

**ITTEHAD CHEMICALS LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED MARCH 31, 2011  
(UN-AUDITED)**

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**CORPORATE INFORMATION**

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

**DIRECTORS' REPORT**

I am pleased to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed interim financial statements of the Company for the third quarter and nine months ended March 31, 2011.

The country's overall economy is still under severe pressure and reflected an uninspiring performance during the period under review. Due to stiff market competition and stoppage of gas supply throughout the winter season, the overall profitability of the Company is still under pressure.

Net sales for the period has shown a growth of 2% and stood at Rs. 2,323.230 million as compared to Rs. 2,288.377 million for the corresponding period of last year. The operating profit of the Company stood at Rs. 265.880 million as compared to Rs. 215.566 million for the same period of last year. For the period under review pre-tax profit is recorded at Rs. 100.896 million, higher by 66% compared to the same period of last year. The earning per share of the Company for the period is Rs. 2.02.

Looking forward, the management is considering alternative sources of energy to avoid using expensive furnace oil during gas load shedding period.

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

April 27, 2011  
Lahore.

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT MARCH 31, 2011**

|   |      | March 31,<br>2011 | June 30,<br>2010 |
|---|------|-------------------|------------------|
|   | Note | (Un-audited)      | (Audited)        |
| (Rupees in thousand)                          |      |                   |                  |
| <b>ASSETS</b>                                 |      |                   |                  |
| <b>NON CURRENT ASSETS</b>                     |      |                   |                  |
| Property, plant and equipment                 |      |                   |                  |
| Operating fixed assets                        | 6    | 2,344,389         | 2,299,211        |
| Capital work in progress                      | 7    | <u>68,388</u>     | <u>54,380</u>    |
|   |      | 2,412,777         | 2,353,591        |
| Intangible assets                             |      | 303               | 1,462            |
| Investment properties                         |      | 82,250            | 82,250           |
| Long term investments                         |      | 87,400            | 87,400           |
| Long term deposits                            |      | <u>21,462</u>     | <u>21,449</u>    |
|   |      | 2,604,192         | 2,546,152        |
| <b>CURRENT ASSETS</b>                         |      |                   |                  |
| Stores, spares and loose tools                |      | 381,297           | 437,333          |
| Stock in trade                                |      | 184,976           | 161,585          |
| Trade debts                                   |      | 503,542           | 473,583          |
| Loans and advances                            |      | 54,784            | 48,916           |
| Trade deposits and short term prepayments     |      | 8,872             | 4,612            |
| Other receivables                             |      | 3,774             | 16,540           |
| Tax refunds due from Government               |      | -                 | 43,570           |
| Taxation - net                                |      | 39,303            | 7,007            |
| Cash and bank balances                        |      | <u>9,986</u>      | <u>15,132</u>    |
|   |      | 1,186,534         | 1,208,278        |
|   |      | <u>3,790,726</u>  | <u>3,754,430</u> |
| <b>TOTAL ASSETS</b>                           |      |                   |                  |
| <b>EQUITY AND LIABILITIES</b>                 |      |                   |                  |
| <b>SHARE CAPITAL AND RESERVES</b>             |      |                   |                  |
| Authorized share capital                      | 8.1  | <u>750,000</u>    | <u>750,000</u>   |
| Issued, subscribed and paid up capital        | 8.2  | 360,000           | 360,000          |
| Reserves                                      |      | <u>653,476</u>    | <u>616,933</u>   |
|   |      | 1,013,476         | 976,933          |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b> |      | 749,059           | 749,059          |
| <b>NON CURRENT LIABILITIES</b>                |      |                   |                  |
| Long term financing                           | 9    | 251,389           | 172,222          |
| Long term diminishing musharaka               | 10   | 250,000           | 416,666          |
| Long term murabaha                            | 11   | 116,666           | 194,444          |
| Deferred liabilities                          |      | <u>336,427</u>    | <u>316,806</u>   |
|   |      | 954,482           | 1,100,138        |
| <b>CURRENT LIABILITIES</b>                    |      |                   |                  |
| Trade and other payables                      |      | 294,068           | 321,693          |
| Mark-up accrued                               |      | 26,631            | 58,724           |
| Short term borrowings                         |      | 425,926           | 262,466          |
| Current portion of long term liabilities      |      | <u>327,084</u>    | <u>285,417</u>   |
|   |      | 1,073,709         | 928,300          |
| <b>CONTINGENCIES AND COMMITMENTS</b>          | 12   | -                 | -                |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |      | <u>3,790,726</u>  | <u>3,754,430</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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|   | Note | Nine months ended |                   | Quarter ended     |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | March 31,<br>2011 | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
| ----- (Rupees in thousand) -----                        |      |                   |                   |                   |                   |
| Sales - net   |      | 2,323,230         | 2,288,377         | 725,398           | 814,839           |
| Cost of sales   | 13   | (1,848,687)       | (1,871,111)       | (613,062)         | (733,841)         |
| Gross profit  |      | 474,543           | 417,266           | 112,336           | 80,998            |
| Selling and distribution expenses                       |      | (139,708)         | (129,488)         | (55,498)          | (39,056)          |
| General and administrative expenses                     |      | (80,696)          | (76,859)          | (28,934)          | (24,400)          |
| Other operating expenses                                |      | (7,941)           | (8,250)           | 1,189             | (1,343)           |
| Other operating income                                  |      | 19,682            | 12,897            | 9,577             | 5,006             |
|   |      | (208,663)         | (201,700)         | (73,666)          | (59,793)          |
| Operating profit  |      | 265,880           | 215,566           | 38,670            | 21,205            |
| Financial charges                                       |      | (164,984)         | (154,867)         | (56,229)          | (49,999)          |
| Profit / (loss) before taxation                         |      | 100,896           | 60,699            | (17,559)          | (28,794)          |
| Taxation  |      | (28,353)          | 34,108            | 7,284             | 63,645            |
| Profit / (loss) after taxation                          |      | 72,543            | 94,807            | (10,275)          | 34,851            |
| Earning / (loss) per share - basic and diluted (Rupees) | 15   | 2.02              | 2.63              | (0.29)            | 0.97              |

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|  | Nine months ended |                   | Quarter ended     |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | March 31,<br>2011 | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
| ----- (Rupees in thousand) -----                                   |                   |                   |                   |                   |
| <b>Profit / (loss) for the period</b>                              | 72,543            | 94,807            | (10,275)          | 34,851            |
| <b>Other comprehensive income:</b>                                 |                   |                   |                   |                   |
| Deficit on remeasurement<br>of available for sale financial assets | -                 | (378)             | -                 | (420)             |
| <b>Total comprehensive income for the period</b>                   | <u>72,543</u>     | <u>94,429</u>     | <u>(10,275)</u>   | <u>34,431</u>     |

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



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|  | Nine months ended |                   |
|--|-------------------|-------------------|
|  | March 31,<br>2011 | March 31,<br>2010 |
| (Rupees in thousand)   |                   |                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                       |                   |                   |
| Profit before taxation   | 100,896           | 60,699            |
| Adjustments for items not involving movement of funds:           |                   |                   |
| Depreciation   | 131,886           | 138,131           |
| Amortization of intangible assets                                | 1,406             | 1,489             |
| Provision for gratuity   | 3,809             | 1,472             |
| (Gain) / loss on sale of fixed assets                            | (751)             | 2,263             |
| (Gain) on sale of investment                                     | -                 | (469)             |
| (Gain) on foreign exchange                                       | (179)             | -                 |
| Bad debts written off  | 4,550             | -                 |
| Financial charges  | 164,984           | 154,867           |
| Net cash flow before working capital changes                     | 406,601           | 358,452           |
| <b>Decrease / (increase) in current assets</b>                   |                   |                   |
| Stores, spares and loose tools                                   | 56,036            | (28,968)          |
| Stock in trade   | (23,391)          | (88,494)          |
| Trade debts  | (34,330)          | 109,770           |
| Loans and advances   | (5,868)           | 2,924             |
| Trade deposits and short term prepayments                        | (4,260)           | 4,267             |
| Other receivables  | 12,766            | (9,598)           |
|  | 953               | (10,099)          |
| <b>Increase / (decrease) in current liabilities</b>              |                   |                   |
| Trade and other payables   | (45,625)          | (46,398)          |
| Cash generated from operations                                   | 361,929           | 301,955           |
| Income taxes paid  | (1,048)           | (32,620)          |
| Gratuity paid  | (220)             | (492)             |
| Financial charges paid   | (197,077)         | (203,973)         |
| Net cash inflow from operating activities                        | 163,584           | 64,870            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                       |                   |                   |
| Additions to operating fixed assets - net                        | (8,393)           | (46,627)          |
| Additions to capital work in progress                            | (183,352)         | (97,047)          |
| Additions to intangible assets                                   | (247)             | -                 |
| Proceeds from sale of operating fixed assets                     | 1,425             | 101,075           |
| Proceeds from sale of investment                                 | -                 | 477               |
| Long term deposits   | (13)              | (10,128)          |
| Net cash (used in) investing activities                          | (190,580)         | (52,250)          |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                       |                   |                   |
| Proceeds from long term financing                                | 150,000           | 100,000           |
| Repayment of long term financing                                 | (29,166)          | (31,250)          |
| Repayment of long term diminishing musharaka                     | (166,666)         | (166,667)         |
| Repayment of long term murabaha                                  | (77,778)          | (77,778)          |
| Repayment of liabilities against assets subject to finance lease | -                 | (319)             |
| Dividend paid  | (18,000)          | (36,000)          |
| Short term borrowings  | 163,460           | 233,061           |
| Net cash inflow from financing activities                        | 21,850            | 21,047            |
| Net (decrease) / increase in cash and cash equivalents           | (5,146)           | 33,667            |
| Cash and cash equivalents at the beginning of the period         | 15,132            | 26,037            |
| Cash and cash equivalents at the end of the period               | 9,986             | 59,704            |

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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|   | Issued,<br>subscribed and<br>paid-up capital | Fair value<br>reserve | Unappropriated<br>profit | Total     |
|---|--|-----------------------|--------------------------|-----------|
| ----- (Rupees in thousand) -----                  |  |                       |                          |           |
| Balance as at July 01, 2009                       | 360,000                                      | 378                   | 530,127                  | 890,505   |
| Interim dividend for the year ended June 30, 2009 | -  | -                     | (36,000)                 | (36,000)  |
| Final dividend for the year ended June 30, 2009   | -  | -                     | (18,000)                 | (18,000)  |
| Total Comprehensive income for the period         | -  | (378)                 | 94,807                   | 94,429    |
| Balance as at March 31, 2010                      | 360,000                                      | -                     | 570,934                  | 930,934   |
| Total Comprehensive income for the period         | -  | -                     | 45,999                   | 45,999    |
| Balance as at June 30, 2010                       | 360,000                                      | -                     | 616,933                  | 976,933   |
| Final dividend for the year ended June 30, 2010   | -  | -                     | (18,000)                 | (18,000)  |
| Interim dividend for the year ended June 30, 2011 | -  | -                     | (18,000)                 | (18,000)  |
| Total Comprehensive income for the period         | -  | -                     | 72,543                   | 72,543    |
| Balance as at March 31, 2011                      | 360,000                                      | -                     | 653,476                  | 1,013,476 |

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 (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

### 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 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed interim financial statements of the Company for the nine months period ended March 31, 2011 have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures made in these condensed interim financial statements have been limited in accordance with the requirements of International Accounting Standard - 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.

#### 2.2 Basis of measurement

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

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

#### 2.3 Functional and presentation currency

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those applied for the preceding annual financial statements for the year ended June 30, 2010. The Following standards, amendments and interpretations of approved accounting standards became effective during the period, however, these do not have a significant impact on the Company's condensed interim financial statements:

IAS 1 - Presentation of Financial Statements  
 IAS 7 - Statement of Cash Flows  
 IAS 17 - Leases  
 IAS 32 - Financial Instruments: Presentation  
 IAS 36 - Impairment of Assets  
 IAS 39 - Financial Instruments: Recognition and Measurement  
 IFRS 1 - First-time Adoption of International Financial Reporting Standards  
 IFRS 2 - Share-based Payment  
 IFRS 5 - Non-current Assets Held for Sales and Discontinued Operations  
 IFRS 8 - Operating Segments

**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 | March 31,<br>2011<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in thousand)                          |      |                                   |                               |
| <b>6 OPERATING FIXED ASSETS</b>               |      |                                   |                               |
| Opening net book value (NBV)                  |      | 2,299,211                         | 2,422,693                     |
| Additions (at cost) during the period / year  | 6.1  | 177,738                           | 167,777                       |
|   |      | 2,476,949                         | 2,590,470                     |
| Disposals (at NBV) during the period / year   | 6.2  | (674)                             | (103,577)                     |
| Depreciation charged during the period / year |      | (131,886)                         | (187,682)                     |
|   |      | (132,560)                         | (291,259)                     |
| Closing net book value (NBV)                  |      | 2,344,389                         | 2,299,211                     |

|  | March 31,<br>2011<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|--|-----------------------------------|-------------------------------|
|--|-----------------------------------|-------------------------------|

(Rupees in thousand)

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

|                            |         |         |
|----------------------------|---------|---------|
| Plant and machinery        | 174,379 | 157,628 |
| Other equipment            | 287     | 1,226   |
| Furniture and fixtures     | 135     | 61      |
| Office and other equipment | 972     | 2,205   |
| Vehicles                   | 1,965   | 6,657   |
|                            | 177,738 | 167,777 |

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

|                     |     |         |
|---------------------|-----|---------|
| Plant and machinery | -   | 102,686 |
| Vehicles            | 674 | 891     |
|                     | 674 | 103,577 |

**7 CAPITAL WORK-IN -PROGRESS**

|                     |        |        |
|---------------------|--------|--------|
| Plant and machinery | 67,806 | 53,798 |
| Building            | 582    | 582    |
|                     | 68,388 | 54,380 |

7.1 An amount of Rs. 169.345 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

**8 SHARE CAPITAL**

**8.1 Authorized share capital**

|  |         |         |
|--|---------|---------|
| 75,000,000 (June 30, 2010: 75,000,000) shares of Rs. 10/- each | 750,000 | 750,000 |
|--|---------|---------|

**8.2 Issued, subscribed and paid up share capital**

|  |         |         |
|--|---------|---------|
| 100,000 (June 30, 2010: 100,000) ordinary shares of Rs. 10/- each fully paid in cash                             | 1,000   | 1,000   |
| 24,900,000 (June 30, 2010: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash | 249,000 | 249,000 |
| 11,000,000 (June 30, 2010: 11,000,000) fully paid bonus shares of Rs. 10/- each                                  | 110,000 | 110,000 |
|  | 360,000 | 360,000 |

|  | <b>March 31,<br/>2011<br/>(Un-audited)</b>   | <b>June 30,<br/>2010<br/>(Audited)</b> |
|--|--|--|
|  | <b>(Rupees in thousand)</b>  |  |
| <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>150,000</u>   | <u>194,444</u>                         |
|  | 363,194  | 244,444                                |
| Repayments made during the period / year                   | <u>(29,166)</u>  | <u>(31,250)</u>                        |
|  | 334,028  | 213,194                                |
| Current portion shown under current liabilities            | <u>(82,639)</u>  | <u>(40,972)</u>                        |
|  | <u><u>251,389</u></u>  | <u><u>172,222</u></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>(166,666)</u>   | <u>(166,667)</u>                       |
|  | 416,667  | 583,333                                |
| Current portion shown under current liabilities            | <u>(166,667)</u>   | <u>(166,667)</u>                       |
|  | <u><u>250,000</u></u>  | <u><u>416,666</u></u>                  |
| <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>(77,778)</u>  | <u>(77,778)</u>                        |
|  | 194,444  | 272,222                                |
| Current portion shown under current liabilities            | <u>(77,778)</u>  | <u>(77,778)</u>                        |
|  | <u><u>116,666</u></u>  | <u><u>194,444</u></u>                  |
| <b>12 CONTINGENCIES AND COMMITMENTS</b>                    |  |  |
| <b>12.1 Contingent liabilities</b>                         |  |  |
| a)   | The Company has 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 decreased by Rs. 24.849 million (June 30, 2010: 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 ICL and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. 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)   | An order has also been received under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2010: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.   |  |

- c) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2010: Rs. 8.661 million). The Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the company. Both Income Tax Department and Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The deemed assessment order for tax year 2009 has been amended by tax authorities under section 221 of the Income Tax Ordinance, 2001. The Company has challenged the order before Commissioner of Inland Revenue (Appeals). The Company expect a positive outcome of this case. However, if the case is decided against the Company, it may result in tax payable of Rs. 43.964 million.
- e) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.331 million (June 30, 2010: Rs. 2.231 million) against these claims.
- f) Letters of guarantee outstanding as at March 31, 2011 were Rs. 203.293 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 March 31, 2011 were as follows:

- a) Against letters of credit amounting to Rs. 40.697 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).

|   | <b>March 31,<br/>2011</b>   | <b>June 30,<br/>2010</b> |
|---|-----------------------------|--------------------------|
|   | <b>(Un-audited)</b>         | <b>(Audited)</b>         |
|   | <b>(Rupees in thousand)</b> |                          |
| c) Ujrah payments under Ijarah financing agreement: |                             |                          |
| Not later than one year                             | 28,020                      | 27,196                   |
| Later than one year but not later than five years   | <u>84,060</u>               | <u>108,782</u>           |
|   | <u><u>112,080</u></u>       | <u><u>135,978</u></u>    |

----- (Un-audited) -----

| Nine months ended                |                   | Quarter ended     |                   |
|----------------------------------|-------------------|-------------------|-------------------|
| March 31,<br>2011                | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
| ----- (Rupees in thousand) ----- |                   |                   |                   |

## 13 COST OF SALES

|                        |         |         |        |        |
|------------------------|---------|---------|--------|--------|
| Raw materials consumed | 217,219 | 265,106 | 66,507 | 95,511 |
|------------------------|---------|---------|--------|--------|

Other overheads:

|                                    |                  |                  |                |                |
|------------------------------------|------------------|------------------|----------------|----------------|
| Salaries, wages and other benefits | 129,102          | 112,951          | 41,552         | 31,691         |
| Stores, spares and consumables     | 120,905          | 74,710           | 32,915         | 17,640         |
| Packing materials consumed         | 4,428            | 5,122            | 180            | 1,454          |
| Fuel and power                     | 1,229,553        | 1,229,252        | 392,108        | 484,483        |
| Repair and maintenance             | 11,728           | 31,015           | 3,842          | 3,470          |
| Rent, rates and taxes              | 20,682           | 4,540            | 6,967          | 4,540          |
| Insurance                          | 6,713            | 6,278            | 2,443          | 1,982          |
| Vehicle running expenses           | 8,884            | 9,265            | 3,153          | 3,145          |
| Postage, printing and stationery   | 359              | 546              | 128            | 136            |
| Depreciation                       | 128,036          | 133,988          | 44,350         | 45,505         |
| Other expenses                     | 703              | 2,058            | 169            | 216            |
|                                    | <u>1,661,093</u> | <u>1,609,725</u> | <u>527,807</u> | <u>594,262</u> |

|                                 | ----- (Un-audited) -----         |                   |                   |                   |
|---------------------------------|----------------------------------|-------------------|-------------------|-------------------|
|                                 | Nine months ended                |                   | Quarter ended     |                   |
|                                 | March 31,<br>2011                | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
|                                 | ----- (Rupees in thousand) ----- |                   |                   |                   |
| Opening work in process         | 8,165                            | 4,384             | 9,189             | 4,844             |
| Closing work in process         | (9,189)                          | (4,979)           | (9,189)           | (4,979)           |
|                                 | <u>(1,024)</u>                   | <u>(595)</u>      | <u>-</u>          | <u>(135)</u>      |
| Cost of goods manufactured      | 1,877,288                        | 1,874,236         | 594,314           | 689,638           |
| Cost of stores traded           | 5,138                            | 9,504             | 1,695             | 9,504             |
| Opening stock of finished goods | 75,458                           | 53,587            | 126,250           | 100,915           |
| Closing stock of finished goods | (109,197)                        | (66,216)          | (109,197)         | (66,216)          |
|                                 | <u>(33,739)</u>                  | <u>(12,629)</u>   | <u>17,053</u>     | <u>34,699</u>     |
|                                 | <u>1,848,687</u>                 | <u>1,871,111</u>  | <u>613,062</u>    | <u>733,841</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                     | 20,679 | 22,638 | 8,774  | 7,951  |
| Subsidiary / Associated company   | Purchase of goods                              | 1,780  | 1,103  | 649    | -      |
| Subsidiary / Associated companies | Sales of good and services                     | 42,126 | 64,289 | 3,036  | 29,286 |
| Subsidiary company                | Land rentals                                   | 3,600  | 3,600  | 1,200  | 1,200  |
| Subsidiary company                | Loans and advances made                        | 30,259 | 94,025 | 7,700  | 12,543 |
| Subsidiary company                | Mark up on loans and advances                  | 2,759  | 2,590  | 1,074  | 889    |
| Retirement benefit plans          | Contribution to staff retirement benefit plans | 204    | 146    | 56     | 50     |
| Key management personnel          | Remuneration and other benefits                | 36,319 | 33,158 | 12,407 | 11,857 |

----- (Un-audited) -----

|  | Nine months ended |                   | Quarter ended     |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | March 31,<br>2011 | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |

----- (Rupees in thousand) -----

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

|  |  |        |          |        |
|--|--|--------|----------|--------|
| Profit / (loss) for the period                 | 72,543                                     | 94,807 | (10,275) | 34,851 |
|  | ----- Number of Shares (in thousand) ----- |        |          |        |
| Weighted average number of ordinary shares     | 36,000                                     | 36,000 | 36,000   | 36,000 |
|  | ----- Amount in Rupees -----               |        |          |        |
| Earning / (loss) per share - basic and diluted | 2.02                                       | 2.63   | (0.29)   | 0.97   |

**16 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on April 27, 2011 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



**ITTEHAD CHEMICALS LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED MARCH 31, 2011  
(UN-AUDITED)**

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

I am pleased to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed consolidated interim financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL), for the third quarter and nine months ended March 31, 2011.

The performance of the subsidiary Company, Chemi Chloride Industries Limited, for the nine months ended March 31, 2011, is as follows:

During the period under review the CCIL has witnessed lackluster performance owing to poor economic conditions prevailing in the country. The overall profitability of the Company has significantly declined mainly due to lower production on account of stoppage of gas supply throughout the winter season. The CCIL attained net sales of Rs. 156.444 million as compared to the sales of Rs. 164.214 million for the corresponding period of last year, showing a decrease of 5%. The Company has earned gross profit of Rs. 32.684 million as compared to gross profit of Rs. 59.877 million for the corresponding period of last year, representing a decrease of 45%. The loss before tax for the period under review is Rs. 12.101 million as compared to profit before tax of Rs. 10.251 million for the corresponding period of last year. The loss after tax is recorded at Rs. 13.826 million as against profit after tax of Rs. 8.948 million for the same period of last year. The CCIL has therefore reported negative earning per share of Rs. 1.50 for the period under review, whereas group's earning per share is Rs. 1.58.

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**

April 27, 2011  
Lahore.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT MARCH 31, 2011**

|   |      | March 31,<br>2011 | June 30,<br>2010 |
|---|------|-------------------|------------------|
|   | Note | (Un-audited)      | (Audited)        |
| (Rupees in thousand)                          |      |                   |                  |
| <b>ASSETS</b>                                 |      |                   |                  |
| <b>NON CURRENT ASSETS</b>                     |      |                   |                  |
| Property, plant and equipment                 |      |                   |                  |
| Operating fixed assets                        | 6    | 2,504,806         | 2,470,758        |
| Capital work in progress                      | 7    | 69,078            | 54,380           |
|   |      | <u>2,573,884</u>  | <u>2,525,138</u> |
| Intangible assets                             |      | 303               | 1,462            |
| Goodwill                                      |      | 6,445             | 6,445            |
| Investment properties                         |      | 64,500            | 64,500           |
| Long term deposits                            |      | 32,162            | 21,449           |
|   |      | <u>2,677,294</u>  | <u>2,618,994</u> |
| <b>CURRENT ASSETS</b>                         |      |                   |                  |
| Stores, spares and loose tools                |      | 395,287           | 446,247          |
| Stock in trade                                |      | 206,453           | 197,815          |
| Trade debts                                   |      | 482,349           | 501,812          |
| Loans and advances                            |      | 26,027            | 36,826           |
| Trade deposits and short term prepayments     |      | 9,772             | 4,990            |
| Other receivables                             |      | -                 | 710              |
| Tax refunds due from Government               |      | 6,755             | 49,651           |
| Taxation - net                                |      | 40,511            | 8,049            |
| Cash and bank balances                        |      | 10,268            | 15,399           |
|   |      | <u>1,177,422</u>  | <u>1,261,499</u> |
|   |      | <u>3,854,716</u>  | <u>3,880,493</u> |
| <b>TOTAL ASSETS</b>                           |      |                   |                  |
| <b>EQUITY AND LIABILITIES</b>                 |      |                   |                  |
| <b>SHARE CAPITAL AND RESERVES</b>             |      |                   |                  |
| Authorized share capital                      | 8.1  | <u>750,000</u>    | <u>750,000</u>   |
| Issued, subscribed and paid up capital        | 8.2  | 360,000           | 360,000          |
| Reserves                                      |      | <u>596,812</u>    | <u>576,008</u>   |
|   |      | 956,812           | 936,008          |
| Non controlling interest                      |      | <u>11,651</u>     | <u>9,740</u>     |
|   |      | 968,463           | 945,748          |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b> |      | 748,559           | 748,559          |
| <b>NON CURRENT LIABILITIES</b>                |      |                   |                  |
| Long term financing                           | 9    | 291,521           | 235,201          |
| Long term diminishing musharaka               | 10   | 250,000           | 416,666          |
| Long term murabaha                            | 11   | 116,666           | 194,444          |
| Deferred liabilities                          |      | <u>336,427</u>    | <u>316,806</u>   |
|   |      | 994,614           | 1,163,117        |
| <b>CURRENT LIABILITIES</b>                    |      |                   |                  |
| Trade and other payables                      |      | 286,556           | 328,016          |
| Mark-up accrued                               |      | 29,202            | 60,740           |
| Short term borrowings                         |      | 458,003           | 301,661          |
| Current portion of long term liabilities      |      | <u>369,319</u>    | <u>332,652</u>   |
|   |      | 1,143,080         | 1,023,069        |
| <b>CONTINGENCIES AND COMMITMENTS</b>          | 12   | -                 | -                |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |      | <u>3,854,716</u>  | <u>3,880,493</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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

| Note  | Nine months ended |                   | Quarter ended     |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2011 | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
| ----- (Rupees in thousand) -----                                  |                   |                   |                   |                   |
| Sales - net   | 2,443,810         | 2,396,547         | 740,280           | 837,289           |
| Cost of sales   | 13 (1,932,021)    | (1,914,906)       | (633,016)         | (742,245)         |
| Gross profit  | 511,789           | 481,641           | 107,264           | 95,044            |
| Selling and distribution expenses                                 | (167,417)         | (167,563)         | (58,575)          | (48,458)          |
| General and administrative expenses                               | (84,605)          | (78,100)          | (29,872)          | (24,841)          |
| Other operating expenses  | (8,035)           | (8,319)           | 1,358             | (1,366)           |
| Other operating income  | 12,189            | 7,049             | 6,775             | 2,890             |
|   | (247,868)         | (246,933)         | (80,314)          | (71,775)          |
| Operating profit  | 263,921           | 234,708           | 26,950            | 23,269            |
| Financial charges   | (175,127)         | (163,760)         | (59,311)          | (52,868)          |
| Profit / (loss) before taxation                                   | 88,794            | 70,948            | (32,361)          | (29,599)          |
| Taxation  | (30,079)          | 32,804            | 6,839             | 63,001            |
| Profit / (loss) after taxation                                    | 58,715            | 103,752           | (25,522)          | 33,402            |
| Profit / (loss) attributable to equity holders of holding company | 56,804            | 99,613            | (25,955)          | 31,699            |
| Non controlling interest - share of profit                        | 1,911             | 4,139             | 433               | 1,703             |
|   | 58,715            | 103,752           | (25,522)          | 33,402            |
| Earning / (loss) per share - basic and diluted (Rupees)           | 15 1.58           | 2.77              | (0.72)            | 0.88              |

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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|  | Nine months ended                |                   | Quarter ended     |                   |
|--|----------------------------------|-------------------|-------------------|-------------------|
|  | March 31,<br>2011                | March 31,<br>2010 | March 31,<br>2011 | March 31,<br>2010 |
|  | ----- (Rupees in thousand) ----- |                   |                   |                   |
| <b>Profit / (loss) for the period</b>                              | 56,804                           | 99,613            | (25,955)          | 31,699            |
| <b>Other comprehensive income:</b>                                 |                                  |                   |                   |                   |
| Deficit on remeasurement<br>of available for sale financial assets | -                                | (378)             | -                 | (420)             |
| <b>Total comprehensive income for the period</b>                   | <u>56,804</u>                    | <u>99,235</u>     | <u>(25,955)</u>   | <u>31,279</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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|  | Nine months ended |                   |
|--|-------------------|-------------------|
|  | March 31,<br>2011 | March 31,<br>2010 |
| (Rupees in thousand)   |                   |                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                       |                   |                   |
| Profit before taxation   | 88,794            | 70,948            |
| Adjustments for items not involving movement of funds:           |                   |                   |
| Depreciation   | 144,538           | 151,172           |
| Amortization of intangible assets                                | 1,406             | 1,489             |
| Provision for gratuity   | 3,809             | 1,472             |
| (Gain) / loss on sale of fixed assets                            | (751)             | 2,263             |
| (Gain) on sale of investment                                     | -                 | (469)             |
| (Gain) on foreign exchange                                       | (566)             | -                 |
| Bad debts written off  | 5,224             | 3                 |
| Financial charges  | 175,127           | 163,760           |
| Net cash flow before working capital changes                     | 417,581           | 390,638           |
| <b>Decrease / (increase) in current assets</b>                   |                   |                   |
| Stores, spares and loose tools                                   | 50,960            | (29,542)          |
| Stock in trade   | (8,638)           | (103,730)         |
| Trade debts  | 14,805            | 124,992           |
| Loans and advances   | 10,799            | 1,043             |
| Trade deposits and short term prepayments                        | (4,782)           | 4,212             |
| Other receivables  | 710               | 12                |
| Tax refunds due from Government                                  | (559)             | (17,089)          |
|  | 63,295            | (20,102)          |
| <b>Increase / (decrease) in current liabilities</b>              |                   |                   |
| Trade and other payables   | (59,460)          | (24,890)          |
| Cash generated from operations                                   | 421,416           | 345,646           |
| Taxes paid   | (3,055)           | (35,036)          |
| Gratuity paid  | (220)             | (492)             |
| Financial charges paid   | (206,665)         | (213,381)         |
| Net cash inflow from operating activities                        | 211,476           | 96,737            |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                       |                   |                   |
| Additions to operating fixed assets-net                          | (9,915)           | (58,785)          |
| Additions to capital work in progress                            | (184,042)         | (97,047)          |
| Additions to intangible assets                                   | (247)             | -                 |
| Proceeds from sale of operating fixed assets                     | 1,425             | 101,075           |
| Proceeds from sale of investment                                 | -                 | 477               |
| Long term deposits   | (10,713)          | (10,128)          |
| Net cash outflow from investing activities                       | (203,492)         | (64,408)          |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                       |                   |                   |
| Proceeds from long term financing                                | 150,000           | 100,000           |
| Repayment of long term financing                                 | (57,013)          | (51,558)          |
| Repayment of long term musharaka                                 | (166,666)         | (166,667)         |
| Repayment of long term murabaha                                  | (77,778)          | (77,778)          |
| Repayment of liabilities against assets subject to finance lease | -                 | (319)             |
| Dividend paid  | (18,000)          | (36,000)          |
| Short term borrowings  | 156,342           | 234,491           |
| Net cash (outflow) / inflow from financing activities            | (13,115)          | 2,169             |
| Net (decrease) / increase in cash and cash equivalents           | (5,131)           | 34,498            |
| Cash and cash equivalents at the beginning of the period         | 15,399            | 26,494            |
| Cash and cash equivalents at the end of the period               | 10,268            | 60,992            |

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 (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Fair value<br>reserve | Unappropri-<br>ated<br>profit | Sub total | Minority -<br>Share<br>Capital | Minority -<br>Share of<br>profit /<br>(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     |
| Interim dividend for the year ended June 30, 2009 | -   | -                     | (36,000)                      | (36,000)  | -                              | -  | -         | (36,000)    |
| Final dividend for the year ended June 30, 2009   | -   | -                     | (18,000)                      | (18,000)  | -                              | -  | -         | (18,000)    |
| Total Comprehensive income for the period         | -   | (378)                 | 99,613                        | 99,235    | -                              | 4,139  | 4,139     | 103,374     |
| Balance as at March 31, 2010                      | 360,000   | -                     | 523,643                       | 883,643   | 4,600                          | 3,800  | 8,400     | 892,043     |
| Total Comprehensive income for the period         | -   | -                     | 52,365                        | 52,365    | -                              | 1,340  | 1,340     | 53,705      |
| Balance as at June 30, 2010                       | 360,000   | -                     | 576,008                       | 936,008   | 4,600                          | 5,140  | 9,740     | 945,748     |
| Final dividend for the year ended June 30, 2010   | -   | -                     | (18,000)                      | (18,000)  | -                              | -  | -         | (18,000)    |
| Interim dividend for the year ended June 30, 2011 | -   | -                     | (18,000)                      | (18,000)  | -                              | -  | -         | (18,000)    |
| Total Comprehensive income for the period         | -   | -                     | 56,804                        | 56,804    | -                              | 1,911  | 1,911     | 58,715      |
| Balance as at March 31, 2011                      | 360,000   | -                     | 596,812                       | 956,812   | 4,600                          | 7,051  | 11,651    | 968,463     |

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 (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2011

### 1 THE GROUP AND ITS OPERATIONS

The Group consists of Ittehad Chemicals Limited ("the Holding Company") and Chemi Chloride Industries Limited ("the Subsidiary company"), in which holding company has 95% shareholding.

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

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

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These condensed consolidated interim financial statements of the Group for the nine months period ended March 31, 2011 have been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures made in these condensed consolidated interim financial statements have been limited in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting". They do not include all the information and disclosures made in the annual published consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended June 30, 2010.

#### 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 Pak Rupees, which is the functional and presentation currency of the Group.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these condensed consolidated interim financial statements are same as those applied for the preceding audited annual consolidated financial statements of the Group for the year ended June 30, 2010. The Following standards, amendments and interpretations of approved accounting standards became effective during the period, however, these do not have a significant impact on the Group's condensed consolidated interim financial statements:

IAS 1 - Presentation of Financial Statements  
 IAS 7 - Statement of Cash Flows  
 IAS 17 - Leases  
 IAS 32 - Financial Instruments: Presentation  
 IAS 36 - Impairment of Assets  
 IAS 39 - Financial Instruments: Recognition and Measurement  
 IFRS 1 - First-time Adoption of International Financial Reporting Standards  
 IFRS 2 - Share-based Payment  
 IFRS 5 - Non-current Assets Held for Sales and Discontinued Operations  
 IFRS 8 - Operating Segments

**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.

**6 OPERATING FIXED ASSETS**

|   | Note | March 31,<br>2011<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in thousand)                          |      |                                   |                               |
| Opening net book value (NBV)                  |      | 2,470,758                         | 2,598,293                     |
| Additions (at cost) during the period / year  | 6.1  | <u>179,260</u>                    | <u>181,398</u>                |
|   |      | 2,650,018                         | 2,779,691                     |
| Disposals (at NBV) during the period / year   | 6.2  | <u>(674)</u>                      | <u>(103,577)</u>              |
| Depreciation charged during the period / year |      | <u>(144,538)</u>                  | <u>(205,356)</u>              |
|   |      | <u>(145,212)</u>                  | <u>(308,933)</u>              |
| Closing net book value (NBV)                  |      | <u>2,504,806</u>                  | <u>2,470,758</u>              |

|  | March 31,<br>2011<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|--|-----------------------------------|-------------------------------|
|--|-----------------------------------|-------------------------------|

(Rupees in thousand)

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

|                            |         |         |
|----------------------------|---------|---------|
| Building on freehold land  | -       | 1,098   |
| Plant and machinery        | 175,832 | 167,579 |
| Other equipment            | 287     | 2,402   |
| Furniture and fixtures     | 149     | 66      |
| Office and other equipment | 1,027   | 2,930   |
| Vehicles                   | 1,965   | 7,323   |
|                            | 179,260 | 181,398 |

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

|                     |     |         |
|---------------------|-----|---------|
| Plant and machinery | -   | 102,686 |
| Vehicles            | 674 | 891     |
|                     | 674 | 103,577 |

**7 CAPITAL WORK-IN -PROGRESS**

|                     |        |        |
|---------------------|--------|--------|
| Plant and machinery | 67,806 | 53,798 |
| Building            | 1,272  | 582    |
|                     | 69,078 | 54,380 |

7.1 An amount of Rs. 169.345 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

**8 SHARE CAPITAL**
**8.1 Authorized Share Capital**

|  |         |         |
|--|---------|---------|
| 75,000,000 (June 30, 2010: 75,000,000) shares of Rs. 10/- each | 750,000 | 750,000 |
|--|---------|---------|

**8.2 Issued, subscribed and paid up capital**

|  |         |         |
|--|---------|---------|
| 100,000 (June 30, 2010: 100,000) ordinary shares of Rs. 10/- each fully paid in cash                             | 1,000   | 1,000   |
| 24,900,000 (June 30, 2010: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash | 249,000 | 249,000 |
| 11,000,000 (June 30, 2010: 11,000,000) fully paid bonus shares of Rs. 10/- each                                  | 110,000 | 110,000 |
|  | 360,000 | 360,000 |

|  | <b>March 31,<br/>2011<br/>(Un-audited)</b>   | <b>June 30,<br/>2010<br/>(Audited)</b> |
|--|--|--|
|  | <b>(Rupees in thousand)</b>  |  |
| <b>9 LONG TERM FINANCING</b>                               |  |  |
| From banking companies and financial institutions- secured |  |  |
| Balance as at July 01                                      | 307,598  | 162,568                                |
| Obtained during the period / year                          | <u>150,000</u>   | <u>194,444</u>                         |
|  | 457,598  | 357,012                                |
| Repayments made during the period / year                   | <u>(52,013)</u>  | <u>(49,414)</u>                        |
|  | 405,585  | 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                   | <u>(5,000)</u>   | <u>(18,000)</u>                        |
|  | 10,810   | 15,810                                 |
|  | 416,395  | 323,408                                |
| Current portion shown under current liabilities            | <u>(124,874)</u>   | <u>(88,207)</u>                        |
|  | <u>291,521</u>   | <u>235,201</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>(166,666)</u>   | <u>(166,667)</u>                       |
|  | 416,667  | 583,333                                |
| Current portion shown under current liabilities            | <u>(166,667)</u>   | <u>(166,667)</u>                       |
|  | <u>250,000</u>   | <u>416,666</u>                         |
| <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>(77,778)</u>  | <u>(77,778)</u>                        |
|  | 194,444  | 272,222                                |
| Current portion shown under current liabilities            | <u>(77,778)</u>  | <u>(77,778)</u>                        |
|  | <u>116,666</u>   | <u>194,444</u>                         |
| <b>12 CONTINGENCIES AND COMMITMENTS</b>                    |  |  |
| <b>12.1 Contingent liabilities</b>                         |  |  |
| a)   | <p>The Holding Company has 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 Holding Company have decreased by Rs. 24.849 million (June 30, 2010: 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 ICL and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Holding Company, it may be liable to pay a tax liability of Rs. 8.697 million.</p> |  |

- b) An order has also been received under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2010: Rs. 12.069 million). The Holding Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Holding Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 12.069 million.
- c) The Holding Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2010: Rs. 8.661 million). The Holding Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the Holding Company. Both Income Tax Department and the Holding Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Holding Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The deemed assessment order for tax year 2009 has been amended by tax authorities under section 221 of the Income Tax Ordinance, 2001. The Holding Company has challenged the order before Commissioner of Inland Revenue (Appeals). The Holding Company expect a positive outcome of this case. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 43.964 million.
- e) 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. 2.331 million (June 30, 2010: Rs. 2.231 million) against these claims.
- f) Letters of guarantee outstanding as at March 31, 2011 were Rs. 203.293 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 March 31, 2011 were as follows:

- a) Against letters of credit amounting to Rs. 40.697 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).

| March 31,<br>2011<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|-----------------------------------|-------------------------------|
|-----------------------------------|-------------------------------|

- c) Ujrah payments under Ijarah financing agreement:

|   |                |                |
|---|----------------|----------------|
| Not later than one year                           | 28,020         | 27,196         |
| Later than one year but not later than five years | 84,060         | 108,782        |
|   | <u>112,080</u> | <u>135,978</u> |

----- (Un-audited) -----

|  | Nine months ended |           | Quarter ended |           |
|--|-------------------|-----------|---------------|-----------|
|  | March 31,         | March 31, | March 31,     | March 31, |
|  | 2011              | 2010      | 2011          | 2010      |

----- (Rupees in thousand) -----

**13 COST OF SALES**

|                                    |           |           |           |          |
|------------------------------------|-----------|-----------|-----------|----------|
| Raw materials consumed             | 216,702   | 257,088   | 66,666    | 88,653   |
| Other overheads:                   |           |           |           |          |
| Salaries, wages and other benefits | 138,492   | 120,822   | 44,152    | 35,114   |
| Stores, spares and consumables     | 124,128   | 86,626    | 34,374    | 19,590   |
| Packing materials consumed         | 11,236    | 13,672    | 732       | 7,241    |
| Fuel and power                     | 1,252,842 | 1,247,927 | 397,991   | 494,783  |
| Repair and maintenance             | 16,083    | 34,134    | 4,437     | 4,509    |
| Rent, rates and taxes              | 21,083    | 4,620     | 7,128     | 4,620    |
| Insurance                          | 7,177     | 6,706     | 2,613     | 2,122    |
| Vehicle running expenses           | 8,884     | 9,322     | 3,153     | 3,159    |
| Postage, printing and stationery   | 365       | 560       | 128       | 137      |
| Depreciation                       | 140,449   | 146,936   | 48,492    | 49,972   |
| Other expenses                     | 780       | 2,058     | 187       | 216      |
|                                    | 1,721,519 | 1,673,383 | 543,387   | 621,463  |
| Opening work in process            | 8,822     | 4,384     | 10,640    | 4,844    |
| Closing work in process            | (10,667)  | (5,566)   | (10,667)  | (5,566)  |
|                                    | (1,845)   | (1,182)   | (27)      | (722)    |
| Cost of goods manufactured         | 1,936,376 | 1,929,289 | 610,026   | 709,394  |
| Cost of stores traded              | 5,681     | 9,589     | 2,238     | 9,589    |
| Opening stock of finished goods    | 99,475    | 71,280    | 130,263   | 118,514  |
| Closing stock of finished goods    | (109,511) | (95,252)  | (109,511) | (95,252) |
|                                    | (10,036)  | (23,972)  | 20,752    | 23,262   |
|                                    | 1,932,021 | 1,914,906 | 633,016   | 742,245  |

