



1st Quarterly Report
September 30, 2011

ITTEHAD CHEMICALS LIMITED

**ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

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CORPORATE INFORMATION
BOARD OF DIRECTORS

Mr. Muhammad Siddique Khatri	Chairman & Chief Executive
Mr. Abdul Sattar Khatri	Director
Mr. Abdul Ghafoor Khatri	Director
Mr. Mansoor Ahmed Khatri	Director
Ms. Farhana Abdul Sattar Khatri	Director
Mr. Fowad Yousaf Khatri	Director
Ms. Rushda Mustafa	Director

AUDIT COMMITTEE

Mr. Mansoor Ahmed Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Abdul Ghafoor Khatri	Member

DIRECTOR FINANCE & CFO

Mr. Javed Iqbal

COMPANY SECRETARY

Mr. Waheed Ashraf

REGISTERED OFFICE/HEAD OFFICE

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Lahore-54000.
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PLANT

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District Sheikhpura.
Ph : 042 - 37950222-25
Fax : 042 - 37950206

SHARE REGISTRARS

M/s. Corplink (Pvt.) Limited
Corporate and Financial Consultants
Wings Arcade, I-K Commercial,
Model Town, Lahore.
Ph: 042 - 35839182
Fax: 042 - 35869037

BANKERS TO THE COMPANY

Askari Bank Limited
Allied Bank Limited
Al-Barka Bank (Pakistan) Limited
Burj Bank Limited
Citi Bank
Faysal Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
Pak Libya Holding Co. (Pvt.) Limited
Pakistan Kuwait Investment Co. (Pvt.) Limited
Pak Brunei Investment Co. (Pvt.) Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

AUDITORS

M/s. BDO Ebrahim & Co., Chartered Accountants,
2nd Floor, Block-C, Lakson Square Building No.1,
Sarwar Shaheed Road, Karachi.
Ph: 021-35683189-35683498 Fax: 021-35684239

LEGAL ADVISORS

M/s. Tahir Ali Tayebi & Co.
310, Marine Point, Schon Circle,
Block 9, Clifton, Karachi.
Ph : 021-35370458 Fax : 021-35370459

DIRECTORS' REPORT

I am pleased to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2011.

The profitability of the Company has trimmed down due to gigantic increase in electricity cost every month on account of fuel price adjustment charges by NEPRA which was not passed on to the customers and prolonged and unprecedented outages in supply of gas by the SNGPL through out the period. Going forward these impediments has significantly increased the cost of doing business in general.

During the period under review your Company has posted net sales of Rs. 856.500 million against the sales of Rs. 788.208 million for the corresponding period of last year, representing an increase of 9%. Gross profit margin has decreased by 15% over the corresponding period and stood at Rs. 135.958 million due to hefty increase in energy cost. Profit before tax has decreased to Rs. 13.996 million as compared to Rs. 39.722 million for the corresponding period of last year. As a consequence the earnings per share (EPS) for the period stood at Re. 0.23 as compared to Re. 0.67 for the corresponding period of last year.

In consideration of prevailing unfavorable situation the management of ICL is taking proactive measures to mitigate the impact of emerging challenges. In order to overcome steam production constraints due to non availability of gas, the management of your Company has planned to import a coal gasifier plant, which shall be commissioned InshAllah in early 2012. This will eventually improve the operational performance of the Company.

On September 30, 2011, the Board of Directors of the Company has approved the draft Scheme of Arrangement pertaining to the merger of Chemi Chloride Industries Limited (CCIL), the wholly owned subsidiary Company with and into Ittehad Chemicals Limited (ICL), the holding Company. The Scheme of Arrangement shall be placed before the shareholders of the Company for their approval in the Annual General Meeting of the Company scheduled to be held on October 31, 2011.

We appreciate the Company's staff for their continuous dedication and support. We also express our gratitude to our shareholders, bankers, customers and suppliers for their continued support and cooperation for the progress and prosperity of the Company.

On behalf of the Board



MUHAMMAD SIDDIQUE KHATRI
CHIEF EXECUTIVE

October 26, 2011
Lahore.

