



1st Quarterly Report
September 30, 2012

ITTEHAD CHEMICALS LIMITED

**ITTEHAD CHEMICALS LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri Ms. Farhana Abdul Sattar Khatri Mr. Fowad Yousaf Khatri Ms. Rushda Mustafa Mr. Waqas Siddiq Khatri	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Fowad Yousaf Khatri	Chairman Member Member
DIRECTOR FINANCE & CFO	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Waheed Ashraf	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042 - 36306586 - 88 Fax : 042 - 36365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042 - 37950222-25 Fax : 042 - 37950206	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-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 Metro 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, 2 nd 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

It gives me immense pleasure 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, 2012.

During the first quarter the performance of your Company has been unprecedented which has resulted in the improvement in the performance by continuing the growth momentum that has delivered 16% turnover increase over the corresponding period of last year. During the period under review, your Company has posted net sales of Rs. 994.601 million against the sales of Rs. 856.500 million for the corresponding period of last year. Gross profit margin has increased by 93% over the corresponding period and stood at Rs. 262.238 million. The profit after tax is recorded at Rs. 103.095 million, as against profit after tax of Rs. 8.269 million for the corresponding period of last year, reflecting a tremendous increase of 1,147%. The increase in profitability during the current period as compared to the previous period is mainly attributable to better availability of gas supply, resulting in higher generation of power through captive power plant which has reduced the energy cost and improved the profit margin. As a consequence the earnings per share (EPS) for the period stood at Rs. 2.86 as compared to Re. 0.23 for the corresponding period of last year.

Looking ahead, despite the challenges being faced in the country and anticipated gas stoppage in winter season by SNGPL on account of its load management policy, the management of the Company expects that the growth witnessed in the first quarter would continue into the second quarter as well.

We are pleased to inform you that on October 03, 2012, the Honorable Lahore High Court has ordered the merger/amalgamation of Chemi Chloride Industries Limited with and into Ittehad Chemicals Limited with effect from October 03, 2012.

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 24, 2012
Lahore.

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2012**

		(Unaudited) September 30, 2012	(Audited) June 30, 2012
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,353,776	2,371,349
Capital work in progress	7	54,882	42,942
		<u>2,408,658</u>	<u>2,414,291</u>
Intangible assets		267	121
Investment property		92,400	92,400
Long term investments		90,850	90,850
Long term deposits		26,284	26,284
		<u>2,618,459</u>	<u>2,623,946</u>
CURRENT ASSETS			
Stores, spares and loose tools		383,982	375,749
Stock in trade		243,084	143,286
Trade debts		547,719	564,750
Loans and advances		73,097	48,002
Trade deposits and short term prepayments		6,053	4,521
Other receivables		12,624	10,969
Tax refunds due from Government		18,809	48,195
Taxation - net		-	11,759
Cash and bank balances		139,934	128,920
		<u>1,425,302</u>	<u>1,336,151</u>
TOTAL ASSETS		<u>4,043,761</u>	<u>3,960,097</u>
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
unappropriated profit		914,070	810,975
		<u>1,274,070</u>	<u>1,170,975</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		760,019	760,019
NON CURRENT LIABILITIES			
Long term financing	9	140,972	158,334
Long term diminishing musharaka	10	-	83,333
Long term murabaha	11	-	38,889
Deferred liabilities		345,355	357,819
		<u>486,327</u>	<u>638,375</u>
CURRENT LIABILITIES			
Trade and other payables		620,568	617,980
Mark-up accrued		15,457	35,801
Short term borrowings		517,626	410,558
Current portion of long term liabilities		326,389	326,389
Taxation - net		43,305	-
		<u>1,523,345</u>	<u>1,390,728</u>
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		<u>4,043,761</u>	<u>3,960,097</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, 2012**

