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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Sattar Mr. Fawad Yousuf	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Mansoor Ahmed Mr. Abdul Sattar Khatri Mr. Mohammad Siddique	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Noor Zaman Khan	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042- 6306586 - 88 Fax : 042- 6365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042-7980026 - 28 Fax : 042-7990544	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042-5839182 Fax: 042-5869037	
BANKERS TO THE COMPANY	Askari Commercial Bank Ltd Metropolitan Bank Ltd Muslim Commercial Bank Ltd Pakistan Industrial Credit & Investment Corporation Ltd Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd Pak Libya Holding Co. (Pvt.) Ltd Bank of Punjab Faysal Bank United Bank Ltd KASB Bank Limited Union Bank Ltd Citi Bank	
AUDITORS	M/s. Ebrahim & Co., Chartered Accountants, 3 rd Floor, Saeed Plaza, 22-East Blue Area, Jinnah Avenue, Islamabad Ph : 051-2271816, 2876670, 2872750 Fax : 051-2277995	
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

On behalf of the Board of Directors of Ittehad Chemicals Limited I am pleased to present the un-audited accounts of the Company for the quarter ended September 30, 2005.

Your Company continues to head towards growth in the period under review and turnover for the quarter touched to Rs. 522.08 million, which is Rs. 85.78 million higher than the quarter of the preceding year, giving an improvement of 19.67%. This increase in sales depicts the increasing trend in demand of our products. The increase, no doubt, posted a positive impact on Company's profitability and all the profitability indicators show an upward movement over the corresponding period of last year as is evident from the statistics given here under:

<i>Description</i>	<i>September 2005</i>	<i>September 2004</i>	<i>Progress</i>
	<i>Rs. in Million</i>	<i>Rs. in Million</i>	<i>%age</i>
Net sales	522.08	436.28	19.67
Gross profit	104.25	69.84	49.26
Profit from operations	70.38	46.76	50.51
Profit before tax	46.24	33.77	36.90
Profit after tax	27.39	16.21	68.99

Other items that caused hike in profitability includes revision in products' prices and reduced power cost resulting from shifting of major part of production to IEM plant and reduction in unit cost of power produced at captive power plant. Our Power Plant, Alhamdulillah, has started commercial production from the mid of September 2005. It will gradually lessen our dependence on WAPDA in addition to reducing products costs thereby improving profit margins in future.

Caustic Soda and Sodium Hypochlorite have seen continuing growth and we are confident that this trend will continue in the forthcoming quarters. In view of growing demand of caustic soda we are aggressively working on IEM expansion project. The project will not only enhance the production capacity of the Company but will also give production at lower cost which will ultimately increase shareholders' wealth.

Establishing and maintaining strong relationships with our customers and all the stakeholders is at the core of the Company's business.

We take this opportunity to extend thanks to our customers, employees and all other stakeholders of the Company for their continuing support, commitment and cooperation.