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2011**

		(Unaudited) September 30, 2011	(Audited) June 30, 2011
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,364,271	2,342,327
Capital work in progress	7	55,738	82,944
		<u>2,420,009</u>	<u>2,425,271</u>
Intangible assets		220	253
Investment properties		87,800	87,800
Long term investments		90,850	90,850
Long term deposits		23,784	21,444
		<u>2,622,663</u>	<u>2,625,618</u>
CURRENT ASSETS			
Stores, spares and loose tools		403,556	410,787
Stock in trade		159,723	198,831
Trade debts		445,854	461,057
Loans and advances		75,173	68,449
Trade deposits and short term prepayments		11,354	9,106
Other receivables		3,177	3,853
Taxation - net		69,962	64,569
Cash and bank balances		101,044	113,745
		<u>1,269,843</u>	<u>1,330,397</u>
		<u>3,892,506</u>	<u>3,956,015</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	8.1	750,000	750,000
Issued, subscribed and paid up capital	8.2	360,000	360,000
Reserves		707,965	699,696
		<u>1,067,965</u>	<u>1,059,696</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		749,059	749,059
NON CURRENT LIABILITIES			
Long term financing	9	216,667	234,028
Long term diminishing musharaka	10	166,666	250,000
Long term murabaha	11	77,778	116,666
Deferred liabilities		306,848	309,327
		<u>767,959</u>	<u>910,021</u>
CURRENT LIABILITIES			
Trade and other payables		406,327	342,362
Mark-up accrued		26,951	56,457
Short term borrowings		547,856	505,781
Current portion of long term liabilities		326,389	332,639
		<u>1,307,523</u>	<u>1,237,239</u>
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		<u>3,892,506</u>	<u>3,956,015</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	Quarter ended September 30,	
		2011	2010
(Rupees in thousand)			
Sales - net		856,500	788,208
Cost of sales	13	<u>(720,542)</u>	<u>(628,427)</u>
Gross profit		135,958	159,781
Selling and distribution expenses		(44,059)	(41,538)
General and administrative expenses		(26,207)	(27,790)
Other operating expenses		(1,458)	(3,136)
Other operating income		4,042	5,184
		<u>(67,682)</u>	<u>(67,280)</u>
Operating profit		68,276	92,501
Financial charges		<u>(54,280)</u>	<u>(52,779)</u>
Profit before taxation		13,996	39,722
Taxation		<u>(5,727)</u>	<u>(15,505)</u>
Profit after taxation		<u>8,269</u>	<u>24,217</u>
Earnings per share - basic and diluted (Rupee)	15	<u>0.23</u>	<u>0.67</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30,	
	2011	2010
	(Rupees in thousand)	
Profit for the period	8,269	24,217
Other comprehensive income	-	-
Total comprehensive income for the period	<u>8,269</u>	<u>24,217</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30,	
	2011	2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	13,996	39,722
Adjustments for items not involving movement of funds:		
Depreciation	42,436	42,326
Amortization of intangible assets	33	528
Provision for gratuity	1,270	1,270
Gain on sale of fixed assets	-	(342)
Gain on foreign exchange	(309)	(103)
Bad debts written off	481	-
Financial charges	54,280	52,779
Net cash flow before working capital changes	112,187	136,180
Decrease / (increase) in current assets		
Stores, spares and loose tools	7,231	6,188
Stock in trade	39,108	18,412
Trade debts	15,031	(35,571)
Loans and advances	(6,724)	(1,290)
Trade deposits and short term prepayments	(2,248)	(6,890)
Other receivables	676	11,407
	53,074	(7,744)
Increase / (decrease) in current liabilities		
Trade and other payables	63,970	(18,503)
Cash generated from operations	229,231	109,933
Income taxes paid	(14,646)	(7,392)
Gratuity paid	(223)	(220)
Financial charges paid	(83,786)	(87,224)
Net cash inflow from operating activities	130,576	15,097
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(1,438)	(1,365)
Additions to capital work in progress	(35,736)	(49,738)
Additions to intangible assets	-	(247)
Proceeds from sale of operating fixed assets	-	775
Long term deposits	(2,340)	15
Net cash (outflow) from investing activities	(39,514)	(50,560)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	50,000
Repayment of long term financing	(23,611)	(11,805)
Repayment of long term diminishing musharaka	(83,334)	(83,333)
Repayment of long term murabaha	(38,888)	(38,889)
Dividend paid	(5)	-
Short term borrowings	42,075	120,827
Net cash (outflow) / inflow from financing activities	(103,763)	36,800
Net (decrease) / increase in cash and cash equivalents	(12,701)	1,337
Cash and cash equivalents at the beginning of the period	113,745	15,132
Cash and cash equivalents at the end of the period	101,044	16,469

