

Ittehad Chemicals Limited

Quarterly Report

July - September 2004

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Corporate Information

BOARD OF DIRECTORS	Mr. Usman Ghani Khatri Mr. Ghulam Mustafa Khatri Mr. Abdul Sattar Khatri Mr. Mohammad Siddique Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed Mr. Abdul Hai Khatri	Chairman Chief Executive 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 Sheikhupura. 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 Directors are pleased to present the un-audited accounts of your Company for the period ended September 30, 2004.

The quarter under review has reasonably been good for your Company as the economic conditions remained stable and the management continued to put its untiring efforts to take the business of the Company forward. Your Company has registered a sharp improvement in operating results as is evident from the following figures:

	September 2004	September 2003	Progress
	------(Rupees in Millions)-----		%age
Sales	436.30	350.18	24.60
Gross Margin	69.84	39.17	78.30
Profit before tax	33.77	18.16	85.96
Profit after tax	16.21	10.74	50.93

The above growth in profitability has primarily been contributed by increase in sales volumes, reduction in per metric ton utilization of power as a result of Ion Exchange Membrane (IOM) plant and close monitoring of fixed operating costs.

This year we have re-established ourselves as the company with most effective and efficient processes to meet the evolving challenges. Sales volumes and profitability are expected to improve with increased focus on higher margin products and cost control initiatives.

Let us take this opportunity to express our thanks to our shareholders, valued customers, and financiers for their support and assistance. We would also appreciate our employees for their commitment and cooperation. We look forward to your continued support in future as well.

On behalf of the Board

October 21, 2004
Lahore.

Ghulam Mustafa Khatri
Chief Executive

BALANCE SHEET AS AT SEPTEMBER 30, 2004

	Note	September 2004 Unaudited (Rupees in thousand)	June 2004 Audited
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	4	874,232	844,001
Mercury in cells		30,562	30,562
Mercury held for capital expenditure		21	2,044
Spares held for capital expenditure		–	1,962
		904,815	878,569
Long term investments		57,705	57,705
Long term security deposits		11,962	11,962
Deferred cost		3,238	3,451
		977,720	951,687
CURRENT ASSETS			
Stores and spares		125,461	112,702
Stock in trade		47,841	40,340
Trade debts		212,898	205,995
Advances, deposits, prepayments and other receivables		152,110	146,834
Cash and bank balances	5	35,585	30,731
		573,895	536,602
TOTAL ASSETS		1,551,615	1,488,289
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 30,000,000 ordinary shares of Rs. 10/- each		300,000	300,000
Issued, subscribed and paid up capital 25,000,000 shares of Rs.10/- each		250,000	250,000
Unappropriated profits		222,237	206,026
Capital reserve – Fair value reserve		167	167
Shareholders' equity		472,404	456,193
NON CURRENT LIABILITIES			
Redeemable capital		249,800	249,800
Long term loans		233,271	257,885
Deferred liabilities		78,683	63,389
		561,754	571,074
CURRENT LIABILITIES			
Current portion of long term liabilities		102,851	100,193
Short term running finance		225,740	181,481
Creditors, accrued and other liabilities		188,861	179,343
Dividend		5	5
		517,457	461,022
CONTINGENCIES AND COMMITMENTS		–	–
TOTAL EQUITY AND LIABILITIES	6	1,551,615	1,488,289

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Note	September 2004 (Rupees in thousand)	September 2003
Sales – Net		436,277	350,180
Cost of sales	7	366,434	311,009
Gross profit		69,843	39,171
Other income		1,381	425
		71,224	39,596
Administrative and selling expenses		22,647	19,090
Others		1,816	1,419
		24,463	20,509
Operating profit		46,761	19,087
Financial charges		12,988	929
Profit before taxation		33,773	18,158
Taxation			
Current		2,200	7,040
Deferred		15,362	376
		17,562	7,416
Profit after taxation		16,211	10,742
Un-appropriated profit brought forward		206,026	160,870
Un-appropriated profit carried forward		222,237	171,612
Basic and diluted earnings per share:	8		
Before provision for taxation		Rs. 1.35	Rs. 0.73
After provision for taxation		Rs. 0.65	Rs. 0.43

