

**ITTEHAD CHEMICALS LIMITED
QUARTERLY ACCOUNTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED
MARCH 31, 2005**

| Contents | Page |
|---|-------------|
| Ittehad Chemicals Limited | |
| Corporate Information | 3 |
| Directors' Review | 4 |
| Balance Sheet | 5 |
| Profit and Loss Account | 6 |
| Cash Flow Statement | 7 |
| Statement of Changes in Equity | 9 |
| Notes to the Accounts | 10 |
| Consolidated Accounts | |
| Directors' Review on Consolidated Accounts | 17 |
| Consolidated Balance Sheet | 18 |
| Consolidated Profit and Loss Account | 19 |
| Consolidated Cash Flow Statement | 20 |
| Consolidated Statement of Changes in Equity | 22 |
| Notes to the Consolidated Accounts | 23 |

CORPORATE INFORMATION

| | | |
|------------------------------------|--|--|
| BOARD OF DIRECTORS | Mr. Muhammad Siddique Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed 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 Bank of Punjab Faysal Bank United 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 | |

DIRECTORS' REVIEW

The Board of Directors of Ittehad Chemicals Limited feels pleasure to present the un-audited accounts of your Company for the period ended March 31, 2005.

In the interim period under review, turnover rose by 24.52% to Rs. 1.610 billion, which is Rs. 317.16 million higher than the same corresponding period of last year. Boost in turnover came from continuing demand of caustic soda and increase in products prices. Comparative financial results for the periods ended March 2005 and March 2004 are as under:

| | March 2005 | March 2004 | Progress |
|---------------------------------|---------------------|---------------|----------|
| | (Rupees in million) | | % age |
| Gross Sales including sales tax | 1,610.85 | 1,293.69 | 24.52 |
| Net sales | 1,361.22 | 1,072.34 | 26.94 |
| Gross profit | 215.08 | 161.06 | 33.54 |
| Profit from operations | 129.13 | 91.74 | 40.76 |
| Profit before tax | 84.66 | 63.62 | 33.07 |
| Profit after tax | 46.95 | (5.34) | 978.74 |

After tax loss sustained for the same preceding period was due to higher deferred tax charge resulted from capitalization of IEM plant.

Tight competition will continue in the market, but we believe that, due to positive trends in country's economy, the fundamental strength of demand for caustic soda would remain firm in the quarter ahead. The growth rate of Pakistan's economy is expected to accelerate further and real GDP growth is projected to exceed the 7 percent level. We have poised ourselves to reap full benefit of the forthcoming economic environment and have focused our attention on operational improvement and sustainable growth. Achieving our growth targets requires investments to reduce costs, improve efficiencies and develop new products. We have therefore embarked to reduce costs and increase efficiencies.

Shareholders of the Company, in the Extra Ordinary General Meeting held on March 28, 2005, approved disinvestment of entire holding of the Company in its subsidiary, Ittehad Energy Limited.

We extend our thanks to all the stakeholders and employees of the company for their continuing support, commitment and cooperation.

On behalf of the Board



Muhammad Siddique
Chief Executive

Lahore: April 25, 2005

ITTEHAD CHEMICALS LIMITED
BALANCE SHEET AS AT MARCH 31, 2005

| | Note | March 2005 Unaudited (Rupees in thousand) | June 2004 Audited |
|--|------|---|----------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Tangible fixed assets | 4 | 1,475,314 | 845,963 |
| Mercury in cells | | 30,472 | 30,562 |
| Mercury held for capital expenditure | | 739 | 2,044 |
| | | 1,506,525 | 878,569 |
| Investments | | 57,835 | 57,705 |
| Security deposits | | 14,692 | 11,962 |
| Deferred cost | | 2,813 | 3,451 |
| | | 1,581,865 | 951,687 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 172,703 | 112,702 |
| Stock in trade | | 84,708 | 40,340 |
| Trade debts | | 219,964 | 205,995 |
| Advances, deposits, prepayments and other receivables | | 184,272 | 146,834 |
| Cash and bank balances | 5 | 37,482 | 30,731 |
| | | 699,129 | 536,602 |
| TOTAL ASSETS | | 2,280,994 | 1,488,289 |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorized share capital | 6 | 750,000 | 300,000 |
| Issued, subscribed and paid up capital 25,000,000 shares of Rs. 10/- each | | 250,000 | 250,000 |
| Capital reserves: | | | |
| Reserve for issue of bonus shares | | 50,000 | - |
| Fair value reserve | | 297 | 167 |
| Un-appropriated profit | | 202,977 | 206,026 |
| | | 503,274 | 456,193 |
| NON CURRENT LIABILITIES | | | |
| Redeemable capital | | 208,167 | 249,800 |
| Long term loans | 7 | 733,259 | 257,885 |
| Deferred liabilities | | 94,305 | 63,389 |
| | | 1,035,731 | 571,074 |
| CURRENT LIABILITIES | | | |
| Current portion of long term liabilities | | 179,470 | 100,193 |
| Short term running finances | | 298,857 | 181,481 |
| Creditors, accrued and other liabilities | | 263,657 | 179,343 |
| Dividends - unclaimed | | 5 | 5 |
| | | 741,989 | 461,022 |
| CONTINGENCIES AND COMMITMENTS | 8 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 2,280,994 | 1,488,289 |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

| | Note | Nine months ended | | Quarter ended | |
|---|------|-------------------|---------------|---------------|---------------|
| | | March 2005 | March 2004 | March 2005 | March 2004 |
| (Rupees in thousand) | | | | | |
| Sales | | 1,361,223 | 1,072,342 | 480,169 | 381,441 |
| Cost of sales | 9 | 1,146,141 | 911,281 | 404,719 | 331,903 |
| Gross profit | | 215,082 | 161,061 | 75,450 | 49,538 |
| Other income | | 2,997 | 1,248 | 560 | 571 |
| | | 218,079 | 162,309 | 76,010 | 50,109 |
| Administrative and selling expenses | | 84,241 | 66,750 | 31,244 | 25,752 |
| Other charges | | 4,705 | 3,817 | 1,465 | 305 |
| | | 88,946 | 70,567 | 32,709 | 26,057 |
| Operating profit | | 129,133 | 91,742 | 43,301 | 24,052 |
| Financial charges | | 44,475 | 28,126 | 16,256 | 15,518 |
| Profit before taxation | | 84,658 | 63,616 | 27,045 | 8,534 |
| Taxation | | | | | |
| Current | | 6,900 | 5,400 | 2,400 | 1,900 |
| Deferred | | 30,807 | 63,559 | 6,469 | 32,876 |
| | | 37,707 | 68,959 | 8,869 | 34,776 |
| Profit / (loss) after taxation | | 46,951 | (5,343) | 18,176 | (26,242) |
| Un-appropriated profit brought forward | | 206,026 | 160,870 | 234,801 | 165,804 |
| Profit available for appropriation: | | 252,977 | 155,527 | 252,977 | 139,562 |
| Appropriation: | | | | | |
| Effect of change in accounting policy | | - | 37,500 | - | - |
| Final dividend declared | | - | (37,500) | - | - |
| Transfer to reserve for issue of bonus shares | | (50,000) | - | (50,000) | - |
| | | (50,000) | - | (50,000) | - |
| Un-appropriated profit carried forward | | 202,977 | 155,527 | 202,977 | 139,562 |
| Basic and diluted earning per share | 10 | | | | |
| Before provision for taxation | | Rs. 3.39 | Rs. 2.54 | Rs. 1.08 | Rs. 0.34 |
| After provision for taxation | | Rs. 1.88 | Rs. (0.21) | Rs. 0.73 | Rs. (1.05) |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

Nine months ended
March 2005 March 2004
(Rupees in thousand)

CASH FLOW FROM OPERATION ACTIVITIES

| | | |
|--|-----------|-----------|
| Net profit before taxation for the period | 84,658 | 63,616 |
| Adjustments for items not involving movements of cash: | | |
| Depreciation on tangible fixed assets | 57,303 | 45,045 |
| Provision for gratuity | 226 | 225 |
| Amortization of deferred cost | 638 | 638 |
| Provision for bad and doubtful debts | 1,291 | – |
| Advances and deposits written off | 732 | – |
| Gain on sale of fixed assets | (83) | – |
| Gain on foreign exchange | (158) | – |
| Mercury consumed | 11,939 | 4,680 |
| Financial charges | 44,475 | 28,126 |
| | 201,021 | 142,330 |
| Decrease/(Increase) in current assets | | |
| Store, spares and loose tools | (60,001) | 68,623 |
| Stock in trade | (44,368) | (9,186) |
| Trade debts | (13,969) | (68,106) |
| Advances, deposits, prepayments and other receivables | (14,941) | 21,149 |
| | (133,279) | 12,480 |
| (Decrease) / Increase in current liabilities | | |
| Refundable to unsuccessful subscribers of TFCs | – | (212,525) |
| Creditors, accrued and other liabilities | 68,430 | 43,391 |
| Cash from / (used in) operations | 136,172 | (14,324) |
| Taxes paid | (5,310) | (22,554) |
| Dividend paid | – | (37,486) |
| Gratuity paid | (117) | (40) |
| Net cash from / (used in) operating activities | 130,745 | (74,404) |

Nine months ended
March 2005 March 2004
(Rupees in thousand)

CASH FLOW FROM INVESTING ACTIVITIES

| | | |
|---|-----------|-----------|
| Additions to operating tangible fixed assets | (18,266) | (33,331) |
| Additions to capital work in progress | (671,642) | (159,060) |
| Less: Transfers from capital work in progress | 931 | - |
| | (688,977) | (192,391) |
| Proceeds from sale of tangible fixed assets | 445 | - |
| Advances against purchases of lands | (24,087) | - |
| Mercury purchases | (10,544) | (6,392) |
| Long term deposits | (2,730) | (5,107) |
| Deferred cost | - | (983) |
| Net cash used in investing activities | (725,893) | (204,873) |

CASH FLOW FROM FINANCING ACTIVITIES

| | | |
|--|----------|-----------|
| Redeemable capital | (50) | (50) |
| Long term loans | 513,321 | (60,273) |
| Liabilities against assets subject to finance leases | (253) | (404) |
| Financial charges paid | (28,495) | (25,960) |
| Short term running finances | 117,376 | 117,533 |
| Net cash from financing activities | 601,899 | 30,846 |
| Net increase / (decrease) in cash and cash equivalents | 6,751 | (248,431) |
| Cash and cash equivalents at beginning of the period | 30,731 | 286,742 |
| Cash and cash equivalents at end of the period | 37,482 | 38,311 |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

| | Share capital | Reserve for issue of bonus shares | Fair value reserve | Un- appropriated profit | Total |
|---|----------------------------------|--|-----------------------|-------------------------------|----------|
| | ----- (Rupees in thousand) ----- | | | | |
| Balance as at June 30, 2003 | 250,000 | - | - | 160,870 | 410,870 |
| Effect of change in accounting policy (Note: 3 a) | - | - | - | 37,500 | 37,500 |
| Balance as at June 30, 2003 as restated | 250,000 | - | - | 198,370 | 448,370 |
| Loss for the nine months ended March 31, 2004 | - | - | - | (5,343) | (5,343) |
| Final dividend declared | - | - | - | (37,500) | (37,500) |
| Balance as at March 31, 2004 | 250,000 | - | - | 155,527 | 405,527 |
| Profit after tax for the quarter ended June 30, 2004 | - | - | - | 50,499 | 50,499 |
| Fair value gain | - | - | 167 | - | 167 |
| Balance as at June 30, 2004 | 250,000 | - | 167 | 206,026 | 456,193 |
| Profit for the nine months ended March 31, 2005 | - | - | - | 46,951 | 46,951 |
| Fair value gain | - | - | 130 | - | 130 |
| Transfer to reserve for issue of bonus shares | - | 50,000 | - | (50,000) | - |
| Balance as at March 31, 2005 | 250,000 | 50,000 | 297 | 202,977 | 503,274 |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2005 (UN-AUDITED)

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.

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2004 except as stated below:

a. Dividends

Dividend is recognized as a liability in the period in which it is declared. Up to previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

This change is adopted with retrospective effect and comparative information has been restated wherever necessary by adjusting the resultant difference against opening retained earnings of prior year. If the policy had not been changed prior year’s balances of unappropriated profit would have decreased by Rs. 37.500 million.

b. Foreign currency translation

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 tangible fixed assets were capitalized and all other exchange differences were charged to profit and loss account.

The change in accounting policy as explained above is not with retrospective effect and has no effect on the results of the reporting period.

c. Deferred cost

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 cost 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.

4. TANGIBLE FIXED ASSETS

| | March 2005 | June 2004 |
|--|-----------------------|----------------------|
| (Rupees in thousand) | | |
| Opening book value | 739,316 | 188,840 |
| Add: Additions during the period / year | 18,266 | 617,373 |
| | 757,582 | 806,213 |
| Disposals and retirements during the period / year | 900 | 784 |
| Trial run loss adjustment | - | 889 |
| Depreciation charge (net) during the period / year | 56,764 | 65,224 |
| | 57,664 | 66,897 |
| | 699,918 | 739,316 |

4.1 Detail of additions and disposals during the period / year is as under:

| | March 2005 | June 2004 | March 2005 | June 2004 |
|----------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| ----- (Rupees in thousand) ----- | | | | |
| | Additions | | Disposals | |
| Building on freehold land | 2,604 | 34,606 | - | - |
| Plant and machinery | 13,114 | 575,425 | - | - |
| Furniture and fixtures | 81 | 706 | - | - |
| Office and other equipments | 1,074 | 2,172 | - | - |
| Vehicles | 1,393 | 4,464 | 900 | 784 |
| | 18,266 | 617,373 | 900 | 784 |
| | 18,266 | 617,373 | 900 | 784 |

March 2005 June 2004
(Rupees in thousand)

4.2 CAPITAL WORK IN PROGRESS

It consists of:

| | | |
|-----------------------|----------------|----------------|
| Civil works | 26,453 | 5,712 |
| Plant and machinery | 718,015 | 100,935 |
| Advances to suppliers | 30,928 | - |
| | <u>775,396</u> | <u>106,647</u> |

5. CASH AND BANK BALANCES

| | | |
|---------------------|---------------|---------------|
| Cash in hand | 2,259 | 221 |
| Cash at bank | | |
| in current accounts | 35,203 | 30,490 |
| in deposit accounts | 20 | 20 |
| | <u>35,223</u> | <u>30,510</u> |
| | <u>37,482</u> | <u>30,731</u> |

6. AUTHORIZED SHARE CAPITAL

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

March 2005 June 2004
(Rupees in thousand)

7. LONG TERM LOANS

| Secured | | |
|---------------------------------|---------|---------|
| Banking companies | 590,000 | 88,302 |
| Other financial institutions | 261,046 | 249,423 |
| | 851,046 | 337,725 |
| Less: Current portion | 137,787 | 99,840 |
| | 713,259 | 237,885 |
| Unsecured | | |
| Loans from directors and others | 20,000 | 20,000 |
| | 733,259 | 257,885 |

8. CONTINGENCIES AND COMMITMENTS

- a) Claims against the Company not acknowledged as debts Rs. 2.608 million (June 2004: Rs. 2.608 million).
- b) The Company is subject to tax demands against which it has filed appeals. No significant changes have occurred since the annual financial statements for the year ended June 30, 2004.
- c) Sales tax department, with respect to the audits, conducted by them for the years 1990 – 1991 to 1998 – 1999 have issued demand cum show cause notices of principal amount aggregating to Rs. 15.389 million, plus any additional tax to be paid up to the date of payment of principal amount. Management is contesting the demands before appropriate sales tax authorities. Cases for demands pertaining to the years 1990 – 1991 to 1993 – 1994 aggregating to Rs. 14.208 million were heard by the Additional Collectorate of Sales Tax and their final decision in this respect is awaited. In the event of adverse decisions in the pending adjudication the Company would be faced with a charge against profit and liability of Rs. 15.389 million (June 2004: Rs. 17.786 million).
- d) Letters of guarantee outstanding as at March 31, 2005 amounted to Rs. 10.888 million (June 2004: Rs. 30.443 million).
- e) Commitments against outstanding letters of credit amount to Rs. 221.992 million (June 2004: Rs. 303.836 million).
- f) Commitments in respect of contracts for capital expenditure amount to Rs. 6.835 (June 2004: Rs. 7.722 million).

| | Nine months ended | | Quarter ended | |
|--|-------------------|------------|---------------|------------|
| | March 2005 | March 2004 | March 2005 | March 2004 |

(Rupees in thousand)

9. COST OF SALES

| | | | | |
|--------------------------------------|------------------|----------------|----------------|----------------|
| Cost of goods manufactured | 1,152,813 | 907,987 | 404,598 | 332,740 |
| Cost of raw materials traded | 725 | 1,250 | - | 1,250 |
| Cost of stores traded | 4,302 | - | 197 | - |
| Finished goods | | | | |
| Opening stock | 12,671 | 21,534 | 25,394 | 17,065 |
| Purchases | 1,100 | - | - | - |
| Stock issued for capital expenditure | - | (338) | - | - |
| Closing stock | (25,470) | (19,152) | (25,470) | (19,152) |
| | (11,699) | 2,044 | (76) | (2,087) |
| | <u>1,146,141</u> | <u>911,281</u> | <u>404,719</u> | <u>331,903</u> |

10. BASIC AND DILUTED EARNINGS PER SHARE

| | (Rupees in thousand) | | | |
|------------------------------------|----------------------|-------------------|-----------------|-------------------|
| Profit before taxation | 84,658 | 63,616 | 27,045 | 8,534 |
| Profit after taxation | <u>46,951</u> | <u>(5,343)</u> | <u>18,176</u> | <u>(26,242)</u> |
| | Number of shares | | | |
| Average issued ordinary shares | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> |
| Earnings per share before taxation | <u>Rs. 3.39</u> | <u>Rs. 2.54</u> | <u>Rs. 1.08</u> | <u>Rs. 0.34</u> |
| Earnings per share after taxation | <u>Rs. 1.88</u> | <u>Rs. (0.21)</u> | <u>Rs. 0.73</u> | <u>Rs. (1.05)</u> |

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties other than those which have been specifically disclosed elsewhere in these accounts are as follows:

| | Nine months ended | | Quarter ended | |
|--|----------------------|------------|---------------|------------|
| | March 2005 | March 2004 | March 2005 | March 2004 |
| | (Rupees in thousand) | | | |
| Marketing services charges | 14,288 | 9,856 | 4,875 | 2,590 |
| Sale of goods and services | 70,786 | 35,003 | 18,740 | 11,682 |
| Contribution to staff retirement benefit plan | 100 | 92 | 33 | 31 |
| Remuneration to Directors and key management personnel | 5,052 | 2,892 | 2,154 | 1,014 |

As per the policy all the transactions with related parties are entered into at arm's length prices determined using the comparable uncontrolled price method or cost plus method as relevant to the transactions.

12. GENERAL

- i) The Board of Directors of the Company authorized these financial statements for the issue on April 25, 2005.
- ii) Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.
- iii) Comparative figures as given below have been reclassified:

| From | To | Reason for change | Amount (Rs. in thousand) |
|-------------------------------------|-------------------------|---|-----------------------------|
| Stores held for capital expenditure | Tangible fixed assets | To comply with the requirements of IAS-16 Property, Plant and Equipment. | 1,962 |
| Other charges | Administrative expenses | To bring the presentation of legal and professional and charity and donation expenses in line with the presentation in annual audited accounts. | 1,532 |


CHIEF EXECUTIVE


DIRECTOR

**CONSOLIDATED FINANCIAL STATEMENTS OF
ITTEHAD CHEMICALS LIMITED
AND ITS SUBSIDIARY COMPANY**

DIRECTORS' REVIEW ON CONSOLIDATED ACCOUNTS

The Board of Directors feels pleasure to present the un-audited accounts of the Group for the period ended March 31, 2005.

Shareholders of Ittehad Chemicals Limited, the holding Company, in its Extra Ordinary General Meeting held on March 28, 2005, approved disinvestment of entire shareholding of the holding Company in Ittehad Energy Limited, the subsidiary. Captive Power Plant of the holding Company is in the process of installation.

No significant transactions took place in the subsidiary Company since the last balance sheet date.

On behalf of the Board

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

Muhammad Siddique
Chief Executive

Lahore: April 25, 2005

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005

| | Note | March 2005 Unaudited (Rupees in thousand) | June 2004 Audited |
|--|------|---|----------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Tangible fixed assets | 5 | 1,480,551 | 851,200 |
| Mercury in cells | | 30,472 | 30,562 |
| Mercury held for capital expenditure | | 739 | 2,044 |
| | | <u>1,511,762</u> | <u>883,806</u> |
| Investments | | 56,555 | 56,425 |
| Security deposits | | 14,692 | 11,962 |
| Pre-operating expenses | | 2,044 | 2,038 |
| Deferred cost | | 2,855 | 3,494 |
| | | <u>1,587,908</u> | <u>957,725</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 172,703 | 112,702 |
| Stock in trade | | 84,708 | 40,340 |
| Trade debts | | 219,964 | 205,995 |
| Advances, deposits, prepayments and other receivables | | 184,272 | 146,834 |
| Cash and bank balances | 6 | 37,748 | 30,997 |
| | | <u>699,395</u> | <u>536,868</u> |
| TOTAL ASSETS | | <u>2,287,303</u> | <u>1,494,593</u> |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorized share capital | 7 | 750,000 | 300,000 |
| Issued, subscribed and paid up capital 25,000,000 shares of Rs. 10/- each | | 250,000 | 250,000 |
| Capital reserves: | | | |
| Reserve for issue of bonus shares | | 50,000 | - |
| Fair value reserve | | 297 | 167 |
| Un-appropriated profit | | 202,977 | 206,026 |
| | | <u>503,274</u> | <u>456,193</u> |
| MINORITY INTEREST | | 70 | 70 |
| NON CURRENT LIABILITIES | | | |
| Redeemable capital | | 208,167 | 249,800 |
| Long term loans | 8 | 733,259 | 257,885 |
| Deferred liabilities | | 94,305 | 63,389 |
| | | <u>1,035,731</u> | <u>571,074</u> |
| CURRENT LIABILITIES | | | |
| Current portion of long term liabilities | | 179,470 | 100,193 |
| Short term running finances | | 298,857 | 181,481 |
| Creditors, accrued and other liabilities | | 269,896 | 185,577 |
| Dividends - unclaimed | | 5 | 5 |
| | | <u>748,228</u> | <u>467,256</u> |
| CONTINGENCIES AND COMMITMENTS | 9 | - | - |
| TOTAL EQUITY AND LIABILITIES | | <u>2,287,303</u> | <u>1,494,593</u> |

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


CHIEF EXECUTIVE


DIRECTOR

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

| | Note | Nine months ended | | Quarter ended | |
|---|------|-------------------|---------------|---------------|---------------|
| | | March 2005 | March 2004 | March 2005 | March 2004 |
| (Rupees in thousand) | | | | | |
| Sales | | 1,361,223 | 1,072,342 | 480,169 | 381,441 |
| Cost of sales | 10 | 1,146,141 | 911,281 | 404,719 | 331,903 |
| Gross profit | | 215,082 | 161,061 | 75,450 | 49,538 |
| Other income | | 2,997 | 1,248 | 560 | 571 |
| | | 218,079 | 162,309 | 76,010 | 50,109 |
| Administrative and selling expenses | | 84,241 | 66,750 | 31,244 | 25,752 |
| Other charges | | 4,705 | 3,817 | 1,465 | 305 |
| | | 88,946 | 70,567 | 32,709 | 26,057 |
| Operating profit | | 129,133 | 91,742 | 43,301 | 24,052 |
| Financial charges | | 44,475 | 28,126 | 16,256 | 15,518 |
| Profit before taxation | | 84,658 | 63,616 | 27,045 | 8,534 |
| Taxation | | | | | |
| Current | | 6,900 | 5,400 | 2,400 | 1,900 |
| Deferred | | 30,807 | 63,559 | 6,469 | 32,876 |
| | | 37,707 | 68,959 | 8,869 | 34,776 |
| Profit / (loss) after taxation | | 46,951 | (5,343) | 18,176 | (26,242) |
| Un-appropriated profit brought forward | | 206,026 | 160,870 | 234,801 | 165,804 |
| Profit available for appropriation: | | 252,977 | 155,527 | 252,977 | 139,562 |
| Appropriation: | | | | | |
| Effect of change in accounting policy | | - | 37,500 | - | - |
| Final dividend declared | | - | (37,500) | - | - |
| Transfer to reserve for issue of bonus shares | | (50,000) | - | (50,000) | - |
| | | (50,000) | - | (50,000) | - |
| Un-appropriated profit carried forward | | 202,977 | 155,527 | 202,977 | 139,562 |
| Basic and diluted earning per share | 11 | | | | |
| Before provision for taxation | | Rs. 3.39 | Rs. 2.54 | Rs. 1.08 | Rs. 0.34 |
| After provision for taxation | | Rs. 1.88 | Rs. (0.21) | Rs. 0.73 | Rs. (1.05) |

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


CHIEF EXECUTIVE


DIRECTOR

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

Nine months ended
March 2005 March 2004
(Rupees in thousand)

CASH FLOW FROM OPERATION ACTIVITIES

| | | |
|--|-----------|-----------|
| Net profit before taxation for the period | 84,658 | 63,616 |
| Adjustments for items not involving movements of cash: | | |
| Depreciation on tangible fixed assets | 57,303 | 45,045 |
| Provision for gratuity | 226 | 225 |
| Amortization of deferred cost | 638 | 638 |
| Provision for bad and doubtful debts | 1,291 | – |
| Advances and deposits written off | 732 | – |
| Gain on sale of fixed assets | (83) | – |
| Gain on foreign exchange | (158) | – |
| Mercury consumed | 11,939 | 4,680 |
| Financial charges | 44,475 | 28,126 |
| | 201,021 | 142,330 |
| Decrease/(Increase) in current assets | | |
| Store, spares and loose tools | (60,001) | 68,623 |
| Stock in trade | (44,368) | (9,186) |
| Trade debts | (13,969) | (68,106) |
| Advances, deposits, prepayments and other receivables | (14,941) | 21,149 |
| | (133,279) | 12,480 |
| (Decrease) / Increase in current liabilities | | |
| Refundable to unsuccessful subscribers of TFCs | – | (212,525) |
| Creditors, accrued and other liabilities | 68,430 | 43,407 |
| Cash from / (used in) operations | 136,172 | (14,308) |
| Taxes paid | (5,310) | (22,554) |
| Dividend paid | – | (37,486) |
| Gratuity paid | (117) | (40) |
| Net cash from / (used in) operating activities | 130,745 | (74,388) |

Nine months ended
March 2005 March 2004
(Rupees in thousand)

CASH FLOW FROM INVESTING ACTIVITIES

| | | |
|---|-----------|-----------|
| Additions to operating tangible fixed assets | (18,266) | (33,331) |
| Additions to capital work in progress | (671,642) | (159,060) |
| Less: Transfers from capital work in progress | 931 | - |
| | (688,977) | (192,391) |
| Proceeds from sale of tangible fixed assets | 445 | - |
| Advances against purchases of lands | (24,087) | - |
| Mercury purchases | (10,544) | (6,392) |
| Long term deposits | (2,730) | (5,107) |
| Deferred cost | - | (999) |
| Net cash used in investing activities | (725,893) | (204,889) |

CASH FLOW FROM FINANCING ACTIVITIES

| | | |
|--|----------|-----------|
| Redeemable capital | (50) | (50) |
| Long term loans | 513,321 | (60,273) |
| Liabilities against assets subject to finance leases | (253) | (404) |
| Financial charges paid | (28,495) | (25,960) |
| Short term running finances | 117,376 | 117,533 |
| Net cash from financing activities | 601,899 | 30,846 |
| Net increase / (decrease) in cash and cash equivalents | 6,751 | (248,431) |
| Cash and cash equivalents at beginning of the period | 30,997 | 287,014 |
| Cash and cash equivalents at end of the period | 37,748 | 38,583 |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2005 (UNAUDITED)

| | Share capital | Reserve for issue of bonus shares | Fair value reserve | Un- appropriated profit | Total |
|---|----------------------------------|--|-----------------------|-------------------------------|----------|
| | ----- (Rupees in thousand) ----- | | | | |
| Balance as at June 30, 2003 | 250,000 | - | - | 160,870 | 410,870 |
| Effect of change in accounting policy (Note: 4 a) | - | - | - | 37,500 | 37,500 |
| Balance as at June 30, 2003 as restated | 250,000 | - | - | 198,370 | 448,370 |
| Loss for the nine months ended March 31, 2004 | - | - | - | (5,343) | (5,343) |
| Final dividend declared | - | - | - | (37,500) | (37,500) |
| Balance as at March 31, 2004 | 250,000 | - | - | 155,527 | 405,527 |
| Profit after tax for the quarter ended June 30, 2004 | - | - | - | 50,499 | 50,499 |
| Fair value gain | - | - | 167 | - | 167 |
| Balance as at June 30, 2004 | 250,000 | - | 167 | 206,026 | 456,193 |
| Profit for the nine months ended March 31, 2005 | - | - | - | 46,951 | 46,951 |
| Fair value gain | - | - | 130 | - | 130 |
| Transfer to reserve for issue of bonus shares | - | 50,000 | - | (50,000) | - |
| Balance as at March 31, 2005 | 250,000 | 50,000 | 297 | 202,977 | 503,274 |

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



CHIEF EXECUTIVE



DIRECTOR

ITTEHAD CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2005 (UN-AUDITED)

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.

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

Ittehad Energy Limited the subsidiary was incorporated in Pakistan on December 20, 1995 as a public limited company under the Companies Ordinance, 1984. The address of its registered office is C-12, South Avenue, S.I.T.E. Karachi.

Ittehad Chemicals Limited acquired 80% shares in the subsidiary on June 27, 2003.

2. BASIS OF CONSOLIDATION

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

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

3. STATEMENT OF COMPLIANCE

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

4. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these consolidated financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2004 except as stated below:

a. Dividends

Dividend is recognized as a liability in the period in which it is declared. Up to previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

This change is adopted with retrospective effect and comparative information has been restated wherever necessary by adjusting the resultant difference against opening retained earnings of prior year. If the policy had not been changed prior year's balances of unappropriated profit would have decreased by Rs. 37.500 million.

b. Foreign currency translation

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 tangible fixed assets were capitalized and all other exchange differences were charged to profit and loss account.

The change in accounting policy as explained above is not with retrospective effect and has no effect on the results of the reporting period.

c. Deferred cost

Expenses incurred by the holding Company on issue of Term Finance Certificates (TFCs) and preliminary expenses incurred by the subsidiary 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 cost 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 Group has decided to suspend any further capitalization in deferred cost as per the requirements of the Circular.

5. TANGIBLE FIXED ASSETS

| | March 2005 | June 2004 |
|--|-----------------------------|----------------------|
| | (Rupees in thousand) | |
| Opening book value | 744,553 | 194,077 |
| Add: Additions during the period / year | 18,266 | 617,373 |
| | 762,819 | 811,450 |
| Disposals and retirements during the period / year | 900 | 784 |
| Trial run loss adjustment | - | 889 |
| Depreciation charge (net) during the period / year | 56,764 | 65,224 |
| | 57,664 | 66,897 |
| | 705,155 | 744,553 |

5.1 Detail of additions and disposals during the period / year is as under:

| | March 2005 | June 2004 | March 2005 | June 2004 |
|----------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| ----- (Rupees in thousand) ----- | | | | |
| | Additions | | Disposals | |
| Building on freehold land | 2,604 | 34,606 | - | - |
| Plant and machinery | 13,114 | 575,425 | - | - |
| Furniture and fixtures | 81 | 706 | - | - |
| Office and other equipments | 1,074 | 2,172 | - | - |
| Vehicles | 1,393 | 4,464 | 900 | 784 |
| | <u>18,266</u> | <u>617,373</u> | <u>900</u> | <u>784</u> |
| | | | March 2005 | June 2004 |
| | | | (Rupees in thousand) | |

5.2 CAPITAL WORK IN PROGRESS

It consists of:

| | | |
|-----------------------|----------------|----------------|
| Civil works | 26,453 | 5,712 |
| Plant and machinery | 718,015 | 100,935 |
| Advances to suppliers | 30,928 | - |
| | <u>775,396</u> | <u>106,647</u> |

6. CASH AND BANK BALANCES

| | | |
|---------------------|---------------|---------------|
| Cash in hand | 2,479 | 441 |
| Cash at bank | | |
| in current accounts | 35,249 | 30,536 |
| in deposit accounts | 20 | 20 |
| | <u>35,269</u> | <u>30,556</u> |
| | <u>37,748</u> | <u>30,997</u> |

7. AUTHORIZED SHARE CAPITAL

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

8. LONG TERM LOANS

Secured

| | | |
|------------------------------|----------------|----------------|
| Banking companies | 590,000 | 88,302 |
| Other financial institutions | 261,046 | 249,423 |
| | <u>851,046</u> | <u>337,725</u> |
| Less: Current portion | 137,787 | 99,840 |
| | <u>713,259</u> | <u>237,885</u> |

Unsecured

| | | |
|---------------------------------|----------------|----------------|
| Loans from directors and others | 20,000 | 20,000 |
| | <u>733,259</u> | <u>257,885</u> |

9. CONTINGENCIES AND COMMITMENTS

- Claims against the Company not acknowledged as debts Rs. 2.608 million (June 2004: Rs. 2.608 million).
- The Company is subject to tax demands against which it has filed appeals. No significant changes have occurred since the annual financial statements for the year ended June 30, 2004.
- Sales tax department, with respect to the audits, conducted by them for the years 1990 – 1991 to 1998 – 1999 have issued demand cum show cause notices of principal amount aggregating to Rs. 15.389 million, plus any additional tax to be paid up to the date of payment of principal amount. Management is contesting the demands before appropriate sales tax authorities. Cases for demands pertaining to the years 1990 – 1991 to 1993 – 1994 aggregating to Rs. 14.208 million were heard by the Additional Collectorate of Sales Tax and their final decision in this respect is awaited. In the event of adverse decisions in the pending adjudication the Company would be faced with a charge against profit and liability of Rs. 15.389 million (June 2004: Rs. 17.786 million).
- Letters of guarantee outstanding as at March 31, 2005 amounted to Rs. 10.888 million (June 2004: Rs. 30.443 million).

- e) Commitments against outstanding letters of credit amount to Rs. 221.992 million (June 2004: Rs. 303.836 million).
- f) Commitments in respect of contracts for capital expenditure amount to Rs. 6.835 (June 2004: Rs. 7.722 million).

| | Nine months ended | | Quarter ended | |
|--|--------------------------|-------------------|----------------------|-------------------|
| | March 2005 | March 2004 | March 2005 | March 2004 |

(Rupees in thousand)

10. COST OF SALES

| | | | | |
|--------------------------------------|------------------|----------------|----------------|----------------|
| Cost of goods manufactured | 1,152,813 | 907,987 | 404,598 | 332,740 |
| Cost of raw materials traded | 725 | 1,250 | - | 1,250 |
| Cost of stores traded | 4,302 | - | 197 | - |
| Finished goods | | | | |
| Opening stock | 12,671 | 21,534 | 25,394 | 17,065 |
| Purchases | 1,100 | - | - | - |
| Stock issued for capital expenditure | - | (338) | - | - |
| Closing stock | (25,470) | (19,152) | (25,470) | (19,152) |
| | (11,699) | 2,044 | (76) | (2,087) |
| | <u>1,146,141</u> | <u>911,281</u> | <u>404,719</u> | <u>331,903</u> |

11. BASIC AND DILUTED EARNINGS PER SHARE

| | (Rupees in thousand) | | | |
|------------------------------------|----------------------|-------------------|-----------------|-------------------|
| Profit before taxation | 84,658 | 63,616 | 27,045 | 8,534 |
| Profit after taxation | <u>46,951</u> | <u>(5,343)</u> | <u>18,176</u> | <u>(26,242)</u> |
| | Number of shares | | | |
| Average issued ordinary shares | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> |
| Earnings per share before taxation | <u>Rs. 3.39</u> | <u>Rs. 2.54</u> | <u>Rs. 1.08</u> | <u>Rs. 0.34</u> |
| Earnings per share after taxation | <u>Rs. 1.88</u> | <u>Rs. (0.21)</u> | <u>Rs. 0.73</u> | <u>Rs. (1.05)</u> |

12. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties other than those which have been specifically disclosed elsewhere in these accounts are as follows:

| | Nine months ended | | Quarter ended | |
|--|----------------------|------------|---------------|------------|
| | March 2005 | March 2004 | March 2005 | March 2004 |
| | (Rupees in thousand) | | | |
| Marketing services charges | 14,288 | 9,856 | 4,875 | 2,590 |
| Sale of goods and services | 70,786 | 35,003 | 18,740 | 11,682 |
| Contribution to staff retirement benefit plan | 100 | 92 | 33 | 31 |
| Remuneration to Directors and key management personnel | 5,052 | 2,892 | 2,154 | 1,014 |

As per the policy all the transactions with related parties are entered into at arm's length prices determined using the comparable uncontrolled price method or cost plus method as relevant to the transactions.

13. GENERAL

- i) The Board of Directors of the Company authorized these financial statements for the issue on April 25, 2005.
- ii) Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.
- iii) Comparative figures as given below have been reclassified:

| From | To | Reason for change | Amount (Rs. in thousand) |
|-------------------------------------|-------------------------|---|-----------------------------|
| Stores held for capital expenditure | Tangible fixed assets | To comply with the requirements of IAS-16 Property, Plant and Equipment. | 1,962 |
| Other charges | Administrative expenses | To bring the presentation of legal and professional and charity and donation expenses in line with the presentation in annual audited accounts. | 1,532 |



CHIEF EXECUTIVE



DIRECTOR