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Share Capital	Unappropriated profit	Total
	----- (Rupees in thousand) -----		
Balance as at July 01, 2010	360,000	616,933	976,933
Total Comprehensive income for the period	-	24,217	24,217
Balance as at September 30, 2010	<u>360,000</u>	<u>641,150</u>	<u>1,001,150</u>
Total Comprehensive income for the period	-	94,546	94,546
Final dividend 2010: Re. 0.50 per share	-	(18,000)	(18,000)
Interim dividend 2010: Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2011	<u>36,000</u>	<u>699,696</u>	<u>1,059,696</u>
Total Comprehensive income for the period	-	8,269	8,269
Balance as at September 30, 2011	<u><u>36,000</u></u>	<u><u>707,965</u></u>	<u><u>1,067,965</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

1. LEGAL STATUS AND OPERATIONS

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited in accordance with the requirements of the International Financial Reporting Standards (IFRS) IAS - 34, Interim Financial Reporting. They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2011.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

These condensed interim financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2011.

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.

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, 2011.

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
Note	(Rupees in thousand)	
6 OPERATING FIXED ASSETS		
Opening book value (NBV)	2,342,327	2,299,211
Additions (at cost) during the period / year	6.1 64,380	225,402
	<u>2,406,707</u>	<u>2,524,613</u>
Disposals (at NBV) during the period / year	6.2 -	(3,877)
Depreciation charged during the period / year	(42,436)	(178,409)
	<u>(42,436)</u>	<u>(182,286)</u>
Closing net book value (NBV)	<u>2,364,271</u>	<u>2,342,327</u>

6.1 Details of additions (at cost) during the period / year are as follows:

Plant and machinery	63,735	220,936
Other equipment	-	444
Furniture and fixtures	5	162
Office and other equipment	640	1,895
Vehicles	-	1,965
	<u>64,380</u>	<u>225,402</u>

6.2 Details of disposals (at NBV) during the period / year are as follows:

Vehicles	-	3,877
	<u>-</u>	<u>3,877</u>

7 CAPITAL WORK IN PROGRESS

Plant and machinery	55,738	82,944
	<u>55,738</u>	<u>82,944</u>

7.1 An amount of Rs. 62.942 million (June 30, 2011: Rs. 214.942 million) has been transferred to operating fixed assets during the period.

8 SHARE CAPITAL
8.1 Authorized share capital

50,000,000 (June 30, 2011: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2011: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>750,000</u>	<u>750,000</u>

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
	(Rupees in thousand)	
8.2 Issued, subscribed and paid up share capital		
100,000 (June 30, 2011: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2011: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2011: 11,000,000) fully paid bonus shares	<u>110,000</u>	<u>110,000</u>
	<u><u>360,000</u></u>	<u><u>360,000</u></u>
9 LONG TERM FINANCING		
From banking companies and financial institutions- secured		
Balance as at July 01	322,222	213,194
Obtained during the period / year	<u>-</u>	<u>150,000</u>
	322,222	363,194
Repayments made during the period / year	<u>(23,611)</u>	<u>(40,972)</u>
	298,611	322,222
Current portion shown under current liabilities	<u>(81,944)</u>	<u>(88,194)</u>
	<u><u>216,667</u></u>	<u><u>234,028</u></u>
10 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured		
Balance as at July 01	416,667	583,333
Repayments made during the period / year	<u>(83,334)</u>	<u>(166,666)</u>
	333,333	416,667
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u><u>166,666</u></u>	<u><u>250,000</u></u>
11 LONG TERM MURABAHA		
From banking companies - secured		
Balance as at July 01	194,444	272,222
Repayments made during the period / year	<u>(38,888)</u>	<u>(77,778)</u>
	155,556	194,444
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u><u>77,778</u></u>	<u><u>116,666</u></u>

