

**ITTEHAD CHEMICALS LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Abdul Sattar Mr. Fawad Yousuf Ms. Rushda Mustafa	Chairman & Chief Executive Director Director Director Director Director Director
<b>AUDIT COMMITTEE</b>	Mr. Mansoor Ahmed Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor Khatri	Chairman Member Member
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Javed Iqbal	
<b>COMPANY SECRETARY</b>	Mr. Waheed Ashraf	
<b>REGISTERED OFFICE/HEAD OFFICE</b>	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042 - 36306586 - 88 Fax : 042 - 36365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
<b>PLANT</b>	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042 - 37950222-25 Fax : 042 - 37950206	
<b>SHARE REGISTRARS</b>	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042 - 35839182 Fax: 042 - 35869037	
<b>BANKERS TO THE COMPANY</b>	Askari Bank Limited Habib Metropolitan Bank Limited MCB Bank Ltd Pak Libya Holding Co. (Pvt.) Limited Pakistan Kuwait Investment Co. (Pvt.) Limited The Bank of Punjab Allied Bank Limited Faysal Bank Limited United Bank Limited KASB Bank Limited Standard Chartered Bank Limited Citi Bank Atlas Bank Limited Dawood Islamic Bank Limited National Bank of Pakistan	
<b>AUDITORS</b>	M/s. BDO Ebrahim & Co., Chartered Accountants, 2 <sup>nd</sup> Floor, Block-C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021-35683189-35683498 Fax: 021-35684239	
<b>LEGAL ADVISORS</b>	M/s. Tahir Ali Tayebi & Co. 310, Marine Point, Schon Circle, Block 9, Clifton, Karachi. Ph : 021-35370458 Fax : 021-35370459	

## DIRECTORS' REPORT

On behalf of the Board of Directors of Ittehad Chemicals Limited, I am pleased to present the un-audited financial statements of the Company for the first quarter ended September 30, 2010.

### Financial Results


During this quarter the Company has witnessed lackluster financial results owing to difficult market and economic conditions prevailing in the country. The Company has recorded sales of Rs. 788.208 million against sales of Rs. 740.845 million for the corresponding period of last year, representing increase of 6%. As against this the Company's cost of sales for the quarter under review has increased by 15% from the corresponding period of last year due to increase in fuel & power rates and sky rocketing inflation, resulting in the decrease in gross profit by 18%.

Consequently during the period, profit before tax dropped to Rs. 39.722 million as compared to Rs. 58.620 million for the corresponding period of last year. The Company delivered profit after tax of Rs. 24.217 million as compared to Rs. 38.432 million for the corresponding period of last year. The earning per share for the period is Re. 0.67 as compared to Rs. 1.07 for the corresponding period of last year.

Looking forward, despite of all above formidable challenges and anticipated gas load shedding in winter season, our focus will be to remain profitable in the existing lines of business by improving our operational performance, reducing costs and developing competitive marketing strategies.

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 28, 2010  
Lahore.

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2010 (UN-AUDITED)

	September 30, 2010 (Un-audited)	June 30, 2010 (Audited)
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment		
Operating fixed assets	6 2,293,223	2,299,211
Capital work in progress	7 68,712	54,380
	2,361,935	2,353,591
Intangible assets	1,181	1,462
Investment properties	82,250	82,250
Long term investments	87,400	87,400
Long term deposits	21,434	21,449
	2,554,200	2,546,152
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	431,145	437,333
Stock in trade	143,173	161,585
Trade debts	509,257	473,583
Loans and advances	50,206	48,916
Trade deposits and short term prepayments	11,502	4,612
Other receivables	5,133	16,540
Tax refunds due from Government	31,893	43,570
Taxation - net	11,068	7,007
Cash and bank balances	16,469	15,132
	1,209,846	1,208,278
	3,764,046	3,754,430
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital	8.1 750,000	750,000
Issued, subscribed and paid up capital	8.2 360,000	360,000
Reserves	641,150	616,933
	1,001,150	976,933
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
	749,059	749,059
<b>NON CURRENT LIABILITIES</b>		
Long term financing	9 197,917	172,222
Long term diminishing musharaka	10 333,333	416,666
Long term murabaha	11 155,555	194,444
Deferred liabilities	318,353	316,806
	1,005,158	1,100,138
<b>CURRENT LIABILITIES</b>		
Trade and other payables	303,190	321,693
Mark-up accrued	24,279	58,724
Short term borrowings	383,293	262,466
Current portion of long term liabilities	297,917	285,417
	1,008,679	928,300
<b>CONTINGENCIES AND COMMITMENTS</b>		
	12 -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	3,764,046	3,754,430