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Note	September 2004	September 2003
		(Rupees in thousand)	
Cash flows from operating activities			
Net profit for the period		33,773	18,158
Adjustments for non cash charges and other items:			
Depreciation		18,958	5,135
(Gain) / Loss on sale of fixed assets		(83)	–
Amortization of deferred cost		213	–
Mercury consumed		2,023	2,407
Financial charges		12,988	929
		67,872	26,629
Decrease/ (increase) in current assets			
Stores and spares		(10,797)	15,485
Stock in trade		(7,501)	2,889
Trade debts		(6,903)	(6,916)
Loans, advances and other receivables		(6,447)	10,666
		(31,648)	22,124
Increase / (Decrease) in current liabilities			
Refunded against oversubscribed amount of TFCs		–	(212,525)
Creditors, Accrued and other liabilities		3,897	(499)
		40,121	(164,271)
Cash generated from operations			
Taxes paid		(1,029)	(8,977)
Gratuity paid		(68)	(40)
Net cash flow from operating activities		39,024	(173,288)
Cash flows from investing activities			
Additions to fixed assets		(1,552)	(1,500)
Less: Transfer from capital work in progress		931	–
		(621)	(1,500)
Additions to capital work in progress		(48,930)	(76,093)
Mercury purchases		445	–
Long term deposits		–	(6,391)
Deferred cost		–	(2,924)
Net cash used in investing activities		(49,106)	(86,908)
Cash flows from financing activities			
Long term loans		(21,851)	(2,767)
Liabilities against assets subject to finance leases		(105)	(136)
Financial charges paid		(7,367)	(1,480)
Short term running finances		44,259	3,518
Net cash flow from financing activities		14,936	(865)
Net increase/(decrease) in cash equivalents		4,854	(261,061)
Cash and cash equivalents at the beginning of the period		30,731	286,742
Cash and cash equivalents at the end of the period 5		35,585	25,681

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Issued, subscribed and paid up capital	Un- appropriated profit	Capital reserve – Fair value reserve	Total
(Rupees in thousand)				
Balance as at Sep 30, 2002	250,000	155,154	–	405,154
Profit after taxation for the year	–	53,958	–	53,958
Proposed dividend	–	(37,500)	–	(37,500)
Balance as at Sep 30, 2003	250,000	171,612	–	421,612
Fair value gain	–	–	167	167
Profit after taxation for the year	–	50,625	–	50,625
Balance as at Sep 30, 2004	250,000	222,237	167	472,404

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

1. NATURE AND STATUS OF BUSINESS

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

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

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

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation followed in the preparation of these accounts are the same as those of published annual financial statements for the year ended June 30, 2004.
- 3.2 The Company continues to enter into transactions with related parties including associated undertakings at prices determined on an arm's length basis using the methods as are permissible under the Companies Ordinance 1984.

4. TANGIBLE FIXED ASSETS

The following tangible fixed assets have been added, transferred and deleted during the period ended September 30, 2004:

Particulars	Additions	Transfers from capital work in progress	Disposals
	————— (Rupees in thousand) —————		
Plant and machinery	931	(931)	—
Furniture and fixtures	81	—	—
Office and other equipments	540	—	—
Vehicles	—	—	(900)
	1,552	(931)	(900)

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

	September 2004	June 2004
	(Rupees in thousand)	
5. CASH AND BANK BALANCES		
Cash in hand	683	221
Cash at banks in:		
current accounts	34,882	30,490
deposit accounts	20	20
	34,902	30,510
	35,585	30,731
6. CONTINGENCIES AND COMMITMENTS		
6.1 Contingencies		
Claim of Saigal Brothers Ltd for storage tanks not acknowledged	2,564	2,564
Demand created with respect to disallowance of expenditure for non-deduction of with holding tax on payments made under GHS/VSS not acknowledged on account of pending appeal	34,107	34,107
Income tax demands not acknowledged on account of pending appeals	10,205	10,205
Demands of sales tax department under show cause notices not acknowledged on account of pending appeals	17,786	17,786
Guarantees issued by banks on behalf of the Company	84,806	30,443
	149,468	95,105
6.2 Commitments		
The commitments of the Company as at balance sheet date comprise as follows:		
Against outstanding letters of credit	504,122	303,836
Against capital expenditure	4,993	7,722
	509,115	311,558

**NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

	September 2004	September 2003
	(Rupees in thousand)	
7. COST OF GOODS SOLD		
Cost of goods manufactured	361,244	300,169
Cost of raw materials traded	725	-
Cost of stores traded	3,095	-
	<u>365,064</u>	<u>300,169</u>
Finished goods		
Opening stock	12,671	21,534
Purchases	1,100	-
Stock issued for capital expenditure	-	(338)
Closing stock	(12,401)	(10,356)
	<u>1,370</u>	<u>10,840</u>
	<u>366,434</u>	<u>311,009</u>

8. BASIC AND DILUTED EARNINGS PER SHARE		
	(Rupees in thousand)	
Profit before taxation	<u>33,773</u>	<u>18,158</u>
Profit after taxation	<u>16,211</u>	<u>10,742</u>
	Number of shares in thousand	
Average issued ordinary shares	<u>25,000</u>	<u>25,000</u>
Earnings per share before provision for taxation	<u>Rs. 1.35</u>	<u>Rs. 0.73</u>
Earnings per share after provision for taxation	<u>Rs. 0.65</u>	<u>Rs. 0.43</u>

9. TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

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

Marketing service charges	4,389	3,537
Sale of goods and services	29,444	6,480
Contribution to staff retirement benefit plans	31	30

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

10. GENERAL

- i) These financial statements were authorized for the issue on October 21, 2004 by the Board of Directors of the Company.
- ii) Figures have been rounded off to the nearest rupees in thousand unless otherwise stated.

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**CONSOLIDATED ACCOUNTS OF
ITTEHAD CHEMICALS LIMITED AND ITS
SUBSIDIARY COMPANY**

DIRECTORS' REVIEW ON CONSOLIDATED ACCOUNTS

The Directors are pleased to present the un-audited accounts of the Group for the period ended September 30, 2004.

As was stated in Annual Report 2004, on account of the decision taken by your Board for setting up of captive plant at Ittehad Chemicals Limited, the holding Company, plan of power generation through Ittehad Energy Limited, the subsidiary Company, has been slowed down and management is in the process of devising future strategy for power generation through Ittehad Energy Limited.

In view of the foregoing no major activity has taken place in the Subsidiary Company during the quarter under review and operating results of the said Company have shown no significant changes since the previous balance sheet date.

October 21, 2004
Lahore.

On behalf of the Board

Ghulam Mustafa Khatri
Chief Executive

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2004

	Note	September 2004 Unaudited	June 2004 Audited
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	879,469	849,238
Mercury in cells		30,562	30,562
Mercury held for capital expenditure		21	2,044
Spares held for capital expenditure		—	1,962
		910,052	883,806
Long term investments		56,425	56,425
Long term security deposits		11,962	11,962
Pre-operating expenses		2,038	2,038
Deferred cost		3,281	3,494
		983,758	957,725
CURRENT ASSETS			
Stores and spares		125,461	112,702
Stock in trade		47,841	40,340
Trade debts		212,898	205,995
Advances, deposits, prepayments and other receivables		152,110	146,834
Cash and bank balances	6	35,851	30,997
		574,161	536,868
TOTAL ASSETS		1,557,919	1,494,593
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 30,000,000 ordinary shares of Rs. 10/- each		300,000	300,000
Issued, subscribed and paid up capital 25,000,000 shares of Rs.10/- each		250,000	250,000
Un-appropriated profits		222,237	206,026
Capital reserve – Fair value reserve		167	167
Shareholders' equity		472,404	456,193
MINORITY INTEREST		70	70
NON CURRENT LIABILITIES			
Redeemable capital		249,800	249,800
Long term loans		233,271	257,885
Deferred liabilities		78,683	63,389
		561,754	571,074
CURRENT LIABILITIES			
Current portion of long term liabilities		102,851	100,193
Short term running finance		225,740	181,481
Creditors, accrued and other liabilities		195,095	185,577
Dividend		5	5
		523,691	467,256
CONTINGENCIES AND COMMITMENTS	7	—	—
TOTAL EQUITY AND LIABILITIES		1,557,919	1,494,593