12 CONTINGENCIES AND COMMITMENTS
12.1 Contingent liabilities

- a) The Company has received an assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the Company have decreased by Rs. 24.849 million (June 30, 2011: Rs. 24.849 million). The Company filed an appeal before Commissioner of Inland revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the company. Both the Company and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in Company's favour and partially remanded to the taxation officer for fresh proceedings. The Company expect a favorable outcome of the proceedings. However, if the proceedings are finalized against the Company, it may result in tax payable of Rs. 3.114 million.
- b) The Company has also been received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2011: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.
- c) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2011: Rs. 8.661 million). The Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the Company. Both Income Tax Department and Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The deemed assessment order for tax year 2009 was amended by tax authorities under section 221 of the Income Tax Ordinance, 2001 on the issue of carry forward of minimum tax of previous years as per section 113 of the Income Tax Ordinance, 2001. The Company has challenged the order before Commissioner of Inland Revenue (Appeals) who decided the case against the Company. The Company has filed an appeal before Hon'ble Appellate Tribunal Inland Revenue. The Company expect a positive outcome of this case. However, if the case is decided against the Company, it may result in tax payable of Rs. 43.964 million (June 30, 2011: Rs. 43.946 million).
- e) 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. 3.364 million (June 30, 2011: Rs. 3.364 million) against these claims.
- f) Letters of guarantee outstanding as at September 30, 2011 were Rs. 200.697 million (June 30, 2011: Rs. 203.248 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2011: Rs. 203 million).

12.2 Commitments

Commitments as on September 30, 2011 were as follows:

- a) Against letters of credit amounting to Rs. 51.174 million (June 30, 2011: Rs. 32.262 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2011: Rs. 1.838 million).

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
	(Rupees in thousand)	
c) Ujrah payments under Ijarah:		
Not later than one year	27,812	28,020
Later than one year and not later than five year	69,530	77,055
	97,342	105,075

(Unaudited)
Quarter ended September 30,
2011 2010
(Rupees in thousand)

13 COST OF SALES

Raw materials consumed	76,169	71,762
Other overheads		
Salaries, wages and other benefits	46,416	42,809
Stores, spares and consumables	36,449	44,211
Packing materials consumed	2,036	2,180
Fuel and power	447,529	391,358
Repair and maintenance	3,768	8,221
Rent, rates and taxes	7,005	6,846
Insurance	2,413	2,129
Vehicle running expenses	3,521	2,819
Postage, printing and stationery	147	105
Depreciation	41,540	41,151
Other expenses	438	138
	591,262	541,967
Opening work in process	10,077	8,165
Closing work in process	(10,819)	(8,368)
	(742)	(203)
Cost of goods manufactured	666,689	613,526
Cost of stores traded	411	2,233
Opening stock of finished goods	124,348	75,458
Closing stock of finished goods	(70,906)	(62,790)
	53,442	12,668
	720,542	628,427

14 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Associated company	Marketing services charges	8,063	5,880
Subsidiary / Associated	Sales of good and services	26,022	20,022
Subsidiary company	Land rentals	1,200	1,200
Subsidiary company	Loans and advances made	6,428	10,928
Subsidiary company	Mark up on loans and advances	1,121	835
Retirement benefit plans	Contribution to staff retirement benefit plans	61	58
Key management personnel	Remuneration and other benefits	15,652	11,956

(Unaudited)
 Quarter ended September 30,
 2011 2010

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	8,269	24,217
Weighted average number of ordinary shares - (In thousand)	36,000	36,000
Earnings per share - basic and diluted - (Rupee)	0.23	0.67

There is no dilutive effect on the basic earnings per share of the Company.