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



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

Note	Quarter ended	
	September 30, 2010	September 30, 2009
(Rupees in thousand)		
Sales - net	788,208	740,845
Cost of sales	<u>(628,427)</u>	<u>(544,987)</u>
Gross profit	159,781	195,858
Selling and distribution expenses	<u>(41,538)</u>	<u>(54,267)</u>
General and administrative expenses	<u>(27,790)</u>	<u>(27,700)</u>
Other operating expenses	<u>(3,136)</u>	<u>(4,753)</u>
Other operating income	<u>5,184</u>	<u>4,624</u>
	<u>(67,280)</u>	<u>(82,096)</u>
Operating profit	92,501	113,762
Financial charges	<u>(52,779)</u>	<u>(55,142)</u>
Profit before taxation	39,722	58,620
Taxation	<u>(15,505)</u>	<u>(20,188)</u>
Profit after taxation	<u>24,217</u>	<u>38,432</u>
Earning per share - basic and diluted (Rupees)	15 <u>0.67</u>	<u>1.07</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  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Quarter ended	
	September 30, 2010	September 30, 2009
(Rupees in thousand)		
Profit for the period	24,217	38,432
<b>Other comprehensive income</b>		
Surplus / (deficit) on remeasurement of available for sale financial assets	-	94
<b>Total comprehensive income for the period</b>	<u>24,217</u>	<u>38,526</u>

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


  
CHIEF EXECUTIVE

  
DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Quarter ended	
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	39,722	58,620
Adjustments for items not involving movement of funds:		
Depreciation	42,326	44,989
Amortization of intangible assets	528	496
Provision for gratuity	1,270	491
Gain on sale of fixed assets	(342)	(119)
Gain on foreign exchange	(103)	-
Financial charges	52,779	55,142
Net cash flow before working capital changes	136,180	159,619
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	6,188	(44,958)
Stock in trade	18,412	(108,445)
Trade debts	(35,571)	44,603
Loans and advances	(1,290)	(7,803)
Trade deposits and short term prepayments	(6,890)	(1,261)
Other receivables	11,407	(3,754)
	(7,744)	(121,618)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(18,503)	78,034
Cash generated from operations	109,933	116,035
Income taxes paid	(7,392)	(2,924)
Gratuity paid	(220)	(266)
Financial charges paid	(87,224)	(100,817)
Net cash inflow from operating activities	15,097	12,028
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(14,075)	(12,000)
Additions to capital work in progress	(37,028)	(10,567)
Additions to intangible assets	(247)	-
Proceeds from sale of operating fixed assets	775	527
Long term deposits	15	-
Net cash (used in) investing activities	(50,560)	(22,040)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	50,000	100,000
Repayment of long term financing	(11,805)	(15,625)
Repayment of long term diminishing musharaka	(83,333)	(83,334)
Repayment of long term murabaha	(38,889)	(38,889)
Repayment of liabilities against assets subject to finance lease	-	(116)
Dividend paid	-	(36,000)
Short term borrowings	120,827	120,763
Net cash inflow from financing activities	36,800	46,799
Net increase in cash and cash equivalents	1,337	36,787
Cash and cash equivalents at the beginning of the period	15,132	26,037
Cash and cash equivalents at the end of the period	16,469	62,824

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  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Issued, subscribed and paid-up capital	Capital reserve - Fair value reserve	Unappropriated profits	Total
	(Rupees in thousand)			
Balance as at July 01, 2009	360,000	378	530,127	890,505
Dividend paid	-	-	(36,000)	(36,000)
Comprehensive income for the period	-	94	38,432	38,526
Balance as at September 30, 2009	360,000	472	532,559	893,031
Dividend paid	-	-	(18,000)	(18,000)
Comprehensive income for the period	-	(472)	102,374	101,902
Balance as at June 30, 2010	36,000	-	616,933	976,933
Comprehensive income for the period	-	-	24,217	24,217
Balance as at September 30, 2010	36,000	-	641,150	1,001,150

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  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

**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 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. STATEMENT OF COMPLIANCE**

These condensed interim financial statements are unaudited and are being submitted to the shareholders 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, 2010.