	Note	Quarter ended September 30,	
		2012	2011
		(Rupees in thousand)	
Sales - net		994,601	856,500
Cost of sales	13	<u>(732,363)</u>	<u>(720,542)</u>
Gross profit		262,238	135,958
Selling and distribution expenses		<u>(42,211)</u>	<u>(44,059)</u>
General and administrative expenses		<u>(34,312)</u>	<u>(26,207)</u>
Other operating expenses		<u>(11,366)</u>	<u>(1,458)</u>
Other operating income		<u>4,752</u>	<u>4,042</u>
		<u>(83,137)</u>	<u>(67,682)</u>
Operating profit		179,101	68,276
Financial charges		<u>(33,374)</u>	<u>(54,280)</u>
Profit before taxation		145,727	13,996
Taxation		<u>(42,632)</u>	<u>(5,727)</u>
Profit after taxation		<u>103,095</u>	<u>8,269</u>
Earnings per share - basic and diluted (Rupees)	15	<u>2.86</u>	<u>0.23</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, 2012**

Quarter ended September 30,
2012 2011
(Rupees in thousand)

Profit for the period	103,095	8,269
Other comprehensive income	-	-
Total comprehensive income for the period	<u>103,095</u>	<u>8,269</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, 2012**

	Quarter ended September 30,	
	2012	2011
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	145,727	13,996
Adjustments for items not involving movement of funds:		
Depreciation	42,817	42,436
Amortization of intangible assets	44	33
Provision for gratuity	2,641	1,270
Gain on sale of fixed assets	(615)	-
Gain on foreign exchange	(267)	(309)
Bad debts written off	106	481
Financial charges	33,374	54,280
Net cash flow before working capital changes	223,827	112,187
Decrease / (increase) in current assets		
Stores, spares and loose tools	(8,233)	7,231
Stock in trade	(99,798)	39,108
Trade debts	17,192	15,031
Loans and advances	(25,095)	(6,724)
Trade deposits and short term prepayments	(1,532)	(2,248)
Other receivables	(1,655)	676
	(119,121)	53,074
Increase / (decrease) in current liabilities		
Trade and other payables	2,587	63,970
Cash generated from operations	107,293	229,231
Income taxes paid	27,282	(14,646)
Gratuity paid	(568)	(223)
Financial charges paid	(53,718)	(83,786)
Net cash inflow from operating activities	80,289	130,576
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(13,194)	(1,438)
Additions to capital work in progress	(25,264)	(35,736)
Additions to intangible assets	(190)	-
Proceeds from sale of operating fixed assets	1,889	-
Long term deposits	-	(2,340)
Net cash outflow from investing activities	(36,759)	(39,514)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(17,362)	(23,611)
Repayment of long term diminishing musharaka	(83,333)	(83,334)
Repayment of long term murabaha	(38,889)	(38,888)
Dividend paid	-	(5)
Short term borrowings	107,068	42,075
Net cash outflow from financing activities	(32,516)	(103,763)
Net increase / (decrease) in cash and cash equivalents	11,014	(12,701)
Cash and cash equivalents at the beginning of the period	128,920	113,745
Cash and cash equivalents at the end of the period	139,934	101,044

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, 2012**

	Share Capital	Unappropriated profit	Total
	----- (Rupees in thousand) -----		
Balance as at July 01, 2011	360,000	699,696	1,059,696
Total Comprehensive income for the period	-	8,269	8,269
Balance as at September 30, 2011	<u>360,000</u>	<u>707,965</u>	<u>1,067,965</u>
Total Comprehensive income for the period	-	120,368	120,368
Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land	-	642	642
Final dividend 2011: Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2012	<u>360,000</u>	<u>810,975</u>	<u>1,170,975</u>
Total Comprehensive income for the period	-	103,095	103,095
Balance as at September 30, 2012	<u><u>360,000</u></u>	<u><u>914,070</u></u>	<u><u>1,274,070</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, 2012**

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.

A merger petition was filed in the Honorable Lahore High Court for the amalgamation/merger of Chemi Chloride Industries Limited, the wholly owned subsidiary Company with and into Ittehad Chemicals Limited, the Holding Company. The last hearing took place on October 03, 2012 in the Honorable Lahore High Court in which the Court has ordered that the merger/amalgamation of Chemi Chloride Industries Limited with and into Ittehad Chemicals Limited stands completed with effect from October 03, 2012.