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Note	September 2004 (Rupees in thousand)	September 2003
Sales – Net		436,277	350,180
Cost of sales	8	366,434	311,009
Gross profit		69,843	39,171
Other income		1,381	425
		71,224	39,596
Administrative and selling expenses		22,647	19,090
Others		1,816	1,419
		24,463	20,509
Operating profit		46,761	19,087
Financial charges		12,988	929
Profit before taxation		33,773	18,158
Taxation			
Current		2,200	7,040
Deferred		15,362	376
		17,562	7,416
Profit after taxation		16,211	10,742
Un-appropriated profit brought forward		206,026	160,870
Un-appropriated profit carried forward		222,237	171,612
Basic and diluted earnings per share:	9		
Before provision for taxation		Rs. 1.35	Rs. 0.73
After provision for taxation		Rs. 0.65	Rs. 0.43

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Note	September 2004	September 2003
		(Rupees in thousand)	
Cash flows from operating activities			
Net profit for the period		33,773	18,158
Adjustments for non cash charges and other items:			
Depreciation		18,958	5,135
(Gain) / Loss on sale of fixed assets		(83)	-
Amortization of deferred cost		213	-
Mercury consumed		2,023	2,407
Financial charges		12,988	929
		<u>67,872</u>	<u>26,629</u>
Decrease/ (increase) in current assets			
Stores and spares		(10,797)	15,485
Stock in trade		(7,501)	2,889
Trade debts		(6,903)	(6,916)
Loans, advances and other receivables		(6,447)	10,666
		<u>(31,648)</u>	<u>22,124</u>
Increase / (Decrease) in current liabilities			
Refunded against oversubscribed amount of TFCs		-	(212,525)
Creditors, Accrued and other liabilities		3,897	(499)
		<u>3,897</u>	<u>(213,024)</u>
Cash generated from operations		40,121	(164,271)
Taxes paid		(1,029)	(8,977)
Gratuity paid		(68)	(40)
Net cash flow from operating activities		<u>39,024</u>	<u>(173,288)</u>
Cash flows from investing activities			
Additions to fixed assets		(1,552)	(1,500)
Less: Transfer from capital work in progress		931	-
		<u>(621)</u>	<u>(1,500)</u>
Additions to capital work in progress		(48,930)	(76,093)
Mercury purchases		445	-
Long term deposits		-	(6,391)
Deferred cost and preoperating expenses		-	(2,924)
Net cash used in investing activities		<u>(49,106)</u>	<u>(86,908)</u>
Cash flows from financing activities			
Long term loans		(21,851)	(2,767)
Liabilities against assets subject to finance leases		(105)	(136)
Financial charges paid		(7,367)	(1,480)
Short term running finances		44,259	3,518
Net cash flow from financing activities		<u>14,936</u>	<u>(865)</u>
Net increase/(decrease) in cash equivalents		4,854	(261,061)
Cash and cash equivalents at the beginning of the period		30,997	287,014
Cash and cash equivalents at the end of the period	6	<u>35,851</u>	<u>25,953</u>

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2004
(UNAUDITED)**

	Issued, subscribed and paid up capital	Un- appropriated profit	Capital reserve – Fair value reserve	Total
(Rupees in thousand)				
Balance as at Sep 30, 2002	250,000	155,154	–	405,154
Profit after taxation for the year	–	53,958	–	53,958
Proposed dividend	–	(37,500)	–	(37,500)
Balance as at Sep 30, 2003	250,000	171,612	–	421,612
Fair value gain	–	–	167	167
Profit after taxation for the year	–	50,625	–	50,625
Balance as at Sep 30, 2004	250,000	222,237	167	472,404

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

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

1. NATURE AND STATUS OF BUSINESS

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

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

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

Ittehad Energy Limited, (the subsidiary) was incorporated in Pakistan on December 20, 1995 as a public limited company under the Companies Ordinance, 1984. The address of its registered office is C-12, South Avenue, S.I.T.E. Karachi. The principal activity of the subsidiary upon implementation of project will be generation and transmission of power.