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

**3. ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2010.

**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, 2010.

Note	September 30,	June 30,
	2010	2010
	(Un-audited)	(Audited)
	(Rupees in thousand)	

**6 OPERATING FIXED ASSETS**

Opening book value	2,299,211	2,422,693
Additions during the period / year	6.1 <u>36,771</u>	<u>167,777</u>
	2,335,982	2,590,470
Disposals during the period / year	6.2 <u>(433)</u>	<u>(103,577)</u>
Depreciation charged during the period / year	<u>(42,326)</u>	<u>(187,682)</u>
	<u>(42,759)</u>	<u>(291,259)</u>
Closing book value	<u>2,293,223</u>	<u>2,299,211</u>

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

Plant and machinery	35,406	157,628
Other equipment	80	1,226
Furniture and fixtures	52	61
Office and other equipment	466	2,205
Vehicles	767	6,657
	<u>36,771</u>	<u>167,777</u>

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

Plant and machinery	-	102,686
Vehicles	433	891
	<u>433</u>	<u>103,577</u>

**7 CAPITAL WORK-IN-PROGRESS**

Plant and machinery	68,130	53,798
Building	582	582
	<u>68,712</u>	<u>54,380</u>

7.1 An amount of Rs. 35.406 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

	September 30, 2010 (Un-audited) (Rupees in thousand)	June 30, 2010 (Audited)
<b>8 SHARE CAPITAL</b>		
<b>8.1 Authorized share capital</b>		
50,000,000 (June 30, 2010: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2010: 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>
<b>8.2 Issued, subscribed and paid up share capital</b>		
100,000 (June 30, 2010: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2010: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2010: 11,000,000) fully paid bonus shares	<u>110,000</u>	<u>110,000</u>
	<u>360,000</u>	<u>360,000</u>
<b>9 LONG TERM FINANCING</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	213,194	50,000
Obtained during the period / year	<u>50,000</u>	<u>194,444</u>
	263,194	244,444
Repayments made during the period / year	<u>(11,805)</u>	<u>(31,250)</u>
	251,389	213,194
Current portion shown under current liabilities	<u>(53,472)</u>	<u>(40,972)</u>
	<u>197,917</u>	<u>172,222</u>
<b>10 LONG TERM DIMINISHING MUSHARAKA</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	583,333	750,000
Repayments made during the period / year	<u>(83,333)</u>	<u>(166,667)</u>
	500,000	583,333
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u>333,333</u>	<u>416,666</u>

	September 30, 2010 (Un-audited) (Rupees in thousand)	June 30, 2010 (Audited)
<b>11 LONG TERM MURABAHA</b>		
From banking companies - secured		
Balance as at July 01	272,222	350,000
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,778)</u>
	233,333	272,222
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>155,555</u>	<u>194,444</u>
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Contingent liabilities</b>		
a) The Company had received 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 been decreased by Rs. 24.849 million. The company filed appeal before Commissioner of Income Tax (Appeals) Zone-1 against the impugned order who has given certain reliefs to the company. Both ICL and Income Tax Department has filed appeal before Income Tax Appellate Tribunal. However, if the case is decided against the company, the company may be liable to pay a tax liability of Rs. 8.697 million.		
b) The Company had received order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million. The company challenged it before Commissioner of Income Tax (Appeals) Zone-1 who decided the case in favour of the company. The department has filed appeal before Income Tax Appellate Tribunal. However if the case is decided against the company, it may result in tax payable of Rs. 12.069 million.		
c) The Company had received an order under section 161/205 of the Income Tax Ordinance, 2001 creating demand of Rs. 8.661 million. The company filed appeal before Commissioner of Income Tax (Appeals) Zone-1 who has granted certain reliefs to the company. Both Income Tax Department and company has filed appeal before Income Tax Appellate Tribunal. Company may be liable to pay tax of Rs. 8.661 million if the case is not decided in its favour.		
d) 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. 2.231 million (June 30, 2010: Rs. 2.231 million) against these claims.		
e) Letters of guarantee outstanding as at September 30, 2010 were Rs. 208.744 million (June 30, 2010: Rs. 217.348 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2010: Rs. 203 million).		
<b>12.2 Commitments</b>		
Commitments as on September 30, 2010 were as follows:		
a) Against letters of credit amounting to Rs. 50.040 million (June 30, 2010: Rs. 46.109 million).		
b) Against purchase of land amounting to Rs.1.838 million (June 30, 2010: Rs 1.838 million).		