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, 2012.

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 Pakistan Rupee, 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, 2012.

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, 2012.

	(Unaudited) September 30, 2012	(Audited) June 30, 2012
Note	(Rupees in thousand)	
6 OPERATING FIXED ASSETS		
Opening book value (NBV)	2,371,349	2,342,327
Additions / revaluation (at cost) during the period / year	6.1 <u>26,518</u>	<u>264,341</u>
	<u>2,397,867</u>	<u>2,606,668</u>
Disposals (at NBV) during the period / year	6.2 <u>(1,274)</u>	<u>(55,948)</u>
Depreciation charged during the period / year	<u>(42,817)</u>	<u>(179,371)</u>
	<u>(44,091)</u>	<u>(235,319)</u>
Closing net book value (NBV)	<u>2,353,776</u>	<u>2,371,349</u>
6.1 Details of additions (at cost) during the period / year are as follows:		
Land	-	11,602
Plant and machinery	13,704	235,942
Other equipment	4,321	6,750
Furniture and fixtures	269	194
Office and other equipment	6,578	5,173
Vehicles	1,646	4,680
	<u>26,518</u>	<u>264,341</u>
6.2 Details of disposals (at NBV) during the period / year are as follows:		
Land	-	12,000
Plant and machinery	-	43,329
Office and other equipment	49	-
Vehicles	1,225	619
	<u>1,274</u>	<u>55,948</u>
7 CAPITAL WORK IN PROGRESS		
Plant and machinery	51,382	39,442
Intangible Assets	<u>3,500</u>	<u>3,500</u>
	<u>54,882</u>	<u>42,942</u>

7.1 An amount of Rs. 13.324 million (June 30, 2012: Rs. 235.148 million) has been transferred to operating fixed assets during the period.

	(Unaudited) September 30, 2012 (Rupees in thousand)	(Audited) June 30, 2012
8 SHARE CAPITAL		
8.1 Authorized share capital		
50,000,000 (June 30, 2012: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2012: 25,000,000) preference shares of Rs. 10/- each	<u>250,000</u>	<u>250,000</u>
	<u><u>750,000</u></u>	<u><u>750,000</u></u>
8.2 Issued, subscribed and paid up share capital		
100,000 (June 30, 2012: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2012: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2012: 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	240,278	322,222
Repayments made during the period / year	<u>(17,362)</u>	<u>(81,944)</u>
	222,916	240,278
Current portion shown under current liabilities	<u>(81,944)</u>	<u>(81,944)</u>
	<u><u>140,972</u></u>	<u><u>158,334</u></u>
10 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- secured		
Balance as at July 01	250,000	416,667
Repayments made during the period / year	<u>(83,333)</u>	<u>(166,667)</u>
	166,667	250,000
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u><u>-</u></u>	<u><u>83,333</u></u>
11 LONG TERM MURABAHA		
From banking companies - secured		
Balance as at July 01	116,667	194,444
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,777)</u>
	77,778	116,667
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u><u>-</u></u>	<u><u>38,889</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, 2012: 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 has 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 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, 2012: 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. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.
- c) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.882 million (June 30, 2012: Rs. 2.882 million) against these claims.
- d) Letters of guarantee outstanding as at September 30, 2012 were Rs. 202.243 million (June 30, 2012: Rs. 202.645 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 263 million (June 30, 2012: Rs. 263 million).

12.2 Commitments

Commitments as on September 30, 2012 were as follows:

- a) Against letters of credit amounting to Rs. 12.644 million (June 30, 2012: Rs. 30.976 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2012: Rs. 1.838 million).