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 26, 2011 by the Board of Directors of the Company.

17 GENERAL

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.



CHIEF EXECUTIVE



DIRECTOR

**ITTEHAD CHEMICALS LIMITED
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

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**DIRECTORS' REPORT ON CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

I am pleased to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed consolidated interim financial statements of the Company and its wholly owned subsidiary, Chemi Chloride Industries Limited (CCIL), for the first quarter ended September 30, 2011.

The Directors' Report on the performance of Ittehad Chemicals Limited (ICL), for the first quarter ended September 30, 2011 has been presented separately.

The performance of the wholly owned subsidiary Company, Chemi Chloride Industries Limited during the period under review is as follows:

During the period under review, CCIL posted net sales of Rs. 67.172 million as compared to the sales of Rs. 73.927 million for the corresponding period of last year, showing a decrease of 9%. The Company has earned gross profit of Rs. 14.319 million as compared to gross profit of Rs. 24.677 million for the corresponding period of last year. The loss before tax for the period under review is Rs. 2.849 million as compared to profit before tax of Rs. 5.135 million for the corresponding period of last year. The profitability of the Company has declined mainly due to lower production on account of frequent stoppage of gas supply by the SNGPL throughout the period. The subsidiary Company has therefore reported loss per share of Re. 0.38 for the period under review, whereas group's earnings per share (EPS) stood at Re. 0.13.

We take this opportunity to thank all our customers, shareholders, bankers, employees and workers for their continued cooperation and support.

On behalf of the Board



MUHAMMAD SIDDIQUE KHATRI
CHIEF EXECUTIVE

October 26, 2011
Lahore.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2011**

		(Unaudited) September 30, 2011	(Audited) June 30, 2011
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,516,878	2,498,639
Capital work in progress	7	56,428	83,634
		<u>2,573,306</u>	<u>2,582,273</u>
Intangible assets		220	253
Goodwill		6,445	6,445
Investment properties		67,800	67,800
Long term deposits		34,484	32,144
		<u>2,682,255</u>	<u>2,688,915</u>
CURRENT ASSETS			
Stores, spares and loose tools		418,097	424,770
Stock in trade		177,601	219,946
Trade debts		441,326	459,683
Loans and advances		40,399	40,536
Trade deposits and short term prepayments		12,968	10,701
Tax refunds due from Government		6,560	7,521
Taxation - net		71,560	66,212
Cash and bank balances		101,303	117,434
		<u>1,269,814</u>	<u>1,346,803</u>
		<u>3,952,069</u>	<u>4,035,718</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	8.1	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up capital	8.2	360,000	360,000
Reserves		<u>655,873</u>	<u>651,100</u>
		1,015,873	1,011,100
SURPLUS ON REVALUATION OF FIXED ASSETS			
		748,559	748,559
NON CURRENT LIABILITIES			
Long term financing	9	241,372	266,082
Long term diminishing musharaka	10	166,666	250,000
Long term murabaha	11	77,778	116,666
Deferred liabilities		306,848	309,327
		792,664	942,075
CURRENT LIABILITIES			
Trade and other payables		403,923	342,812
Mark-up accrued		29,315	58,780
Short term borrowings		594,119	558,018
Current portion of long term liabilities		367,616	374,374
		1,394,973	1,333,984
CONTINGENCIES AND COMMITMENTS			
	12	-	-
TOTAL EQUITY AND LIABILITIES		<u>3,952,069</u>	<u>4,035,718</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	Quarter ended September 30,	
		2011	2010
(Rupees in thousand)			
Sales - net		901,713	845,628
Cost of sales	13	(749,915)	(659,647)
Gross profit		151,798	185,981
Selling and distribution expenses		(55,942)	(54,616)
General and administrative expenses		(27,223)	(29,813)
Other operating expenses		(1,489)	(3,651)
Other operating income		1,405	3,031
		(83,249)	(85,049)
Operating profit		68,549	100,932
Financial charges		(57,401)	(56,074)
Profit before taxation		11,148	44,858
Taxation		(6,375)	(16,113)
Profit after taxation		4,773	28,745
Profits attributable to equity holders of holding company		4,773	27,267
Non controlling interest - share of profit		-	1,478
		4,773	28,745
Earnings per share - basic and diluted (Rupee)	15	0.13	0.76

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

1st Quarterly Report September 30, 2011

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30,	
	2011	2010
	(Rupees in thousand)	
Profit for the period	4,773	27,267
Other comprehensive income	-	-
Total comprehensive income for the period	<u>4,773</u>	<u>27,267</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30,	
	2011	2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,148	44,858
Adjustments for items not involving movement of funds:		
Depreciation	46,225	46,538
Amortization of intangible assets	33	528
Provision for gratuity	1,270	1,270
Gain on sale of fixed assets	-	(342)
Gain on foreign exchange	(495)	(502)
Bad debts written off	481	674
Financial charges	57,401	56,074
Net cash flow before working capital changes	116,063	149,098
Decrease / (increase) in current assets		
Stores, spares and loose tools	6,673	7,946
Stock in trade	42,345	24,214
Trade debts	18,371	(25,846)
Loans and advances	137	1,739
Trade deposits and short term prepayments	(2,267)	(6,793)
Other receivables	-	710
Tax refunds due from Government	961	(11,790)
	66,220	(9,820)
Increase / (decrease) in current liabilities		
Trade and other payables	61,116	(9,988)
Cash generated from operations	243,399	129,290
Taxes paid	(15,249)	(8,568)
Gratuity paid	(223)	(220)
Financial charges paid	(86,866)	(90,354)
Net cash inflow from operating activities	141,061	30,148
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(1,522)	(2,818)
Additions to capital work in progress	(35,736)	(50,328)
Additions to intangible assets	-	(247)
Proceeds from sale of operating fixed assets	-	775
Long term deposits	(2,340)	(10,685)
Net cash (outflow) from investing activities	(39,598)	(63,303)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing	-	50,000
Repayment of long term financing	(31,468)	(19,662)
Repayment of long term musharaka	(83,334)	(83,333)
Repayment of long term murabaha	(38,888)	(38,889)
Dividend paid	(5)	-
Short term borrowings	36,101	126,430
Net cash (outflow) / inflow from financing activities	(117,594)	34,546
Net (decrease) / increase in cash and cash equivalents	(16,131)	1,391
Cash and cash equivalents at the beginning of the period	117,434	15,399
Cash and cash equivalents at the end of the period	101,303	16,790

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Attributable to the equity holders of the holding company			Non controlling interest	Grand Total
	Share Capital	Unappropriated profit	Sub total		
	----- (Rupees in thousand) -----				
Balance as at July 01, 2010	360,000	576,008	936,008	9,740	945,748
Total Comprehensive income for the period	-	27,267	27,267	1,478	28,745
Balance as at September 30, 2010	<u>360,000</u>	<u>603,275</u>	<u>963,275</u>	<u>11,218</u>	<u>974,493</u>
Total Comprehensive income for the period	-	74,456	74,456	1,601	76,057
Final dividend 2010: Re. 0.50 per share	-	(18,000)	(18,000)	-	(18,000)
Interim dividend 2010: Re. 0.50 per share	-	(18,000)	(18,000)	-	(18,000)
Purchase of non controlling interest in Subsidiary Company	-	9,369	9,369	(12,819)	(3,450)
Balance as at June 30, 2011	<u>360,000</u>	<u>651,100</u>	<u>1,011,100</u>	<u>-</u>	<u>1,011,100</u>
Total Comprehensive income for the period	-	4,773	4,773	-	4,773
Balance as at September 30, 2011	<u><u>360,000</u></u>	<u><u>655,873</u></u>	<u><u>1,015,873</u></u>	<u><u>-</u></u>	<u><u>1,015,873</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

1. THE GROUP AND ITS OPERATIONS

The Group consists of Ittehad Chemicals Limited ("the Holding Company") and Chemi Chloride Industries Limited ("the Subsidiary company"), in which holding company has 100% shareholding.