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

2. BASIS OF CONSOLIDATION

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

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

3. STATEMENT OF COMPLIANCE

These financial statements are un-audited 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

4.1 The accounting policies and methods of computation followed in the preparation of these accounts are the same as those of published annual financial statements for the year ended June 30, 2004.

4.2 The Group continues to enter into transactions with related parties including associated undertakings at prices determined on an arm's length basis using the methods as are permissible under the Companies Ordinance 1984.

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

5. TANGIBLE FIXED ASSETS

The following tangible fixed assets have been added, transferred and deleted during the period ended September 30, 2004:

Particulars	Additions	Transfers from capital work in progress	Disposals
	————— (Rupees in thousand) —————		
Plant and machinery	931	(931)	—
Furniture and fixtures	81	—	—
Office and other equipments	540	—	—
Vehicles	—	—	(900)
	<u>1,552</u>	<u>(931)</u>	<u>(900)</u>
		September 2004	June 2004
		(Rupees in thousand)	

6. CASH AND BANK BALANCES

Cash in hand	903	441
Cash at banks in:		
current accounts	34,928	30,536
deposit accounts	20	20
	<u>34,948</u>	<u>30,556</u>
	<u>35,851</u>	<u>30,997</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

Claim of Saigal Brothers Ltd for storage tanks not acknowledged	2,564	2,564
Demand created with respect to disallowance of expenditure for non-deduction of with holding tax on payments made under GHS/VSS not acknowledged on account of pending appeal	34,107	34,107
Income tax demands not acknowledged on account of pending appeals	10,205	10,205
Demands of sales tax department under show cause notices not acknowledged on account of pending appeals	17,786	17,786
Guarantees issued by banks on behalf of the Company	84,806	30,443
	<u>149,468</u>	<u>95,105</u>

7.2 Commitments

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

Against outstanding letters of credit	504,122	303,836
Against capital expenditure	4,993	7,722
	<u>509,115</u>	<u>311,558</u>

**NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 (UNAUDITED)**

	September 2004	September 2003
	(Rupees in thousand)	
8. COST OF GOODS SOLD		
Cost of goods manufactured	361,244	300,169
Cost of raw materials traded	725	-
Cost of stores traded	3,095	-
	<u>365,064</u>	<u>300,169</u>
Finished goods		
Opening stock	12,671	21,534
Purchases	1,100	-
Stock issued for capital expenditure	-	(338)
Closing stock	(12,401)	(10,356)
	<u>1,370</u>	<u>10,840</u>
	<u>366,434</u>	<u>311,009</u>

9. BASIC AND DILUTED EARNINGS PER SHARE	(Rupees in thousand)	
Profit before taxation	<u>33,773</u>	<u>18,158</u>
Profit after taxation	<u>16,211</u>	<u>10,742</u>
	Number of shares in thousand	
Average issued ordinary shares	<u>25,000</u>	<u>25,000</u>
Earnings per share before provision for taxation	<u>Rs. 1.35</u>	<u>Rs. 0.73</u>
Earnings per share after provision for taxation	<u>Rs. 0.65</u>	<u>Rs. 0.43</u>

10. TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

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

Marketing service charges	4,389	3,537
Sale of goods and services	29,444	6,480
Contribution to staff retirement benefit plans	31	30

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

11. GENERAL

- i) These financial statements were authorized for the issue on October 21, 2004 by the Board of Directors of the Company.
- ii) Figures have been rounded off to the nearest rupees in thousand unless otherwise stated.

Ghulam Mustafa Khatri
Chief Executive

Abdul Sattar Khatri
Director