	(Unaudited) September 30, 2012	(Audited) June 30, 2012
	(Rupees in thousand)	
c) Ujrah payments under Ijarah:		
Not later than one year	36,722	38,014
Later than one year and not later than five year	88,228	95,848
	<u>124,950</u>	<u>133,862</u>

(Unaudited)
 Quarter ended September 30,
 2012 2011
 (Rupees in thousand)

13 COST OF SALES

Raw materials consumed	99,612	76,169
Other overheads		
Stores, spares and consumables	48,134	36,449
Packing materials consumed	1,555	2,036
Salaries, wages and other benefits	60,760	46,416
Fuel and power	514,383	447,529
Repair and maintenance	4,453	3,768
Rent, rates and taxes	8,528	7,005
Insurance	2,533	2,413
Depreciation	41,578	41,540
Vehicle running expenses	3,865	3,521
Postage, printing and stationery	114	147
Other expenses	162	438
	<u>686,065</u>	<u>591,262</u>
Opening work in process	10,746	10,077
Closing work in process	(10,756)	(10,819)
	<u>(10)</u>	<u>(742)</u>
Cost of goods manufactured	785,667	666,689
Cost of stores traded	11,140	411
Opening stock of finished goods	77,443	124,348
Closing stock of finished goods	(141,887)	(70,906)
	<u>(64,444)</u>	<u>53,442</u>
	<u>732,363</u>	<u>720,542</u>

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
Subsidiary company	Purchase of goods	21,709	-
Subsidiary / Associated	Sales of good and services	47,555	26,022
Subsidiary company	Land rentals	1,200	1,200
Subsidiary company	Loans and advances made	22,010	6,428
Subsidiary company	Mark up on loans and advances	1,105	1,121
Retirement benefit plans	Contribution to staff retirement benefit plans	71	61
Key management personnel	Remuneration and other benefits	17,681	15,652

(Unaudited)
 Quarter ended September 30,
 2012 2011

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	103,095	8,269
Weighted average number of ordinary shares - (In thousand)	<u>36,000</u>	<u>36,000</u>
Earnings per share - basic and diluted - (Rupees)	<u>2.86</u>	<u>0.23</u>

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 24, 2012 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, 2012
(UNAUDITED)**

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

It gives me immense pleasure 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, 2012.

The Directors' Report on the performance of Ittehad Chemicals Limited (ICL), for the first quarter ended September 30, 2012 has been presented separately.

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

The financial and operational results of the CCIL reflect significant improvement over those of the corresponding period of last year. This is visible from the robust sales growth of 101% that your Company has achieved during the first quarter. During the period under review, the Company registered total sales of Rs. 134.790 million as compared to the sales of Rs. 67.172 million for the corresponding period of last year. The Company has earned gross profit of Rs. 38.110 million as compared to gross profit of Rs. 14.319 million for the corresponding period of last year, representing an increase of 166%. The profit before tax for the period under review is Rs. 20.575 million as compared to loss before tax of Rs. 2.849 million for the corresponding period of last year, reflecting an increase of 822%. The Profit after tax is recorded at Rs. 18.951 million as against loss after tax of Rs. 3.497 million for the same period of last year, reflecting a tremendous increase of 642%. The subsidiary Company has therefore reported earnings per share (EPS) of Rs. 2.06 for the period under review, whereas group's earnings per share (EPS) is Rs. 3.39.

A merger petition was filed by the holding Company in the Honorable Lahore High Court for the amalgamation/merger of Chemi Chloride Industries Limited (CCIL), the wholly owned subsidiary Company with and into Ittehad Chemicals Limited (ICL), the holding Company. The last hearing took place on October 03, 2012 in the Honorable Lahore High Court in which the court has ordered the merger/amalgamation of Chemi Chloride Industries Limited with and into Ittehad Chemicals Limited with effect from October 03, 2012. As such, the subsidiary Company (CCIL) shall not continue as going concern, as a separate legal entity. The assets and liabilities of the subsidiary Company has been stated at book values, as these would be merged, with and into the holding Company's books, at book values as per the scheme of arrangement.

