

**ITTEHAD CHEMICALS LIMITED
QUARTERLY REPORT
JULY-SEP 2003**

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DIRECTORS' REVIEW

I am pleased to present the un-audited accounts of your Company for the quarter ended September 30, 2003.

OPERATING RESULTS

Net sales for the period under review is amounting to Rs. 350 million, compared with Rs. 312 million in previous corresponding quarter recording an increase of 12% in value and 2 % in volume. Gross margin came in at Rs. 39 million and profit after tax at Rs. 11 million versus Rs. 27 million and Rs. 4 million respectively in the same preceding period showing an improvement of 44 % and 175 % respectively. Items contributing to the rise in profitability included increase in prices of products during September 2002, decrease in per metric ton utilization of power and capitalization of financial charges on finances used to set up Ion Exchange Membrane (IEM) plant.

Enhanced profitability has posed a positive impact on cash inflows from operations, however net cash flow from operating activities turned to negative because of oversubscribed money of Rs. 212 million being refunded to unsuccessful subscribers of TFC issue.

IEM PROJECT

IEM plant, Alhamd-o-Lillah, has started trial run in the mid of September 2003. This capacity addition will enhance sales volume considerably in the times to come. Cost of production of this plant will be lower than existing plant and overall increased profitability will be reflected in forthcoming quarters. This technology produces better quality products in addition to achieving power efficiency.

FUTURE OUTLOOK

Your Company is successfully looking for new markets within the country as well as outside the borders. As a result business portfolio is expanding day by day. We are also vigilant about our customer relationships and always like retaining good customers as assets of the Company.

The Board of directors' of your Company have a close eye on demand / supply position of the products and possesses the consensus over putting concerted efforts to increase the business of your Company.

On behalf of the board

Ghulam Mustafa Khatri
Director

October 20, 2003
Karachi

ITTEHAD CHEMICALS LIMITED
BALANCE SHEET AS AT SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	June 2003
	(Rupees in thousand)	
NON CURRENT ASSETS		
Operating fixed assets	739,175	666,717
Mercury in cells	27,715	27,715
Mercury held for capital expenditure	5,212	1,228
Spares held for capital expenditure	72,713	82,620
	<hr/>	<hr/>
	844,815	778,280
Long term investments	57,538	57,538
Long term security deposits	6,808	6,808
Deferred cost	6,193	3,269
	<hr/>	<hr/>
	915,354	845,895
CURRENT ASSETS		
Stores and spares	101,200	106,778
Stock in trade	37,506	40,395
Trade debts	155,664	148,748
Advances, deposits, prepayments and other receivables	142,577	151,306
Cash and bank balances	25,681	286,742
	<hr/>	<hr/>
	462,628	733,969
CURRENT LIABILITIES		
Current portion of long term liabilities	89,866	71,277
Short term running finances	60,485	56,967
Creditors, accrued and other liabilities	143,026	144,076
Refundable to unsuccessful subscribers of Term Finance Certificates	-	212,525
Dividend	37,500	37,500
	<hr/>	<hr/>
	330,877	522,345
NET CURRENT ASSETS	<hr/>	<hr/>
	131,751	211,624
	<hr/>	<hr/>
	1,047,105	1,057,519

	September 2003	June 2003
	(Rupees in thousand)	
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid up capital 25,000,000 shares of Rs.10/- each	250,000	250,000
Un-appropriated profits	171,612	160,870
Shareholders' equity	421,612	410,870
NON CURRENT LIABILITIES		
Redeemable capital	250,000	250,000
Long term loans	347,671	368,945
Liabilities against assets subject to finance leases	-	218
Deferred liabilities	27,822	27,486
	625,493	646,649
CONTINGENCIES AND COMMITMENTS		
	-	-
	1,047,105	1,057,519

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

Ghulam Mustafa Khatri
Director

Abdul Sattar Khatri
Director

ITTEHAD CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	September 2002
	(Rupees in thousand)	
Sales	350,180	312,430
Cost of sales	311,009	285,242
Gross profit	39,171	27,188
Other income	425	55
	39,596	27,243
Administrative and selling expenses	18,856	15,506
Other charges	1,653	1,220
	20,509	16,726
Operating profit	19,087	10,517
Financial charges	929	3,146
Profit before taxation	18,158	7,371
Taxation	7,416	3,445
Profit after taxation	10,742	3,926
Un-appropriated profit brought forward	160,870	151,228
Un-appropriated profit carried forward	171,612	155,154
 <i>Earnings per share</i>	 Rs. 0.43	 Rs. 0.16

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

Ghulam Mustafa Khatri
 Director

Abdul Sattar Khatri
 Director

ITTEHAD CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	September 2002
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	(164,271)	19,600
Taxes paid	(8,977)	(6,633)
Gratuity paid	(40)	-
Net cash from operations activities	(173,288)	12,967
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets	(1,500)	(629)
Additions to capital work in progress	(76,093)	(7,525)
Mercury Purchases	(6,391)	(976)
Deferred Cost	(2,924)	-
Net Cash used in investing activities	(86,908)	(9,130)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	(2,767)	3,567
Liabilities against assets subject to finance leases	(136)	(689)
Financial charges paid	(1,480)	(2,487)
Short term running finances	3,518	(3,084)
Net cash used in financing activities	(865)	(2,693)
Net (decrease)/Increase in cash and cash equivalents	(261,061)	1,144
Cash and cash equivalents at the beginning of the period	286,742	16,203
Cash and cash equivalents at the end of the Period	25,681	17,347

Ghulam Mustafa Khatri
 Director

Abdul Sattar Khatri
 Director

ITTEHAD CHEMICALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

	Issued, subscribed and paid up capital	Un-appropriated profits	Total
	----- (Rupees in thousand)-----		
Balance as at September 30, 2001	250,000	154,904	404,904
Profit after taxation for the Period	-	37,750	37,750
Proposed dividend	-	(37,500)	(37,500)
Balance as at September 30, 2002	250,000	155,154	405,154
Profit after taxation for the Period	-	53,958	53,958
Proposed dividend	-	(37,500)	(37,500)
Balance as at September 30, 2003	250,000	171,612	421,612

Ghulam Mustafa Khatri
 Director

Abdul Sattar Khatri
 Director

SELECTED NOTES TO THE ACCOUNTS

1. These accounts have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
2. Accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the preceding annual accounts except to the extent that depreciation policy has been changed to charge depreciation on additions to fixed assets on time pro-rata basis instead of full year. Had there been no change in policy, the depreciation for the period would have been higher by Rs. 0.028 million.
3. These accounts are un-audited and are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance 1984.

	SEPTEMBER 2003	SEPTEMBER 2002
	(Rupees in thousand)	
ADDITIONS TO AND DISPOSALS OF FIXED ASSETS		
	ADDITIONS	DISPOSALS
Owned		
Furniture and fixtures	508	-
Office and other equipments	982	-
Vehicles	10	-
	1,500	-
ADDITIONS TO CAPITAL WORK IN PROGRESS		
	ADDITIONS	TRANSFERS
Plant and machinery	73,483	-
Building	2,610	-
	76,093	-
CONTINGENCIES AND COMMITMENTS		
Contingencies		
a) Grid station claim of Saigal Brothers not acknowledged in view of High Court order in which writ petition was dismissed	4,200	4,200
b) Claim of Saigal Brothers for storage tanks not acknowledged	2,564	2,564
c) Demand created with respect to disallowance of expenditure of non-deduction of with holding tax on payment under GHS/VSS not acknowledged on account of pending appeal	56,437	56,437

d) Tax liabilities not acknowledged on account of pending assessments	2,723	2,723
e) Demands of sales tax not acknowledged on account of pending appeals	19,208	19,208
f) Guarantees outstanding - issued by banks	18,128	19,137
	<u>103,260</u>	<u>104,269</u>
Commitments		
a) Against outstanding letters of credit	9,249	33,566
b) Against capital expenditure	3,072	5,268
	<u>12,321</u>	<u>38,834</u>

TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Aggregate transactions with related parties and associated companies during the period were as follows:

	SEPTEMBER 2003	SEPTEMBER 2002
	(Rupees in thousand)	
Marketing service charges	3,537	3,188
Sale of goods and services	6,480	4,909
Contribution to staff retirement benefit plan	30	30

GENERAL

1. These financial statements were authorized for issue on October 20, 2003 by the Board of Directors of the Company.
2. These financial statements have been signed by two directors as Chief Executive Officer of the Company is presently out of the country.
3. Figures have been rounded off to the nearest rupees in thousand.
4. Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Ghulam Mustafa Khatri
Director

Abdul Sattar Khatri
Director

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

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	June 2003
	(Rupees in thousand)	
NON CURRENT ASSETS		
Operating fixed assets	744,412	671,954
Mercury in cells	27,715	27,715
Mercury held for capital expenditure	5,212	1,228
Spares held for capital expenditure	72,713	82,620
	<u>850,052</u>	<u>783,517</u>
Long term investments	56,258	56,258
Long term security deposits	6,808	6,808
Pre-operating expenses	2,007	2,007
Deferred cost	6,236	3,312
	<u>921,361</u>	<u>851,902</u>
CURRENT ASSETS		
Stores and spares	101,200	106,778
Stock in trade	37,506	40,395
Trade debts	155,664	148,748
Advances, deposits, prepayments and other receivables	142,577	151,306
Cash and bank balances	25,953	287,014
	462,900	734,241
CURRENT LIABILITIES		
Current portion of long term liabilities	89,866	71,277
Short term running finances	60,485	56,967
Creditors, accrued and other liabilities	149,235	150,285
Refundable to unsuccessful subscribers of Term Finance Certificates	-	212,525
Dividend	37,500	37,500
	337,086	528,554
NET CURRENT ASSETS	<u>125,814</u>	<u>205,687</u>
	<u>1,047,175</u>	<u>1,057,589</u>

	September 2003	June 2003
	(Rupees in thousand)	
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid up capital 25,000,000 Shares of Rs.10/- each	250,000	250,000
Un-appropriated profits	171,597	160,870
Shareholders' equity	<u>421,597</u>	<u>410,870</u>
MINORITY INTEREST	70	70
NON CURRENT LIABILITIES		
Redeemable capital	250,000	250,000
Long term loans	347,671	368,945
Liabilities against assets subject to finance leases	-	218
Deferred liabilities	27,837	27,486
	625,508	646,649
CONTINGENCIES AND COMMITMENTS	-	-
	<u>1,047,175</u>	<u>1,057,589</u>

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

Ghulam Mustafa Khatri
Director

Abdul Sattar Khatri
Director

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	September 2002
	(Rupees in thousand)	
Sales	350,180	312,430
Cost of sales	311,009	285,242
Gross profit	39,171	27,188
Other income	425	55
	39,596	27,243
Administrative and selling expenses	18,856	15,506
Other charges	1,653	1,220
	20,509	16,726
Operating profit	19,087	10,517
Financial charges	929	3,146
Profit before taxation	18,158	7,371
Taxation	7,431	3,445
Profit after taxation	10,727	3,926
Un-appropriated profit brought forward	160,870	151,228
Un-appropriated profit carried forward	171,597	155,154
 <i>Earnings per share</i>	Rs. 0.43	Rs. 0.16

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

Ghulam Mustafa Khatri
 Director

Abdul Sattar Khatri
 Director

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

	September 2003	September 2002
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	(164,271)	19,600
Taxes paid	(8,977)	(6,633)
Gratuity paid	(40)	-
Net cash from operating activities	(173,288)	12,967
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets	(1,500)	(629)
Additions to capital work in progress	(76,093)	(7,525)
Mercury purchases	(6,391)	(976)
Deferred cost	(2,924)	-
Net cash used in investing activities	(86,908)	(9,130)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	(2,767)	3,567
Liabilities against assets subject to finance lease	(136)	(689)
Financial charges paid	(1,480)	(2,487)
Short term running finances	3,518	(3,084)
Net cash used in financing activities	(865)	(2,693)
Net increase/(decrease) in cash and cash equivalents	(261,061)	1,144
Cash and cash equivalents at the beginning of the period	287,014	16,203
Cash and cash equivalents at the end of the period	25,953	17,347

Ghulam Mustafa Khatri
Director

Abdul Sattar Khatri
Director

ITTEHAD CHEMICALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2003
UN-AUDITED

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Profit after taxation for the Period	-	37,750	37,750
Proposed dividend	-	(37,500)	(37,500)
Balance as at September 30, 2002	250,000	155,154	405,154
Profit after taxation for the Period	-	53,943	53,943
Proposed dividend	-	(37,500)	(37,500)
Balance as at September 30, 2003	250,000	171,597	421,597

Ghulam Mustafa Khatri
 Director

Abdul Sattar Khatri
 Director

SELECTED NOTES TO THE CONSOLIDATED ACCOUNTS

1. The consolidated accounts comprise the consolidated financial statements of Ittehad Chemicals Limited and its subsidiary company, Ittehad Energy Limited, as at September 30, 2003 together with the notes forming part thereof.
2. These accounts have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".
3. Accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the preceding annual accounts except to the extent that depreciation policy has been changed to charge depreciation on additions to fixed assets on time pro-rata basis instead of full year. Had there been no change in policy, the depreciation for the period would have been higher by Rs. 0.028 million.
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Furniture and fixtures	508	-
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Vehicles	10	-
	1,500	
ADDITIONS TO CAPITAL WORK IN PROGRESS		
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Plan and machinery	73,483	-
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of pending appeal

d) Tax liabilities not provided for on account of pending assessments	2,723	2,723
e) Demands of sales tax not provided for on account of pending appeals	19,208	19,208
f) Guarantees outstanding - issued by banks	18,128	19,137
	<u>103,260</u>	<u>104,269</u>

Commitments

a) Against outstanding letters of credit	9,249	33,566
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	<u>12,321</u>	<u>38,834</u>

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Ghulam Mustafa Khatri
Director

Abdul Sattar Khatri
Director