September 30, 2010 (Un-audited) (Rupees in thousand)      June 30, 2010 (Audited) (Rupees in thousand)

c) Ujrah payments under Ijarah:

Not later than one year	27,476	27,196
Later than one year and not later than five year	96,166	108,782
	<u>123,642</u>	<u>135,978</u>

(Un-audited)  
Quarter ended  
September 30, 2010      September 30, 2009  
(Rupees in thousand)

13 COST OF SALES

Raw materials consumed	71,762	92,221
Other overheads		
Salaries, wages and other benefits	42,809	40,237
Stores, spares and consumables	44,211	27,566
Packing materials consumed	2,180	1,766
Fuel and power	391,358	375,721
Repair and maintenance	8,221	14,084
Rent, rates and taxes	6,846	-
Insurance	2,129	2,212
Vehicle running expenses	2,819	3,282
Postage, printing and stationery	105	235
Depreciation	41,151	43,681
Other expenses	138	855
	<u>541,967</u>	<u>509,639</u>
Opening work in process	8,165	4,384
Closing work in process	(8,368)	(4,789)
	<u>(203)</u>	<u>(405)</u>
Cost of goods manufactured	613,526	601,455
Cost of stores traded	2,233	-
Opening stock of finished goods	75,458	53,587
Closing stock of finished goods	(62,790)	(110,055)
	<u>12,668</u>	<u>(56,468)</u>
	<u>628,427</u>	<u>544,987</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:

(Un-audited)  
Quarter ended  
September 30, 2010      September 30, 2009  
(Rupees in thousand)

Relationship with the Company	Nature of transaction		
Associated company	Marketing services charges	5,880	7,991
Subsidiary / Associated companies	Sales of good and services	20,022	12,905
Subsidiary company	Land rentals	1,200	1,200
Subsidiary company	Loans and advances made	10,928	19,833
Subsidiary company	Mark up on loans and advances	835	813
Retirement benefit plans	Contribution to staff retirement benefit plans	58	47
Key management personnel	Remuneration and other benefits	11,956	12,079

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation	<u>24,217</u>	<u>38,432</u>
	<b>Number of Shares (in thousand)</b>	
Weighted average number of ordinary shares	<u>36,000</u>	<u>36,000</u>
	<b>Amount in Rupees</b>	
Earnings per share - basic and diluted	<u>0.67</u>	<u>1.07</u>

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 28, 2010 by the Board of Directors of the Company.

17 GENERAL

Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.

## DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors of Ittehad Chemicals Limited, I am pleased to present to you, the un-audited consolidated financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL) for the first quarter ended September 30, 2010.

The performance of the subsidiary Company, Chemi Chloride Industries Limited for the first quarter ended September 30, 2010, is commendable:

During the period under review, CCIL has witnessed improved financial results. The Company has recorded net sales of Rs. 73.927 million as compared to the sales of Rs. 46.984 million for the corresponding period of last year, representing an increase of 57%. The Company has earned gross profit of Rs. 24.677 million as compared to gross profit of Rs. 15.939 million for the corresponding quarter of last year, representing an increase of 55%. The profit before tax for the quarter under review is Rs. 5.135 million as compared to Rs. 1.904 million for the corresponding quarter of last year, showing an increase of 170%. The Profit after tax is recorded at Rs. 4.527 million as against profit after tax of Rs. 1.757 million for the same period of last year, showing an increase of 158%. The subsidiary Company has therefore reported earning per share of Re. 0.49 for the period under review, whereas group's earning per share is Re. 0.76.

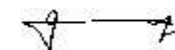
We take this opportunity to thank all our customers, shareholders, bankers, employees and workers for their continued cooperation and support for the progress and prosperity of the company.