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 24, 2012
Lahore.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2012**

		(Unaudited) September 30, 2012	(Audited) June 30, 2012
	Note	(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,493,831	2,514,774
Capital work in progress	7	<u>54,882</u>	<u>42,942</u>
		2,548,713	2,557,716
Intangible assets		267	121
Goodwill		6,445	6,445
Investment property		71,100	71,100
Long term deposits		<u>37,622</u>	<u>37,622</u>
		<u>2,664,147</u>	<u>2,673,004</u>
CURRENT ASSETS			
Stores, spares and loose tools		401,590	390,733
Stock in trade		265,169	171,629
Trade debts		545,141	545,363
Loans and advances		36,895	28,676
Trade deposits and short term prepayments		7,619	6,089
Other receivables		10,355	10,355
Tax refunds due from Government		40,719	50,125
Taxation - net		-	12,776
Cash and bank balances		<u>140,715</u>	<u>130,406</u>
		<u>1,448,203</u>	<u>1,346,152</u>
TOTAL ASSETS		<u><u>4,112,350</u></u>	<u><u>4,019,156</u></u>
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
Unappropriated profit		<u>915,651</u>	<u>793,603</u>
		1,275,651	1,153,603
SURPLUS ON REVALUATION OF FIXED ASSETS		760,819	760,819
NON CURRENT LIABILITIES			
Long term financing	9	145,249	165,835
Long term diminishing musharaka	10	-	83,333
Long term murabaha	11	-	38,889
Deferred liabilities		<u>345,355</u>	<u>357,819</u>
		490,604	645,876
CURRENT LIABILITIES			
Trade and other payables		621,046	613,433
Mark-up accrued		17,003	37,911
Short term borrowings		553,996	445,758
Current portion of long term liabilities		351,626	361,756
Taxation - net		<u>41,605</u>	<u>-</u>
		1,585,276	1,458,858
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>4,112,350</u></u>	<u><u>4,019,156</u></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, 2012**

	Quarter ended September 30,	
	2012	2011
Note	(Rupees in thousand)	
Sales - net	1,070,153	901,713
Cost of sales	13 <u>(768,283)</u>	<u>(749,915)</u>
Gross profit	<u>301,870</u>	<u>151,798</u>
Selling and distribution expenses	<u>(54,575)</u>	<u>(55,942)</u>
General and administrative expenses	<u>(35,325)</u>	<u>(27,223)</u>
Other operating expenses	<u>(12,487)</u>	<u>(1,489)</u>
Other operating income	<u>2,318</u>	<u>1,405</u>
	<u>(100,069)</u>	<u>(83,249)</u>
Operating profit	201,801	68,549
Financial charges	<u>(35,497)</u>	<u>(57,401)</u>
Profit before taxation	166,304	11,148
Taxation	<u>(44,256)</u>	<u>(6,375)</u>
Profit after taxation	<u>122,048</u>	<u>4,773</u>
Profits attributable to equity holders of holding company	<u>122,048</u>	<u>4,773</u>
	<u>122,048</u>	<u>4,773</u>
Earnings per share - basic and diluted (Rupees)	15 <u>3.39</u>	<u>0.13</u>

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



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	Quarter ended September 30,	
	2012	2011
	(Rupees in thousand)	
Profit for the period	122,048	4,773
Other comprehensive income	-	-
Total comprehensive income for the period	<u>122,048</u>	<u>4,773</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, 2012**

	Quarter ended September 30,	
	2012	2011
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	166,304	11,148
Adjustments for items not involving movement of funds:		
Depreciation	46,241	46,225
Amortization of intangible assets	44	33
Provision for gratuity	2,641	1,270
Gain on sale of fixed assets	(615)	-
Gain on foreign exchange	(640)	(495)
Bad debts written off	106	481
Financial charges	35,497	57,401
Net cash flow before working capital changes	249,578	116,063
Decrease / (increase) in current assets		
Stores, spares and loose tools	(10,857)	6,673
Stock in trade	(93,540)	42,345
Trade debts	756	18,371
Loans and advances	(8,219)	137
Trade deposits and short term prepayments	(1,530)	(2,267)
Tax refunds due from Government	(19,980)	961
	(133,370)	66,220
Increase / (decrease) in current liabilities		
Trade and other payables	7,613	61,116
Cash generated from operations	123,821	243,399
Taxes paid	24,975	(15,249)
Gratuity paid	(568)	(223)
Financial charges paid	(56,405)	(86,866)
Net cash inflow from operating activities	91,823	141,061
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets-net	(13,249)	(1,522)
Additions to capital work in progress	(25,264)	(35,736)
Additions to intangible assets	(190)	-
Proceeds from sale of operating fixed assets	1,889	-
Long term deposits	-	(2,340)
Net cash outflow from investing activities	(36,814)	(39,598)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(30,716)	(31,468)
Repayment of long term musharaka	(83,333)	(83,334)
Repayment of long term murabaha	(38,889)	(38,888)
Dividend paid	-	(5)
Short term borrowings	108,238	36,101
Net cash outflow from financing activities	(44,700)	(117,594)
Net increase / (decrease) in cash and cash equivalents	10,309	(16,131)
Cash and cash equivalents at the beginning of the period	130,406	117,434
Cash and cash equivalents at the end of the period	140,715	101,303