The Holding 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 Holding Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Holding Company was privatized on July 03, 1995 when 90% of the shares were transferred to the buyer.

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

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

The Subsidiary Company was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on July 03, 1999. The registered office is situated at 39-Empress Road, Lahore. The principal activity of the Subsidiary Company is manufacturing and sale of calcium chloride prills.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The disclosures made in these condensed consolidated interim financial statements have, however, been limited in accordance with the requirements of the International Financial Reporting Standards (IFRS) IAS - 34, Interim Financial Reporting. They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2011.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

These condensed consolidated interim financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements have been presented in Pakistan Rupees, which is the functional currency of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed consolidated interim financial statements are the same as those of the preceding published annual financial statements of the Group for the year ended June 30, 2011.

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.

5. ESTIMATES

The preparation of condensed consolidated 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 consolidated financial statements for the year ended June 30, 2011.

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
Note	(Rupees in thousand)	
6 OPERATING FIXED ASSETS		
Opening book value	2,498,639	2,470,758
Additions during the period / year	6.1 <u>64,464</u>	<u>227,043</u>
	2,563,103	2,697,801
Disposals during the period / year	6.2 <u>-</u>	<u>(3,877)</u>
Depreciation charged during the period / year	<u>(46,225)</u>	<u>(195,285)</u>
	<u>(46,225)</u>	<u>(199,162)</u>
Closing book value	<u>2,516,878</u>	<u>2,498,639</u>

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

Plant and machinery	63,735	222,389
Other equipment	-	444
Furniture and fixtures	5	176
Office and other equipment	724	2,069
Vehicles	-	1,965
	<u>64,464</u>	<u>227,043</u>

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

Vehicles	-	3,877
	<u>-</u>	<u>3,877</u>

7 CAPITAL WORK IN PROGRESS

Plant and machinery	55,738	82,944
Building	690	690
	<u>56,428</u>	<u>83,634</u>

7.1 An amount of Rs. 62.942 million (June 30, 2011: Rs. 214.942 million) has been transferred to operating fixed assets during the period.

8 SHARE CAPITAL
8.1 Authorized Share Capital

50,000,000 (June 30, 2011: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2011: 25,000,000) preference shares of Rs. 10/- each	<u>250,000</u>	<u>250,000</u>
	<u>500,000</u>	<u>500,000</u>

	(Unaudited) September 30, 2011 (Rupees in thousand)	(Audited) June 30, 2011
8.2 Issued, subscribed and paid up capital		
100,000 (June 30, 2011: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2011: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2011: 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	385,201	323,408
Obtained during the period / year	-	150,000
	<u>385,201</u>	<u>473,408</u>
Repayments made during the period / year	<u>(31,468)</u>	<u>(88,207)</u>
	353,733	385,201
From directors and others - unsecured		
Balance as at July 01	10,810	15,810
Repayments made during the period / year	-	(5,000)
	<u>10,810</u>	<u>10,810</u>
	364,543	396,011
Current portion shown under current liabilities	<u>(123,171)</u>	<u>(129,929)</u>
	<u>241,372</u>	<u>266,082</u>
10 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- Secured		
Balance as at July 01	416,667	583,333
Repayments made during the period / year	<u>(83,334)</u>	<u>(166,666)</u>
	333,333	416,667
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u>166,666</u>	<u>250,000</u>
11 LONG TERM MURABAHA		
From banking companies - secured		
Balance as at July 01	194,444	272,222
Repayments made during the period / year	<u>(38,888)</u>	<u>(77,778)</u>
	155,556	194,444
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>77,778</u>	<u>116,666</u>

12 CONTINGENCIES AND COMMITMENTS**12.1 Contingent liabilities**

- a) The Holding Company has received an assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the Holding Company have decreased by Rs. 24.849 million (June 30, 2011: Rs. 24.849 million). The Holding Company filed an appeal before Commissioner of Inland revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the Holding Company. Both the Holding Company and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in the Holding Company's favour and partially remanded to the taxation officer for fresh proceedings. The Holding Company expect a favorable outcome of the proceedings. However, if the proceedings are finalized against the holding Company, it may result in tax payable of Rs. 3.114 million.
- b) The Holding Company has also been received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2011: Rs. 12.069 million). The Holding Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Holding Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 12.069 million.
- c) The Holding Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2011: Rs. 8.661 million). The Holding Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the holding Company. Both Income Tax Department and the Holding Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Holding Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The deemed assessment order for tax year 2009 was amended by tax authorities under section 221 of the Income Tax Ordinance, 2001 on the issue of carry forward of minimum tax of previous years as per section 113 of the Income Tax Ordinance, 2001. The Holding Company has challenged the order before Commissioner of Inland Revenue (Appeals) who decided the case against the Holding Company. The Holding Company has filed an appeal before Hon'ble Appellate Tribunal Inland Revenue. The Holding Company expect a positive outcome of this case. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 43.964 million (June 30, 2011: Rs. 43.964 million).
- e) The Subsidiary Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2007 creating demand of Rs. 0.534 million (June 30, 2011: Rs. 0.534 million). The Subsidiary Company has filed an appeal before Commissioner of Inland Revenue (Appeals) against the impugned order. In the event of an adverse decision, the Subsidiary Company would be faced with a charge of Rs. 0.534 million against profit.
- f) The Holding Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Holding Company would be required to pay an amount of Rs. 3.364 million (June 30, 2011: Rs. 3.364 million) against these claims.
- g) Letters of guarantee outstanding as at September 30, 2011 were Rs. 201.604 million (June 30, 2011: Rs. 203.248 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2011: Rs. 203 million).

12.2 Commitments

Commitments as on September 30, 2011 were as follows:

- a) Against letters of credit amounting to Rs. 51.174 million (June 30, 2011: Rs. 32.807 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2011: Rs 1.838 million).

(Unaudited)
Quarter ended September 30,
2011 2010
(Rupees in thousand)

c) Ujrah payments under Ijarah:

Not later than one year	27,812	28,020
Later than one year and not later than five year	69,530	77,055
	97,342	105,075

13 COST OF SALES

Raw materials consumed	74,831	71,163
Other overheads		
Salaries, wages and other benefits	50,171	45,879
Stores, spares and consumables	40,392	45,054
Packing materials consumed	5,729	5,289
Fuel and power	459,817	401,038
Repair and maintenance	4,713	10,807
Rent, rate and taxes	7,170	6,846
Insurance	2,553	2,264
Vehicle running expenses	3,608	2,819
Postage, printing and stationery	147	110
Depreciation	45,268	45,283
Other expenses	438	138
	620,006	565,527
Opening work in process	11,449	8,822
Closing work in process	(12,371)	(9,105)
	(922)	(283)
Cost of goods manufactured	693,915	636,407
Cost of stores traded	411	2,233
Opening stock of finished goods	128,495	99,475
Closing stock of finished goods	(72,906)	(78,468)
	55,589	21,007
	749,915	659,647

14 TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transaction		
Associated company	Marketing services charges	8,063	5,880
Associated company	Sales of good and services	48	63
Retirement benefit plans	Contribution to staff retirement benefit plans	61	58
Key management personnel	Remuneration and other benefits	17,107	13,356

(Unaudited)
 Quarter ended September 30,
 2011 2010

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	4,773	27,267	
Weighted average number of ordinary shares - (in thousand)	36,000	36,000	
Earnings per share - basic and diluted - (Rupee)	0.13	0.76	

There is no dilutive effect on the basic earnings per share of the Group.

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 26, 2011 by the Board of Directors of the Holding Company.

17 GENERAL

- i Figures have been rounded off to the nearest rupees in thousand unless stated otherwise.
- ii Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effect of which is not material.



CHIEF EXECUTIVE



DIRECTOR

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