On behalf of the Board



Muhammad Siddique Khatri
Chief Executive

Lahore: October 27, 2005

BALANCE SHEET AS AT SEPTEMBER 30, 2005

	Note	September 2005 Un-audited (Rupees in thousand)	June 2005 Audited
ASSETS			
NON CURRENT ASSETS			
Property, Plant and equipment			
Operating fixed assets	4	1,421,878	686,562
Capital work in progress		178,982	807,334
		<u>1,600,860</u>	<u>1,493,896</u>
Mercury in cells		39,830	39,830
		<u>1,640,690</u>	<u>1,533,726</u>
Long term investments		467	341
Deferred cost		2,391	2,601
Long term deposits		14,658	14,658
		<u>1,658,206</u>	<u>1,551,326</u>
CURRENT ASSETS			
Stores, spares and loose tools		367,571	232,708
Stock in trade		126,484	95,014
Trade debts		176,191	171,516
Loans and Advances		101,762	118,800
Trade deposits and short term prepayments		10,795	4,198
Other receivables		252	8,964
Tax refunds due from the Government		12,908	59,968
Taxation – net		73,871	75,773
Cash and bank balances	5	44,512	80,831
		<u>914,346</u>	<u>847,772</u>
TOTAL ASSETS		<u><u>2,572,552</u></u>	<u><u>2,399,098</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 shares of Rs. 10/- each	6	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up capital			
30,000,000 ordinary shares of Rs.10/- each		300,000	300,000
Capital reserve -Fair value reserve		459	333
Un-appropriated profits		233,910	206,516
Shareholders' equity		<u>534,369</u>	<u>506,849</u>
NON CURRENT LIABILITIES			
Redeemable capital		166,533	166,533
Long term financing		534,981	592,820
Long term Morabaha		302,250	187,500
Deferred liabilities		133,409	117,154
		<u>1,137,173</u>	<u>1,064,007</u>
CURRENT LIABILITIES			
Trade and other payables		261,187	201,683
Mark up accrued		31,418	18,025
Short term borrowings		320,178	359,397
Current portion of long term financing		288,227	249,137
		<u>901,010</u>	<u>828,242</u>
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>2,572,552</u></u>	<u><u>2,399,098</u></u>

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



CHIEF EXECUTIVE




DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

	Note	September 2005 (Rupees in thousand)	September 2004
Sales		522,081	436,277
Cost of sales	8	417,832	366,434
Gross profit		104,249	69,843
Selling and distribution expenses		(20,594)	(13,087)
Administrative expenses		(11,392)	(9,560)
Other operating expenses		(2,484)	(1,816)
Other operating income		603	1,381
		33,867	23,082
Operating profit		70,382	46,761
Financial cost		24,145	12,988
Profit before taxation		46,237	33,773
Taxation			
Current		2,700	2,200
Deferred		16,143	15,362
		18,843	17,562
Profit after taxation		27,394	16,211
Basic and diluted earnings per share:	9		
Before provision for taxation		Rs. 1.54	Rs. 1.13
After provision for taxation		Rs. 0.91	Rs. 0.54

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


CHIEF EXECUTIVE


DIRECTOR

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

	September 2005	September 2004
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Funds provided from operations		
Net profit for the period	46,237	33,773
Adjustments for items not involving movement of funds:		
Depreciation	24,002	18,958
Loss / (Gain) on sale of fixed assets	-	(83)
Provision for gratuity	113	
Amortization of deferred cost	213	213
Mercury consumed	2,733	2,023
Financial cost	24,145	12,988
	<u>97,443</u>	<u>67,872</u>
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(134,863)	(10,797)
Stock in trade	(1,673)	(7,501)
Trade debts	(4,675)	(6,903)
Loans and Advances	17,038	(5,053)
Trade deposits and short term prepayments	(6,597)	(1,394)
Other receivables	8,712	-
Tax refunds due from the Government	47,060	-
	<u>(74,998)</u>	<u>(31,648)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	59,504	3,897
Cash generated from operations	<u>81,949</u>	<u>40,121</u>
Taxes paid	(798)	(1,029)
Gratuity paid	-	(68)
Net cash inflow from operating activities	<u>81,151</u>	<u>39,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(759,318)	(1,552)
Less: Transfers from capital work in progress	757,801	931
	<u>(1,517)</u>	<u>(621)</u>
Additions to capital work in progress	(115,341)	(48,930)
Proceeds from sale of operating fixed assets	-	445
Mercury purchases	(32,530)	-
Net cash outflow from investing activities	<u>(149,388)</u>	<u>(49,106)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(24,998)	(21,851)
Long term morabaha	121,000	-
Liabilities against assets subject to finance leases	-	(105)
Finance cost paid	(24,865)	(7,367)
Short term borrowings	(39,219)	44,259
Net cash inflow from financing activities	<u>31,918</u>	<u>14,936</u>
Net (decrease) / increase in cash and cash equivalents	<u>(36,319)</u>	<u>4,854</u>
Cash and cash equivalents at the beginning of the period	80,831	30,731
Cash and cash equivalents at the end of the period	<u>44,512</u>	<u>35,585</u>