### ITTEHAD CHEMICALS LIMITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

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On behalf of the Board



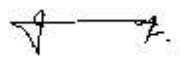
**MUHAMMAD SIDDIQUE KHATRI**  
CHIEF EXECUTIVE

October 28, 2010  
Lahore.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2010 (UN-AUDITED)**

	September 30, 2010	June 30, 2010
Note	(Un-audited) (Rupees in thousand)	(Audited)
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment		
Operating fixed assets	6 2,462,011	2,470,758
Capital work in progress	7 69,302	54,380
	2,531,313	2,525,138
Intangible assets	1,181	1,462
Goodwill	6,445	6,445
Investment properties	64,500	64,500
Long term deposits	32,134	21,449
	2,635,573	2,618,994
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	438,301	446,247
Stock in trade	173,601	197,815
Trade debts	527,486	501,812
Loans and advances	35,087	36,826
Trade deposits and short term prepayments	11,783	4,990
Other receivables	-	710
Tax refunds due from Government	49,764	49,651
Taxation - net	12,678	8,049
Cash and bank balances	16,790	15,399
	1,265,490	1,261,499
	3,901,063	3,880,493
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital	8.1 750,000	750,000
Issued, subscribed and paid up capital	8.2 360,000	360,000
Reserves	603,275	576,008
	963,275	936,008
Non controlling interest	11,218	9,740
	974,493	945,748
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
	748,559	748,559
<b>NON CURRENT LIABILITIES</b>		
Long term financing	9 253,039	235,201
Long term diminishing musharaka	10 333,333	416,666
Long term murabaha	11 155,555	194,444
Deferred liabilities	318,353	316,806
	1,060,280	1,163,117
<b>CURRENT LIABILITIES</b>		
Trade and other payables	318,028	328,016
Mark-up accrued	26,460	60,740
Short term borrowings	428,091	301,661
Current portion of long term liabilities	345,152	332,652
	1,117,731	1,023,069
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	3,901,063	3,880,493

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  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Quarter ended	
Note	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Sales - net	845,628	775,389
Cost of sales	13 (659,647)	(562,095)
Gross profit	185,981	213,294
Selling and distribution expenses	(54,616)	(64,393)
General and administrative expenses	(29,813)	(27,788)
Other operating expenses	(3,651)	(4,776)
Other operating income	3,031	2,329
	(85,049)	(94,628)
Operating profit	100,932	118,666
Financial charges	(56,074)	(58,911)
Profit before taxation	44,858	59,755
Taxation	(16,113)	(20,335)
Profit after taxation	28,745	39,420
Profits attributable to equity holders of holding company	27,267	38,520
Non controlling interest - share of profit	1,478	900
	28,745	39,420
Earning per share - basic and diluted (Rupees)	15 0.76	1.07

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  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Quarter ended	
	September 30, 2010	September 30, 2009
Profit for the period	27,267	38,520
<b>Other comprehensive income</b>		
Surplus / (deficit) on remeasurement of available for sale financial assets	-	94
<b>Total comprehensive income for the period</b>	<u>27,267</u>	<u>38,614</u>

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



CHIEF EXECUTIVE

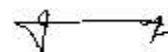


DIRECTOR

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

	Quarter ended	
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	44,858	59,755
Adjustments for items not involving movement of funds:		
Depreciation	46,538	49,235
Amortization of intangible assets	528	496
Provision for gratuity	1,270	491
Gain on sale of fixed assets	(342)	(119)
Gain on foreign exchange	(502)	-
Bad debts written off	674	-
Financial charges	56,074	58,911
Net cash flow before working capital changes	149,098	168,769
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	7,946	(45,966)
Stock in trade	24,214	(109,169)
Trade debts	(25,846)	35,339
Loans and advances	1,739	(9,637)
Trade deposits and short term prepayments	(6,793)	(2,050)
Other receivables	710	-
Tax refunds due from Government	(11,790)	(6,003)
	(9,820)	(137,486)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(9,988)	84,381
Cash generated from operations	129,290	115,664
Taxes paid	(8,568)	(3,263)
Gratuity paid	(220)	(266)
Financial charges paid	(90,354)	(103,842)
Net cash inflow from operating activities	30,148	8,293
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(15,528)	(12,227)
Additions to capital work in progress	(37,618)	(10,567)
Additions to intangible assets	(247)	-
Proceeds from sale of operating fixed assets	775	527
Long term deposits	(10,685)	-
Net cash outflow from investing activities	(63,303)	(22,267)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	50,000	100,000
Repayment of long term financing	(19,662)	(26,851)
Repayment of long term musharaka	(83,333)	(83,334)
Repayment of long term murabaha	(38,889)	(38,889)
Repayment of liabilities against assets subject to finance lease	-	(116)
Dividend paid	-	(36,000)
Short term borrowings	126,430	135,531
Net cash inflow / (outflow) from financing activities	34,546	50,341
Net increase / (decrease) in cash and cash equivalents	1,391	36,367
Cash and cash equivalents at the beginning of the period	15,399	26,494
Cash and cash equivalents at the end of the period	16,790	62,861

