companies and financial institutions - Secured

Balance as at July 01		799,253	939,541
Obtained during the period / year	9.1	<u>887,144</u>	<u>350,000</u>
		1,686,397	1,289,541
Repayments made during the period / year		<u>(689,878)</u>	<u>(490,288)</u>
		996,519	799,253
Current portion shown under current liabilities		<u>(81,114)</u>	<u>(215,095)</u>
		<u>915,405</u>	<u>584,158</u>

- 9.1 The Company has obtained long term Islamic finance facility amounting Rs. 1,100 million through a syndicate of banks led by Standard Chartered Bank (Pakistan) Limited. This loan has been obtained by the Company to swap its conventional loans into Islamic financing mode with better terms. The finance is secured against first pari passu charge over plant and machinery of the company with 25% security margin and carries amrk-up at the rate of average six months KIBOR plus 200 bps.

10 LONG TERM MURABAHA

From banking companies - Secured

Balance as at July 01		311,188	337,500
Obtained during the period / year	9.1	<u>350,000</u>	<u>50,000</u>
		661,188	387,500
Repayments made during the period / year		<u>(311,188)</u>	<u>(76,312)</u>
		350,000	311,188
Current portion shown under current liabilities		<u>-</u>	<u>(93,750)</u>
		<u>350,000</u>	<u>217,438</u>

- 10.1 This facility has been obtained under financing facility described in note 9.1 and is repayable in nine equal bi-annual installments.

March 31, **June 30,**
2008 **2007**
(Un-audited) **(Audited)**
(Rupees in thousands)

11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Secured

Balance as at July 01	1,286	-
Addition during the period / year	-	1,371
	1,286	1,371
Payments made during the period / year	(275)	(85)
	1,011	1,286
Current portion shown under current liabilities	(408)	(373)
	603	913

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

- a) Demand created for assessment year 1996-97 with respect to disallowance of expenses incurred on account of Golden Hand Shake (GHS) and of Voluntary Separation Scheme (VSS) amounting to Rs. 56.437 million for reason of non deduction of withholding tax on payment of such expenses had 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 66-A of the Income Tax Ordinance, 1979 without considering the directions of ITAT. Management had filed a revised petition before ITAT and Reference Application before the Learned Lahore High Court (LHC). The said reference application is pending before LHC.

The matter has now been remanded back to IAC by ITAT. In order to avoid further delay in the subject case, management had filed an application in October 2007 to the Federal Board of Revenue (FBR) for appointment of an Alternative Dispute Resolution Committee (ADRC). FBR appointed the said committee on November 22, 2007. Decision of FBR in the light of recommendations of ADRC is expected in due course.

In case the management is not satisfied with the decision of FBR, it would continue to pursue the matter before the Lahore High Court. In the event of an adverse decision, the Company would be faced with a

- b) The liability for income tax determined for assessment year 2002-03 amounted to Rs. 46.112 million. The Company had filed an appeal to the Commissioner Appeals (CIT) against the assessment order of Deputy Commissioner Income Tax (DCIT). CIT appeals vide his order dated October 03, 2005 has given the decision in favour of the Company and accepted all the items as permissible which were not acknowledged by the DCIT. The department has filed an appeal against the order of CIT Appeals. In the event of an adverse decision the Company would be faced with a charge against profit of Rs. 5.974 million (June 30, 2007: Rs. 5.974 million).
- c) Additional Commissioner Audit vide his order dated March 24, 2006 amended assesment of Tax Year 2005 and added back certain provisions to the extent of Rs. 58.693 million. CIT Appeals allowed these expenses whereas the Department has challenged this order. In case of adverse decision, charge to profit will be to the extent of disallowance and tax liability will be accordingly increased.
- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.898 million (June 30, 2007: Rs. 5.086 million) against these claims.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

- e) Letters of guarantee outstanding as at March 31, 2008 were Rs.207.927 million (June 30, 2007: Rs.202.887 million).

12.2 Commitments

Commitments as on March 31, 2008 were as follows:

- a) Against letters of credit outstanding amounting to Rs.47.291 million (June 30, 2007: Rs. 69.016 million).
 b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2007: Rs. 5.047 million).
 c) Against purchase of End User Licences of SAP Business One (ERP System) amounting Rs. 1.065 million (June 30, 2007: Rs. 2.05 million).

Nine months ended		Quarter ended	
March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
(Rupees in thousands)		(Rupees in thousands)	

13 COST OF SALES

Raw materials consumed	250,991	228,529	81,466	86,128
Stores, spares and loose tools consumed	143,230	132,088	59,655	38,975
Packing materials consumed	5,673	4,545	1,759	1,972
Salaries, wages and other benefits	80,031	67,413	28,268	22,957
Fuel and power	879,541	877,150	289,738	294,677
Repair and maintenance	12,623	14,756	4,458	3,972
Insurance	6,038	7,279	2,100	2,427
Depreciation	138,379	142,938	49,869	47,653
Vehicle running expenses	5,749	4,299	1,961	1,478
Postage, printing and stationery	1,493	1,252	567	352
Other expenses	2,078	1,761	826	435
	1,525,826	1,482,010	520,667	501,026
Opening work-in-process	3,200	3,322	3,543	3,452
Closing work-in-process	(3,543)	(3,452)	(3,543)	(3,452)
	(343)	(130)	-	-
Cost of goods manufactured	1,525,483	1,481,880	520,667	501,026
Cost of stores traded	2,289	409	395	409
Opening stock of finished goods	67,112	31,600	64,355	57,046
Closing stock of finished goods	(22,660)	(75,291)	(22,660)	(75,291)
	44,452	(43,691)	41,695	(18,245)
	1,572,224	1,438,598	562,757	483,190

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended March 31, 2008 (Un-Audited)

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise group of companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

	Nine months ended		Quarter ended	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
	(Rupees in thousands)		(Rupees in thousands)	
Associated companies				
Sale of good and services	2,526	1,227	1,574	798
Late payment charges	-	299	-	29
Marketing services charges	19,382	18,625	6,448	6,217
Investment made	-	63,400	-	-
Mark up on loans and advances	-	58	-	49
Contribution to staff retirement benefit plans	94	101	27	36
Remuneration and other benefits	20,405	10,109	6,802	5,535

15 BASIC AND DILUTED EARNING PER SHARE

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

- Profit after taxation (Rupees in thousands)	<u>(9,765)</u>	<u>62,393</u>	<u>(23,369)</u>	<u>24,404</u>
- Weighted average number of ordinary shares (in thousands)	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Earnings per share (Rupees)	<u>(0.27)</u>	<u>1.73</u>	<u>(0.65)</u>	<u>0.68</u>

16 DATE OF AUTHORISATION

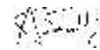
These financial statements were authorized for the issue on April 28, 2008 by the Board of Directors of the Company.

17 GENERAL

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



CHIEF EXECUTIVE



DIRECTOR