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



CHIEF EXECUTIVE


DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

	Issued, subscribed and paid up capital	Un- appropriated profit	Capital reserve – Fair value reserve	Total
(Rupees in thousand)				
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
Fair value gain	–	–	292	292
Profit after taxation for the year	–	61,673	–	61,673
Issue of bonus shares	50,000	(50,000)	–	–
Balance as at Sep 30, 2005	300,000	233,910	459	534,369

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


CHIEF EXECUTIVE


DIRECTOR

**NOTES TO THE CONDENSED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(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. The Company also deals in real estate business.

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 quarterly financial statements are the same as those of published annual financial statements for the year ended June 30, 2005.

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.

**NOTES TO THE CONDENSED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

4. OPERATING FIXED ASSETS

The following operating fixed assets have been added, transferred and deleted during the period ended September 30, 2005:

Particulars	Additions	Transfers from capital work in progress
	(Rupees in thousand)	
Building	29,373	29,373
Plant and machinery	728,428	728,428
Furniture and fixtures	150	-
Office and other equipments	392	-
Vehicles	975	-
	<u>759,318</u>	<u>757,801</u>
	September 2005	June 2005
	(Rupees in thousand)	

5. CASH AND BANK BALANCES

Cash in hand	2,406	1,445
Cash at banks:		
in current accounts	42,087	79,367
in deposit accounts	19	19
	<u>42,106</u>	<u>79,386</u>
	<u>44,512</u>	<u>80,831</u>

**NOTES TO THE CONDENSED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

6. AUTHORIZED SHARE CAPITAL

	September 2005	June 2005
	(Rupees in thousand)	
50,000,000 ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 preference shares of Rs. 10/- each	250,000	250,000
	<u>750,000</u>	<u>750,000</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 withholding 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
Guarantees issued by banks on behalf of the Company	83,643	84,843
	<u>130,519</u>	<u>131,719</u>

7.2 Commitments

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

Against outstanding letters of credit	170,874	236,894
Against purchase of land	63,400	64,400
	<u>234,274</u>	<u>301,294</u>

**NOTES TO THE CONDENSED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

	September 2005	September 2004
	(Rupees in thousand)	
8. COST OF GOODS SOLD		
Cost of goods manufactured	414,051	361,244
Cost of raw materials traded	-	725
Cost of stores traded	129	3,095
	<u>414,180</u>	<u>365,064</u>
Finished goods		
Opening stock	14,371	12,671
Purchases	-	1,100
Closing stock	(10,719)	(12,401)
	<u>3,652</u>	<u>1,370</u>
	<u><u>417,832</u></u>	<u><u>366,434</u></u>

9. BASIC AND DILUTED EARNINGS PER SHARE

	(Rupees in thousand)	
Profit before taxation	<u>46,237</u>	<u>33,773</u>
Profit after taxation	<u>27,394</u>	<u>16,211</u>
	Number of shares in thousand	
Average issued ordinary shares	<u>30,000</u>	<u>30,000</u>
Earnings per share before provision for taxation	<u>Rs. 1.54</u>	<u>Rs. 1.13</u>
Earnings per share after provision for taxation	<u>Rs. 0.91</u>	<u>Rs. 0.54</u>

**NOTES TO THE CONDENSED ACCOUNTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

**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 are as follows:

	September 2005	September 2004
	(Rupees in thousand)	
Marketing service charges	5,256	4,389
Sale of goods and services	10,743	29,444
Contribution to staff retirement benefit plans	33	31
Remuneration to key management personnel	1,650	705

11. GENERAL

- i) These financial statements were authorized for the issue on October 27, 2005 by the Board of Directors of the Company.
- ii) Figures have been rounded off to the nearest rupees in thousand unless otherwise stated.


CHIEF EXECUTIVE


DIRECTOR