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



CHIEF EXECUTIVE



DIRECTOR

	Issued, subscribed and paid up capital	Capital reserve - Fair value	Unappropriated profits	Sub total	Minority - Share Capital	Minority - Share of profit / (loss)	Sub total	Grand Total
	----- (Rupees in thousand) -----							
Balance as at July 01, 2009	360,000	378	478,030	838,408	4,600	(339)	4,261	842,669
Dividend paid	-	-	(36,000)	(36,000)	-	-	-	(36,000)
Comprehensive income for the period	-	94	39,420	39,514	-	(900)	(900)	38,614
Balance as at September 30, 2009	360,000	472	481,450	841,922	4,600	(1,239)	3,361	845,283
Dividend paid	-	(472)	(18,000)	(18,000)	-	-	-	(18,000)
Comprehensive income for the period	-	-	112,558	112,086	-	6,379	6,379	118,465
Balance as at June 30, 2010	360,000	-	576,008	936,008	4,600	5,140	9,740	945,748
Comprehensive income for the period	-	-	27,267	27,267	-	1,478	1,478	28,745
Balance as at September 30, 2010	360,000	-	603,275	963,275	4,600	6,618	11,218	974,493

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 FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

### 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 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.

These condensed consolidated interim financial statements include financial statements of Ittehad Chemicals Limited (Holding company) and Chemi Chloride Industries Limited (Subsidiary company), in which holding company has 95% shareholding.

### 2. 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, 2010.

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

### 3. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these financial statements are the same as those of the preceding published annual financial statements of the group for the year ended June 30, 2010.

### 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, 2010.

	September 30, 2010	June 30, 2010
Note	(Un-audited)	(Audited)
	(Rupees in thousand)	

## 6 OPERATING FIXED ASSETS

Opening book value	2,470,758	2,598,293
Additions during the period / year	6.1 <u>38,224</u>	<u>181,398</u>
	2,508,982	2,779,691
Disposals during the period / year	6.2 <u>(433)</u>	<u>(103,577)</u>
Depreciation charged during the period / year	<u>(46,971)</u>	<u>(308,933)</u>
	<u>2,462,011</u>	<u>2,470,758</u>

## 6.1 Details of additions during the period / year are as

Building on freehold land	-	1,098
Plant and machinery	36,859	167,579
Other equipment	80	2,402
Furniture and fixtures	52	66
Office and other equipment	466	2,930
Vehicles	767	7,323
	<u>38,224</u>	<u>181,398</u>

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

Plant and machinery	-	102,686
Vehicles	433	891
	<u>433</u>	<u>103,577</u>

## 7 CAPITAL WORK-IN-PROGRESS

Plant and machinery	68,130	53,798
Building	1,172	582
	<u>69,302</u>	<u>54,380</u>

7.1 An amount of Rs. 35.406 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

	September 30, 2010	June 30, 2010
	(Un-audited)	(Audited)
	(Rupees in thousand)	

## 8 SHARE CAPITAL

## 8.1 Authorized Share Capital

50,000,000 (June 30, 2010: 50,000,000) ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000 (June 30, 2010: 25,000,000) preference shares of Rs. 10/- each	250,000	250,000
	<u>500,000</u>	<u>500,000</u>

## 8.2 Issued, subscribed and paid up capital

100,000 (June 30, 2010: 100,000) ordinary shares fully paid in cash	1,000	1,000
24,900,000 (June 30, 2010: 24,900,000) issued for consideration other than cash	249,000	249,000
11,000,000 (June 30, 2010: 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	307,598	162,568
Obtained during the period / year	50,000	194,444
	357,598	357,012
Repayments made during the period / year	(19,662)	(49,414)
	337,936	307,598

From directors and others - unsecured		
Balance as at July 01	15,810	29,810
Obtained during the period / year	-	4,000
Repayments made during the period / year	-	(18,000)
	15,810	15,810
	353,746	323,408
Current portion shown under current liabilities	(100,707)	(88,207)
	<u>253,039</u>	<u>235,201</u>

## 10 LONG TERM DIMINISHING MUSHARAKA

From banking companies and financial institutions- Secured		
Balance as at July 01	583,333	750,000
Repayments made during the period / year	(83,333)	(166,667)
	500,000	583,333
Current portion shown under current liabilities	(166,667)	(166,667)
	<u>333,333</u>	<u>416,666</u>