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, 2012**

	Attributable to the equity holders of the holding company		
	Share Capital	Unappropriated profit	Grand Total
	(Rupees in thousand)		
Balance as at July 01, 2011	360,000	651,100	1,011,100
Comprehensive income for the period	-	4,773	4,773
Balance as at September 30, 2011	<u>360,000</u>	<u>655,873</u>	<u>1,015,873</u>
Comprehensive income for the period	-	155,088	155,088
Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land	-	642	642
Final dividend 2011: Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2012	<u>360,000</u>	<u>793,603</u>	<u>1,153,603</u>
Comprehensive income for the period	-	122,048	122,048
Balance as at September 30, 2012	<u>360,000</u>	<u>915,651</u>	<u>1,275,651</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, 2012****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 pills.

A merger petition was filed by the Holding Company in the Honorable Lahore High Court for the amalgamation /merger of the wholly owned subsidiary Company with and into the Holding Company. The last hearing took place on October 03, 2012 in the Honorable Lahore High Court in which the Court has ordered that the merger/amalgamation of Chemi Chloride Industries Limited with and into Ittehad Chemicals Limited stands completed with effect from October 03, 2012. As such, the Subsidiary Company shall not continue as going concern, as a separate legal entity. The assets and liabilities of the Subsidiary Company has been stated at book values, as these would be merged, with and into the Holding Company's books, at book values as per the scheme of arrangement approved by the Court.

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, 2012.

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 Rupee, which is the functional currency of the Group.

1st Quarterly Report September 30, 2012

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, 2012.

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, 2012.

		(Unaudited) September 30, 2012	(Audited) June 30, 2012
	Note	(Rupees in thousand)	
6 OPERATING FIXED ASSETS			
Opening book value		2,514,774	2,498,639
Additions / revaluation (at cost) during the period / year	6.1	26,572	266,633
		<u>2,541,346</u>	<u>2,765,272</u>
Disposals during the period / year	6.2	(1,274)	(55,948)
Depreciation charged during the period / year		(46,241)	(194,550)
		<u>(47,515)</u>	<u>(250,498)</u>
Closing book value		<u>2,493,831</u>	<u>2,514,774</u>
6.1 Details of additions during the period / year are as follows:			
Land		-	12,902
Building		-	691
Plant and machinery		13,704	235,942
Other equipment		4,321	6,805
Furniture and fixtures		269	220
Office and other equipment		6,632	5,393
Vehicles		1,646	4,680
		<u>26,572</u>	<u>266,633</u>
6.2 Details of disposals during the period / year are as follows:			
Land		-	12,000
Plant and machinery		-	43,329
Office and other equipment		49	-
Vehicles		1,225	619
		<u>1,274</u>	<u>55,948</u>
7 CAPITAL WORK IN PROGRESS			
Plant and machinery		51,382	39,442
Intangible assets		3,500	3,500
		<u>54,882</u>	<u>42,942</u>
7.1 An amount of Rs. 13.324 million (June 30, 2012: Rs. 236.148 million) has been transferred to operating fixed assets during the period.			

	(Unaudited) September 30, 2012	(Audited) June 30, 2012
8 SHARE CAPITAL		
	(Rupees in thousand)	
8.1 Authorized Share Capital		
50,000,000 (June 30, 2012: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2012: 25,000,000) preference shares of Rs. 10/- each	<u>250,000</u>	<u>250,000</u>
	<u>750,000</u>	<u>750,000</u>
8.2 Issued, subscribed and paid up capital		
100,000 (June 30, 2012: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2012: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2012: 11,000,000) fully paid bonus shares	<u>110,000</u>	<u>110,000</u>
	<u>360,000</u>	<u>360,000</u>
9 LONG TERM FINANCING		
From banking companies and financial institutions- secured		
Balance as at July 01	272,336	385,201
Repayments made during the period / year	<u>(24,716)</u>	<u>(112,865)</u>
	247,620	272,336
From directors and others - unsecured		
Balance as at July 01	10,810	10,810
Repayments made during the period / year	<u>(6,000)</u>	<u>-</u>
	4,810	10,810
	<u>252,430</u>	<u>283,146</u>
Current portion shown under current liabilities	<u>(107,181)</u>	<u>(117,311)</u>
	<u>145,249</u>	<u>165,835</u>
10 LONG TERM DIMINISHING MUSHARAKA		
From banking companies and financial institutions- Secured		
Balance as at July 01	250,000	416,667
Repayments made during the period / year	<u>(83,333)</u>	<u>(166,667)</u>
	166,667	250,000
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u>-</u>	<u>83,333</u>
11 LONG TERM MURABAHA		
From banking companies - secured		
Balance as at July 01	116,667	194,444
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,777)</u>
	77,778	116,667
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>-</u>	<u>38,889</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, 2012: 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 has filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in 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 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, 2012: 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. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. 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 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. 2.882 million (June 30, 2012: Rs. 2.882 million) against these claims.
- d) Letters of guarantee outstanding as at September 30, 2012 were Rs. 210.058 million (June 30, 2012: Rs. 208.920 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 263 million (June 30, 2012: Rs. 263 million).

12.2 Commitments

Commitments as on September 30, 2012 were as follows:

- a) Against letters of credit amounting to Rs. 20.678 million (June 30, 2012: Rs. 38.241 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2012: Rs. 1.838 million).

	(Unaudited) September 30, 2012	(Audited) June 30, 2012
	(Rupees in thousand)	
c) Ujrah payments under Ijarah:		
Not later than one year	36,722	38,014
Later than one year and not later than five year	88,228	95,848
	<u>124,950</u>	<u>133,862</u>

(Unaudited)
Quarter ended September 30,
2012 2011
(Rupees in thousand)

13 COST OF SALES

Raw materials consumed	89,695	74,831
Other overheads		
Stores, spares and consumables	45,427	40,392
Packing materials consumed	8,231	5,729
Salaries, wages and other benefits	66,377	50,171
Fuel and power	535,911	459,817
Repair and maintenance	5,931	4,713
Rent, rate and taxes	8,528	7,170
Insurance	2,676	2,553
Depreciation	44,955	45,268
Vehicle running expenses	3,993	3,608
Postage, printing and stationery	114	147
Other expenses	266	438
	<u>722,409</u>	<u>620,006</u>
Opening work in process	12,711	11,449
Closing work in process	(12,758)	(12,371)
	<u>(47)</u>	<u>(922)</u>
Cost of goods manufactured	812,057	693,915
Cost of stores traded	17,107	411
Opening stock of finished goods	92,983	128,495
Closing stock of finished goods	(153,864)	(72,906)
	<u>(60,881)</u>	<u>55,589</u>
	<u><u>768,283</u></u>	<u><u>749,915</u></u>

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
Associated company	Sales of goods	45	48
Retirement benefit plans	Contribution to staff retirement benefit plans	71	61
Key management personnel	Remuneration and other benefits	19,257	17,107

(Unaudited)
 Quarter ended September 30,
 2012 2011

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation - (Rupees in thousand)	122,048	4,773
Weighted average number of ordinary shares - (in thousand)	36,000	36,000
Earnings per share - basic and diluted - (Rupees)	3.39	0.13

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 24, 2012 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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