September 30, 2010  
(Un-audited)  
(Rupees in thousand)

June 30, 2010  
(Audited)  
(Rupees in thousand)

**11 LONG TERM MURABAHA**

From banking companies - secured		
Balance as at July 01	272,222	350,000
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,778)</u>
	233,333	272,222
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>155,555</u>	<u>194,444</u>

**12 CONTINGENCIES AND COMMITMENTS****12.1 Contingent liabilities**

- a) The Company had received 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 been decreased by Rs. 24.849 million. The company filed appeal before Commissioner of Income Tax (Appeals) Zone-1 against the impugned order who has given certain reliefs to the company. Both ICL and Income Tax Department has filed appeal before Income Tax Appellate Tribunal. However, if the case is decided against the company, the company may be liable to pay a tax liability of Rs. 8.697 million.
- b) The Company had received order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million. The company challenged it before Commissioner of Income Tax (Appeals) Zone-1 who decided the case in favour of the company. The department has filed appeal before Income Tax Appellate Tribunal. However if the case is decided against the company, it may result in tax payable of Rs. 12.069 million.
- c) The Company had received an order under section 161/205 of the Income Tax Ordinance, 2001 creating demand of Rs. 8.661 million. The company filed appeal before Commissioner of Income Tax (Appeals) Zone-1 who has granted certain reliefs to the company. Both Income Tax Department and company has filed appeal before Income Tax Appellate Tribunal. Company may be liable to pay tax of Rs. 8.661 million if the case is not decided in its favour.
- d) 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. 2.231 million (June 30, 2010: Rs. 2.231 million) against these claims.
- e) Letters of guarantee outstanding as at September 30, 2010 were Rs. 208.744 million (June 30, 2010: Rs. 217.348 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2010: Rs. 203 million).

**12.2 Commitments**

Commitments as on September 30, 2010 were as follows:

- a) Against letters of credit amounting to Rs. 56.010 million (June 30, 2010: Rs. 50.831 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2010: Rs. 1.838 million).

September 30, 2010  
(Un-audited)  
(Rupees in thousand)

June 30, 2009  
(Audited)  
(Rupees in thousand)

Ujrah payments under Ijarah:

Not later than one year	27,476	27,196
Later than one year and not later than five year	96,166	108,782
	<u>123,642</u>	<u>135,978</u>

(Un-audited)

Quarter ended

September 30, 2010      September 30, 2009  
(Rupees in thousand)

**13 COST OF SALES**

Raw materials consumed	71,163	91,842
Other overheads		
Salaries, wages and other benefits	45,879	42,693
Stores, spares and consumables	45,054	30,588
Packing materials consumed	5,289	2,700
Fuel and power	401,038	379,639
Repair and maintenance	10,807	15,228
Rent, rate and taxes	6,846	-
Insurance	2,264	2,353
Vehicle running expenses	2,819	3,282
Postage, printing and stationery	110	242
Depreciation	45,283	47,905
Other expenses	138	855
	565,527	525,485
Opening work in process	8,822	4,384
Closing work in process	<u>(9,105)</u>	<u>(4,789)</u>
	(283)	(405)
Cost of goods manufactured	636,407	616,922
Cost of stores traded	2,233	-
Opening stock of finished goods	99,475	71,280
Closing stock of finished goods	<u>(78,468)</u>	<u>(126,107)</u>
	21,007	(54,827)
	<u>659,647</u>	<u>562,095</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:

(Un-audited)  
 Quarter ended  
 September 30, September 30,  
 2010 2009  
 (Rupees in thousand)

Relationship with the Company	Nature of transaction		
Associated company	Marketing services charges	5,880	7,991
Associated company	Sales of good and services	63	466
Retirement benefit plans	Contribution to staff retirement benefit plans	58	47
Key management personnel	Remuneration and other benefits	13,356	12,402

**15 BASIC AND DILUTED EARNING / (LOSS) PER SHARE**

Profit after taxation	27,267	38,520
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**Number of Shares (in thousand)**

Weighted average number of ordinary shares	36,000	36,000
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**Amount in Rupees**

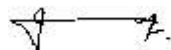
Earnings per share - basic and diluted	0.76	1.07
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**16 DATE OF AUTHORIZATION**


These financial statements were authorized for issue on October 28, 2010 by the Board of Directors of the Company.

**17 GENERAL**

Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR