

**ITTEHAD CHEMICALS LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

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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>Ms. Farhana Abdul Sattar Khatri<br>Mr. Fowad Yousaf Khatri<br>Ms. Rushda Mustafa<br>Mr. Waqas Siddiq Khatri  | Chairman & Chief Executive<br>Director<br>Director<br>Director<br>Director<br>Director |
| <b>AUDIT COMMITTEE</b>               | Mr. Abdul Ghafoor Khatri<br>Mr. Abdul Sattar Khatri<br>Mr. Fowad Yousaf 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>Al-Barka Bank (Pakistan) Limited<br>Burj Bank Limited<br>Citi Bank<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   |  |

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**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 half year ended December 31, 2011, together with Auditors' Review Report thereon.

The business operations of the Company have been adversely affected due to non-availability of gas supply throughout the period. In addition to this, the overall production has also suffered due to a problem which occurred in Rectifier of the IEM plant, which continued till end of November 2011. During the period under review, your Company has attained net sales of Rs. 1,702.342 million against the sales of Rs. 1,597.832 million for the corresponding period of last year, registering an increase of 7%. Increase in sales is mainly due to upward revision in selling prices of the products. The cost of production has increased manifold due to purchase of expensive electricity from LESCO, as power supply remained suspended from our captive power plant due to non-availability of gas. Another reason for increase in cost of production was the generation of steam on furnace oil, instead of gas. Consequently, gross profit margin has decreased by 46% over the corresponding period and stood at Rs. 196.721 million. The loss before tax is recorded at Rs. 40.908 million, as against profit before tax of Rs. 118.455 million for the corresponding period of last year, showing a decrease of 135%.

For the period under review there has been a loss after tax of Rs. 28.906 million as compared to profit after tax of Rs. 82.818 million for the corresponding period of last year. As a consequence the loss per share for the period is Re. 0.80 as compared to earnings per share of Rs. 2.30 for the corresponding period of last year.

As stated in our previous report regarding import of coal gasifier plant, all major equipment has arrived at the site and the commissioning of gasifier plant is underway. It is expected that the plant will become operational by the mid of March 2012.

As far as the current status of the merger of CCIL with and into ICL is concerned, the Merger petition has been filed in the Lahore High Court. The next date of hearing is fixed on March 14, 2012.

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

On behalf of the Board



**MUHAMMAD SIDDIQUE KHATRI**  
CHIEF EXECUTIVE

February 22, 2012

4 Lahore.

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS****Introduction**

We have reviewed the accompanying condensed interim balance sheet of ITTEHAD CHEMICALS LIMITED (the "Company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended December 31, 2011 and December 31, 2010 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.



**BDO Ebrahim & Co.**

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer

Karachi

Dated: February 22, 2012

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)  
AS AT DECEMBER 31, 2011**

|   | December 31,<br>2011<br>(Unaudited) | June 30,<br>2011<br>(Audited) |
|---|-------------------------------------|-------------------------------|
|   | (Rupees in thousand)                |                               |
| <b>ASSETS</b>                                 |                                     |                               |
| <b>NON CURRENT ASSETS</b>                     |                                     |                               |
| Property, plant and equipment                 |                                     |                               |
| Operating fixed assets                        |                                     |                               |
| Capital work in progress                      | 2,336,183                           | 2,342,327                     |
|   | 77,654                              | 82,944                        |
|   | <u>2,413,837</u>                    | <u>2,425,271</u>              |
| Intangible assets                             | 187                                 | 253                           |
| Investment property                           | 87,800                              | 87,800                        |
| Long term investments                         | 90,850                              | 90,850                        |
| Long term deposits                            | 23,784                              | 21,444                        |
|   | <u>2,616,458</u>                    | <u>2,625,618</u>              |
| <b>CURRENT ASSETS</b>                         |                                     |                               |
| Stores, spares and loose tools                | 426,547                             | 410,787                       |
| Stock in trade                                | 155,817                             | 198,831                       |
| Trade debts                                   | 517,288                             | 461,057                       |
| Loans and advances                            | 85,552                              | 68,449                        |
| Trade deposits and short term prepayments     | 5,781                               | 9,106                         |
| Other receivables                             | 567                                 | 3,853                         |
| Tax refunds due from Government               | 28,193                              | -                             |
| Taxation - net                                | 59,233                              | 64,569                        |
| Cash and bank balances                        | 116,257                             | 113,745                       |
|   | <u>1,395,235</u>                    | <u>1,330,397</u>              |
| <b>TOTAL ASSETS</b>                           | <u>4,011,693</u>                    | <u>3,956,015</u>              |
| <b>EQUITY AND LIABILITIES</b>                 |                                     |                               |
| <b>SHARE CAPITAL AND RESERVES</b>             |                                     |                               |
| Authorized share capital                      | 750,000                             | 750,000                       |
| Issued, subscribed and paid up capital        | 360,000                             | 360,000                       |
| Unappropriated Profit                         | 652,790                             | 699,696                       |
|   | <u>1,012,790</u>                    | <u>1,059,696</u>              |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b> | 749,059                             | 749,059                       |
| <b>NON CURRENT LIABILITIES</b>                |                                     |                               |
| Long term financing                           | 199,306                             | 234,028                       |
| Long term diminishing musharaka               | 166,666                             | 250,000                       |
| Long term murabaha                            | 77,778                              | 116,666                       |
| Deferred liabilities                          | 299,616                             | 309,327                       |
|   | <u>743,366</u>                      | <u>910,021</u>                |
| <b>CURRENT LIABILITIES</b>                    |                                     |                               |
| Trade and other payables                      | 556,200                             | 342,362                       |
| Mark-up accrued                               | 50,443                              | 56,457                        |
| Short term borrowings                         | 573,446                             | 505,781                       |
| Current portion of long term liabilities      | 326,389                             | 332,639                       |
|   | <u>1,506,478</u>                    | <u>1,237,239</u>              |
| <b>CONTINGENCIES AND COMMITMENTS</b>          | -                                   | -                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>           | <u>4,011,693</u>                    | <u>3,956,015</u>              |

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

  
CHIEF EXECUTIVE


  
DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Half year ended December 31, |                  | Quarter ended December 31, |                 |
|--|------------------------------|------------------|----------------------------|-----------------|
|  | 2011                         | 2010             | 2011                       | 2010            |
|  | (Rupees in thousand)         |                  |                            |                 |
| <b>Sales - net</b>                                     | 1,702,342                    | 1,597,832        | 845,842                    | 809,624         |
| <b>Cost of sales</b>                                   | (1,505,621)                  | (1,235,625)      | (785,079)                  | (607,198)       |
| <b>Gross profit</b>                                    | <u>196,721</u>               | <u>362,207</u>   | <u>60,763</u>              | <u>202,426</u>  |
| <b>Selling and distribution expenses</b>               | (83,817)                     | (84,210)         | (39,758)                   | (42,672)        |
| <b>General and administrative expenses</b>             | (57,333)                     | (51,762)         | (31,126)                   | (23,972)        |
| <b>Other operating expenses</b>                        | (350)                        | (9,130)          | 1,108                      | (5,994)         |
| <b>Other operating income</b>                          | 9,015                        | 10,105           | 4,973                      | 4,921           |
|  | <u>(132,485)</u>             | <u>(134,997)</u> | <u>(64,803)</u>            | <u>(67,717)</u> |
| <b>Operating profit / (loss)</b>                       | 64,236                       | 227,210          | (4,040)                    | 134,709         |
| <b>Financial charges</b>                               | (105,144)                    | (108,755)        | (50,864)                   | (55,976)        |
| <b>(Loss) / profit before taxation</b>                 | (40,908)                     | 118,455          | (54,904)                   | 78,733          |
| <b>Taxation</b>  | 12,002                       | (35,637)         | 17,729                     | (20,132)        |
| <b>(Loss) / profit after taxation</b>                  | <u>(28,906)</u>              | <u>82,818</u>    | <u>(37,175)</u>            | <u>58,601</u>   |
| <b>Earnings per share - basic and diluted (Rupees)</b> | (0.80)                       | 2.30             | (1.03)                     | 1.63            |

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

  
CHIEF EXECUTIVE


  
DIRECTOR

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Half year ended December 31,     |               | Quarter ended December 31, |               |
|--|----------------------------------|---------------|----------------------------|---------------|
|  | 2011                             | 2010          | 2011                       | 2010          |
|  | ----- (Rupees in thousand) ----- |               |                            |               |
| (Loss) / profit for the period                     | (28,906)                         | 82,818        | (37,175)                   | 58,601        |
| Other comprehensive income for the period          | -                                | -             | -                          | -             |
| Total comprehensive (loss) / income for the period | <u>(28,906)</u>                  | <u>82,818</u> | <u>(37,175)</u>            | <u>58,601</u> |

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

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Half year ended December 31, |                  |
|--|------------------------------|------------------|
|  | 2011                         | 2010             |
|  | (Rupees in thousand)         |                  |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>               |                              |                  |
| (Loss) / profit before taxation                          | (40,908)                     | 118,455          |
| Adjustments for items not involving movement of funds:   |                              |                  |
| Depreciation   | 86,504                       | 86,049           |
| Amortization of intangible assets                        | 66                           | 1,058            |
| Provision for gratuity                                   | 2,840                        | 2,540            |
| Gain on sale of fixed assets                             | (149)                        | (589)            |
| Gain on foreign exchange                                 | (370)                        | (179)            |
| Bad debts written off                                    | 2,796                        | 112              |
| Financial charges  | <u>105,144</u>               | <u>108,755</u>   |
| Net cash flow before working capital changes             | 155,923                      | 316,201          |
| Decrease / (increase) in current assets                  |                              |                  |
| Stores, spares and loose tools                           | (15,760)                     | 50,109           |
| Stock in trade   | 43,014                       | (29,133)         |
| Trade debts  | (58,657)                     | (35,239)         |
| Loans and advances                                       | (17,103)                     | 2,142            |
| Trade deposits and short term prepayments                | 3,325                        | (6,185)          |
| Other receivables  | <u>3,286</u>                 | <u>14,436</u>    |
|  | (41,895)                     | (3,870)          |
| (Decrease) / increase in current liabilities             |                              |                  |
| Trade and other payables                                 | <u>213,832</u>               | <u>(37,888)</u>  |
| Cash generated from operations                           | 327,860                      | 274,443          |
| Income taxes paid  | (22,801)                     | (7,490)          |
| Gratuity paid  | (606)                        | (220)            |
| Financial charges paid                                   | <u>(111,829)</u>             | <u>(109,179)</u> |
| Net cash inflow from operating activities                | 192,624                      | 157,554          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>               |                              |                  |
| Additions to operating fixed assets - net                | (2,106)                      | (4,442)          |
| Additions to capital work in progress                    | (72,303)                     | (140,161)        |
| Additions to intangible assets                           | -                            | (247)            |
| Proceeds from sale of operating fixed assets             | 160                          | 1,125            |
| Long term deposits                                       | <u>(2,340)</u>               | <u>15</u>        |
| Net cash (used in) investing activities                  | (76,589)                     | (143,710)        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>               |                              |                  |
| Proceeds from long term financing                        | -                            | 150,000          |
| Repayment of long term financing                         | (40,972)                     | (17,361)         |
| Repayment of long term diminishing musharaka             | (83,334)                     | (83,333)         |
| Repayment of long term murabaha                          | (38,888)                     | (38,889)         |
| Dividend paid  | (17,994)                     | (18,000)         |
| Short term borrowings                                    | <u>67,665</u>                | <u>8,294</u>     |
| Net cash (outflow) / inflow from financing activities    | (113,523)                    | 711              |
| Net increase in cash and cash equivalents                | 2,512                        | 14,555           |
| Cash and cash equivalents at the beginning of the period | <u>113,745</u>               | <u>15,132</u>    |
| Cash and cash equivalents at the end of the period       | <u>116,257</u>               | <u>29,687</u>    |

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Share capital                    | Unappropriated<br>profit | Total            |
|--|----------------------------------|--------------------------|------------------|
|  | ----- (Rupees in thousand) ----- |                          |                  |
| Balance as at July 01, 2010                    | 360,000                          | 616,933                  | 976,933          |
| Final cash dividend 2010: Re. 0.50 per share   | -                                | (18,000)                 | (18,000)         |
| Total Comprehensive income for the period      | -                                | 82,818                   | 82,818           |
| Balance as at December 31, 2010                | <u>360,000</u>                   | <u>681,751</u>           | <u>1,041,751</u> |
| Interim cash dividend 2011: Re. 0.50 per share | -                                | (18,000)                 | (18,000)         |
| Total Comprehensive income for the period      | -                                | 35,945                   | 35,945           |
| Balance as at June 30, 2011                    | <u>360,000</u>                   | <u>699,696</u>           | <u>1,059,696</u> |
| Final cash dividend 2011: Re. 0.50 per share   | -                                | (18,000)                 | (18,000)         |
| Total Comprehensive loss for the period        | -                                | (28,906)                 | (28,906)         |
| Balance as at December 31, 2011                | <u>360,000</u>                   | <u>652,790</u>           | <u>1,012,790</u> |

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

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

1 LEGAL STATUS AND NATURE 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 the business of manufacturing and selling caustic soda and other allied chemicals.

During the period, pursuant to special resolution passed in Annual General Meeting held on October 31, 2011, the Company has submitted a petition in Lahore High Court for amalgamation/merger of the wholly owned subsidiary, Chemi Chloride Industries Limited, with and into Ittehad Chemicals Limited. The order for amalgamation is pending finalization as of the date of issuance of these condensed interim financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements of the Company for the six months period ended December 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, 2011.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those applied for the preceding annual financial statements for the year ended June 30, 2011. 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 24   | - Related Party Disclosures  |
| IFRS 1   | - First time Adoption of International Financial Reporting Standards                       |
| IFRS 7   | - Financial Instruments - Disclosures  |
| IFRIC 14 | - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |

**4 TAXATION**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

**5 ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2011.

|  |      | December 31,<br>2011<br>(Unaudited) | June 30,<br>2011<br>(Audited) |
|--|------|-------------------------------------|-------------------------------|
|  | Note | (Rupees in thousand)                |                               |
| <b>6 OPERATING FIXED ASSETS</b>  |      |                                     |                               |
| Opening net book value (NBV)   |      | 2,342,327                           | 2,299,211                     |
| Additions (at cost) during the period / year                                       | 6.1  | <u>80,371</u>                       | <u>225,402</u>                |
|  |      | 2,422,698                           | 2,524,613                     |
| Disposals (at NBV) during the period / year  | 6.2  | <u>(11)</u>                         | <u>(3,877)</u>                |
| Depreciation charged during the period / year                                      |      | <u>(86,504)</u>                     | <u>(178,409)</u>              |
|  |      | (86,515)                            | (182,286)                     |
| Closing net book value (NBV)   |      | <u>2,336,183</u>                    | <u>2,342,327</u>              |
| <b>6.1 Details of additions (at cost) during the period / year are as follows:</b> |      |                                     |                               |
| Plant and machinery  |      | 79,058                              | 220,936                       |
| Other equipment  |      | 12                                  | 444                           |
| Furniture and fixtures   |      | 5                                   | 162                           |
| Office and other equipment   |      | 1,244                               | 1,895                         |
| Vehicles   |      | 52                                  | 1,965                         |
|  |      | <u>80,371</u>                       | <u>225,402</u>                |

|   | December 31,<br>2011<br>(Unaudited) | June 30,<br>2011<br>(Audited) |
|---|-------------------------------------|-------------------------------|
|   | (Rupees in thousand)                |                               |
| <b>6.2 Details of disposals (at NBV) during the period / year are as follows:</b>   |                                     |                               |
| Vehicles  | <u>11</u>                           | <u>3,877</u>                  |
|   | 11                                  | 3,877                         |
| <b>7 CAPITAL WORK IN PROGRESS</b>   |                                     |                               |
| Plant and machinery   | 74,154                              | 82,944                        |
| Intangibles   | <u>3,500</u>                        | <u>-</u>                      |
|   | <u>77,654</u>                       | <u>82,944</u>                 |
| <b>7.1</b> An amount of Rs. 78.264 million (June 30, 2011: Rs. 214.942 million) has been transferred to operating fixed assets during the period. |                                     |                               |
| <b>8 SHARE CAPITAL</b>  |                                     |                               |
| <b>8.1 Authorized share capital</b>   |                                     |                               |
| 50,000,000 (June 30, 2011: 50,000,000) ordinary shares of Rs. 10/- each   | 500,000                             | 500,000                       |
| 25,000,000 (June 30, 2011: 25,000,000) preference shares of Rs. 10/- each   | <u>250,000</u>                      | <u>250,000</u>                |
|   | <u>750,000</u>                      | <u>750,000</u>                |
| <b>8.2 Issued, subscribed and paid up share capital</b>   |                                     |                               |
| 100,000 (June 30, 2011: 100,000) ordinary shares of Rs. 10/- each fully paid in cash  | 1,000                               | 1,000                         |
| 24,900,000 (June 30, 2011: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash                                  | 249,000                             | 249,000                       |
| 11,000,000 (June 30, 2011: 11,000,000) fully paid bonus shares of Rs. 10/- each   | <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   | 322,222                             | 213,194                       |
| Obtained during the period / year   | <u>-</u>                            | <u>150,000</u>                |
|   | 322,222                             | 363,194                       |
| Repayments made during the period / year  | <u>(40,972)</u>                     | <u>(40,972)</u>               |
|   | 281,250                             | 322,222                       |
| Current portion shown under current liabilities   | <u>(81,944)</u>                     | <u>(88,194)</u>               |
|   | <u>199,306</u>                      | <u>234,028</u>                |

|  | December 31,<br>2011<br>(Unaudited)<br>(Rupees in thousand) | June 30,<br>2011<br>(Audited) |
|--|---|-------------------------------|
| <b>10 LONG TERM DIMINISHING MUSHARAKA</b>                  |   |                               |
| From banking companies and financial institutions- secured |   |                               |
| Balance as at July 01                                      | 416,667   | 583,333                       |
| Repayments made during the period / year                   | <u>(83,334)</u>   | <u>(166,666)</u>              |
|  | 333,333   | 416,667                       |
| Current portion shown under current liabilities            | <u>(166,667)</u>  | <u>(166,667)</u>              |
|  | <u>166,666</u>  | <u>250,000</u>                |
| <b>11 LONG TERM MURABAHA</b>                               |   |                               |
| From banking companies - secured                           |   |                               |
| Balance as at July 01                                      | 194,444   | 272,222                       |
| Repayments made during the period / year                   | <u>(38,888)</u>   | <u>(77,778)</u>               |
|  | 155,556   | 194,444                       |
| Current portion shown under current liabilities            | <u>(77,778)</u>   | <u>(77,778)</u>               |
|  | <u>77,778</u>   | <u>116,666</u>                |

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

- a) The Company has received an assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the Company have decreased by Rs. 24.849 million (June 30, 2011: Rs. 24.849 million). The Company filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the Company. Both the Company and Income Tax Department have filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in Company's favour and partially remanded to the taxation officer for fresh proceedings. The Company expect a favorable outcome of the proceedings. However, if the proceedings are finalized against the Company, it may result in tax payable of Rs. 3.114 million.
- b) The Company has also received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2011: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.
- c) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2008 creating demand of Rs. 8.661 million (June 30, 2011: Rs. 8.661 million). The Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the Company. Both Income Tax Department and Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. In the event of an adverse decision, the Company would be faced with a charge of Rs. 8.661 million against profit.

- 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. 3.364 million (June 30, 2011: Rs. 3.364 million) against these claims.
- e) Letters of guarantee outstanding as at December 31, 2011 were Rs. 202.487 million (June 30, 2011: Rs. 203.248 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2011: Rs. 203 million).

**12.2 Commitments**

Commitments as on December 31, 2011 were as follows:

- a) Against letters of credit amounting to Rs. 20.310 million (June 30, 2011: Rs. 32.262 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2011: Rs. 1.838 million).

|  | December 31,<br>2011<br>(Unaudited)<br>(Rupees in thousand) | June 30,<br>2011<br>(Audited) |
|--|---|-------------------------------|
| <b>c) Ujrah payments under Ijarah financing agreement:</b> |   |                               |
| Not later than one year                                    | 22,694  | 28,020                        |
| Later than one year but not later than five years          | <u>61,182</u>   | <u>77,055</u>                 |
|  | <u>83,876</u>   | <u>105,075</u>                |

| ----- (Unaudited) -----          |      |                            |      |
|----------------------------------|------|----------------------------|------|
| Half year ended December 31,     |      | Quarter ended December 31, |      |
| 2011                             | 2010 | 2011                       | 2010 |
| ----- (Rupees in thousand) ----- |      |                            |      |

**13 COST OF SALES**

|                                    | 1,319,908        | 1,133,286        | 728,646         | 591,319        |
|------------------------------------|------------------|------------------|-----------------|----------------|
| Raw materials consumed             | 161,603          | 150,712          | 85,434          | 78,950         |
| Other overheads:                   |                  |                  |                 |                |
| Salaries, wages and other benefits | 95,536           | 87,550           | 49,120          | 42,504         |
| Stores, spares and consumables     | 78,311           | 87,990           | 41,862          | 43,779         |
| Packing materials consumed         | 3,825            | 4,248            | 1,789           | 2,068          |
| Fuel and power                     | 1,024,032        | 837,445          | 576,503         | 446,087        |
| Repair and maintenance             | 6,602            | 7,886            | 2,834           | 1,902          |
| Rent, rates and taxes              | 13,941           | 13,715           | 6,936           | 6,869          |
| Insurance                          | 4,825            | 4,270            | 2,412           | 2,141          |
| Vehicle running expenses           | 6,892            | 5,731            | 3,371           | 2,912          |
| Postage, printing and stationery   | 320              | 231              | 173             | 126            |
| Depreciation                       | 84,701           | 83,686           | 43,161          | 42,535         |
| Other expenses                     | 923              | 534              | 485             | 396            |
|                                    | <u>1,319,908</u> | <u>1,133,286</u> | <u>728,646</u>  | <u>591,319</u> |
| Opening work in process            | 10,077           | 8,165            | 10,819          | 8,368          |
| Closing work in process            | <u>(11,973)</u>  | <u>(9,189)</u>   | <u>(11,973)</u> | <u>(9,189)</u> |
|                                    | <u>(1,896)</u>   | <u>(1,024)</u>   | <u>(1,154)</u>  | <u>(821)</u>   |
| Cost of goods manufactured         | <u>1,479,615</u> | <u>1,282,974</u> | <u>812,926</u>  | <u>669,448</u> |



----- (Unaudited) -----

|                                 | Half year ended December 31,     |                  | Quarter ended December 31, |                |
|---------------------------------|----------------------------------|------------------|----------------------------|----------------|
|                                 | 2011                             | 2010             | 2011                       | 2010           |
|                                 | ----- (Rupees in thousand) ----- |                  |                            |                |
| Cost of stores traded           | 1,613                            | 3,443            | 1,202                      | 1,210          |
| Opening stock of finished goods | 124,348                          | 75,458           | 70,906                     | 62,790         |
| Closing stock of finished goods | (99,955)                         | (126,250)        | (99,955)                   | (126,250)      |
|                                 | 24,393                           | (50,792)         | (29,049)                   | (63,460)       |
|                                 | <u>1,505,621</u>                 | <u>1,235,625</u> | <u>785,079</u>             | <u>607,198</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                     | 16,527 | 11,905 | 8,464  | 6,025  |
| Subsidiary / Associated companies | Purchase of goods                              | 4,030  | 1,131  | 4,030  | 1,131  |
| Subsidiary / Associated companies | Sales of good and services                     | 61,129 | 39,090 | 35,107 | 19,068 |
| Subsidiary company                | Land rentals                                   | 2,400  | 2,400  | 1,200  | 1,200  |
| Subsidiary company                | Loans and advances made                        | 21,517 | 22,559 | 15,089 | 11,631 |
| Subsidiary company                | Mark up on loans and advances                  | 2,676  | 1,685  | 1,555  | 850    |
| Retirement benefit plans          | Contribution to staff retirement benefit plans | 123    | 148    | 62     | 90     |
| Key management personnel          | Remuneration and other benefits                | 29,621 | 23,912 | 13,969 | 11,956 |

----- (Unaudited) -----

|  | Half year ended December 31, |      | Quarter ended December 31, |      |
|--|------------------------------|------|----------------------------|------|
|  | 2011                         | 2010 | 2011                       | 2010 |

**15 EARNINGS PER SHARE - BASIC AND DILUTED**

|  |               |             |               |             |
|--|---------------|-------------|---------------|-------------|
| (Loss) / profit after taxation - (Rs. in thousand)         | (28,906)      | 82,818      | (37,175)      | 58,601      |
| Weighted average number of ordinary shares - (in thousand) | 36,000        | 36,000      | 36,000        | 36,000      |
| Earnings per share - basic and diluted - (Rs.)             | <u>(0.80)</u> | <u>2.30</u> | <u>(1.03)</u> | <u>1.63</u> |

**16 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on February 22, 2012 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 HALF YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

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

I am pleased to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed consolidated interim financial statements of the Company and its wholly owned subsidiary, Chemi Chloride Industries Limited (CCIL), for the half year ended December 31, 2011.

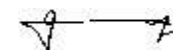
The Directors' Report on the performance of Ittehad Chemicals Limited (ICL), for the half year ended December 31, 2011 has been presented separately.

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

The operational results of the subsidiary reflect significant improvement over those of the corresponding period of last year. During the period under review, CCIL posted net sales of Rs. 177.958 million as compared to the sales of Rs. 138.910 million for the corresponding period of last year, showing an increase of 28%. The Company has earned gross profit of Rs. 48.605 million as compared to gross profit of Rs. 39.278 million for the corresponding period of last year, representing an increase of 24%. The profit before tax for the period under review is Rs. 8.773 million as compared to Rs. 2.699 million for the corresponding period of last year, showing an increase of 225%. The Profit after tax is recorded at Rs. 7.015 million as against profit after tax of Rs. 1.418 million for the same period of last year, showing an increase of 395%. The subsidiary Company has therefore reported earning per share of Re. 0.76 for the period under review, whereas group's loss per share is Re. 0.61.

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

February 22, 2012  
Lahore.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)  
AS AT DECEMBER 31, 2011**

|   | Note | December 31,<br>2011<br>(Unaudited)<br>(Rupees in thousand) | June 30,<br>2011<br>(Audited) |
|---|------|---|-------------------------------|
| <b>ASSETS</b>                                 |      |   |                               |
| <b>NON CURRENT ASSETS</b>                     |      |   |                               |
| Property, plant and equipment                 |      |   |                               |
| Operating fixed assets                        | 6    | 2,485,023   | 2,498,639                     |
| Capital work in progress                      | 7    | 78,344  | 83,634                        |
|   |      | <u>2,563,367</u>  | <u>2,582,273</u>              |
| Intangible assets                             |      | 187   | 253                           |
| Goodwill                                      |      | 6,445   | 6,445                         |
| Investment property                           |      | 67,800  | 67,800                        |
| Long term deposits                            |      | 34,484  | 32,144                        |
|   |      | <u>2,672,283</u>  | <u>2,688,915</u>              |
| <b>CURRENT ASSETS</b>                         |      |   |                               |
| Stores, spares and loose tools                |      | 441,557   | 424,770                       |
| Stock in trade                                |      | 173,268   | 219,946                       |
| Trade debts                                   |      | 513,876   | 459,683                       |
| Loans and advances                            |      | 45,376  | 40,536                        |
| Trade deposits and short term prepayments     |      | 7,641   | 10,701                        |
| Tax refunds due from Government               |      | 50,757  | 7,521                         |
| Taxation - net                                |      | 60,168  | 66,212                        |
| Cash and bank balances                        |      | 117,989   | 117,434                       |
|   |      | <u>1,410,632</u>  | <u>1,346,803</u>              |
| <b>TOTAL ASSETS</b>                           |      | <u><b>4,082,915</b></u>                                     | <u><b>4,035,718</b></u>       |
| <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                       |
| Unappropriated Profit                         |      | 611,210   | 651,100                       |
|   |      | <u>971,210</u>  | <u>1,011,100</u>              |
| <b>SURPLUS ON REVALUATION OF FIXED ASSETS</b> |      | 748,559   | 748,559                       |
| <b>NON CURRENT LIABILITIES</b>                |      |   |                               |
| Long term financing                           | 9    | 216,658   | 266,082                       |
| Long term diminishing musharaka               | 10   | 166,666   | 250,000                       |
| Long term murabaha                            | 11   | 77,778  | 116,666                       |
| Deferred liabilities                          |      | 299,616   | 309,327                       |
|   |      | <u>760,718</u>  | <u>942,075</u>                |
| <b>CURRENT LIABILITIES</b>                    |      |   |                               |
| Trade and other payables                      |      | 572,204   | 342,812                       |
| Mark-up accrued                               |      | 52,724  | 58,780                        |
| Short term borrowings                         |      | 610,387   | 558,018                       |
| Current portion of long term liabilities      |      | 367,113   | 374,374                       |
|   |      | <u>1,602,428</u>  | <u>1,333,984</u>              |
| <b>CONTINGENCIES AND COMMITMENTS</b>          | 12   | -   | -                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>           |      | <u><b>4,082,915</b></u>                                     | <u><b>4,035,718</b></u>       |

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

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|   | Note | Half year ended December 31,<br>2011      2010 |                  | Quarter ended December 31,<br>2011      2010 |                 |
|---|------|--|------------------|--|-----------------|
|   |      | ----- (Rupees in thousand) -----               |                  |  |                 |
| Sales - net   |      | 1,825,071                                      | 1,703,530        | 923,358                                      | 857,902         |
| Cost of sales   | 13   | (1,576,703)                                    | (1,299,005)      | (826,788)                                    | (639,358)       |
| Gross profit  |      | <u>248,368</u>                                 | <u>404,525</u>   | <u>96,570</u>                                | <u>218,544</u>  |
| Selling and distribution expenses                                     |      | (112,738)                                      | (108,842)        | (56,796)                                     | (54,226)        |
| General and administrative expenses                                   |      | (59,525)                                       | (54,733)         | (32,302)                                     | (24,920)        |
| Other operating expenses  |      | (1,063)  | (9,393)          | 426  | (5,742)         |
| Other operating income  |      | 4,102  | 5,414            | 2,697  | 2,383           |
|   |      | <u>(169,224)</u>                               | <u>(167,554)</u> | <u>(85,975)</u>                              | <u>(82,505)</u> |
| Operating profit  |      | <u>79,144</u>                                  | <u>236,971</u>   | <u>10,595</u>                                | <u>136,039</u>  |
| Financial charges   |      | (111,277)                                      | (115,816)        | (53,876)                                     | (59,742)        |
| (Loss) / profit before taxation                                       |      | <u>(32,133)</u>                                | <u>121,155</u>   | <u>(43,281)</u>                              | <u>76,297</u>   |
| Taxation  |      | 10,243   | (36,918)         | 16,618                                       | (20,805)        |
| (Loss) / profit after taxation  |      | <u>(21,890)</u>                                | <u>84,237</u>    | <u>(26,663)</u>                              | <u>55,492</u>   |
| <br>(Loss) / profit attributable to equity holders of holding company |      |  |                  |  |                 |
|   |      | (21,890)                                       | 81,786           | (26,663)                                     | 54,519          |
| Non controlling interest - share of profit                            |      |  |                  |  |                 |
|   |      | -  | 2,451            | -  | 973             |
|   |      | <u>(21,890)</u>                                | <u>84,237</u>    | <u>(26,663)</u>                              | <u>55,492</u>   |
| <br>Earnings per share - basic and diluted (Rupees)                   |      |  |                  |  |                 |
|   | 15   | <u>(0.61)</u>                                  | <u>2.27</u>      | <u>(0.74)</u>                                | <u>1.51</u>     |

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

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Half year ended December 31,     |               | Quarter ended December 31, |               |
|--|----------------------------------|---------------|----------------------------|---------------|
|  | 2011                             | 2010          | 2011                       | 2010          |
|  | ----- (Rupees in thousand) ----- |               |                            |               |
| (Loss) / profit for the period                     | (21,890)                         | 81,786        | (26,663)                   | 54,519        |
| Other comprehensive income for the period          |                                  |               |                            |               |
| Total comprehensive (loss) / income for the period | <u>(21,890)</u>                  | <u>81,786</u> | <u>(26,663)</u>            | <u>54,519</u> |

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

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|  | Half year ended December 31, |               |
|--|------------------------------|---------------|
|  | 2011                         | 2010          |
|  | (Rupees in thousand)         |               |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>               |                              |               |
| (Loss) / profit before taxation                          | (32,133)                     | 121,155       |
| Adjustments for items not involving movement of funds:   |                              |               |
| Depreciation   | 94,083                       | 94,479        |
| Amortization of intangible assets                        | 66                           | 1,058         |
| Provision for gratuity                                   | 2,840                        | 2,540         |
| Gain on sale of fixed assets                             | (149)                        | (589)         |
| Gain on foreign exchange                                 | (1,537)                      | (591)         |
| Bad debts written off                                    | 2,796                        | 786           |
| Financial charges  | 111,277                      | 115,816       |
| Net cash flow before working capital changes             | 177,243                      | 334,654       |
| Decrease / (increase) in current assets                  |                              |               |
| Stores, spares and loose tools                           | (16,787)                     | 45,806        |
| Stock in trade   | 46,678                       | (15,283)      |
| Trade debts  | (55,452)                     | (9,583)       |
| Loans and advances                                       | (4,840)                      | 7,898         |
| Trade deposits and short term prepayments                | 3,060                        | (6,408)       |
| Other receivables  | -                            | 710           |
| Tax refunds due from Government                          | (13,871)                     | (17,056)      |
|  | (41,212)                     | 6,084         |
| (Decrease) / increase in current liabilities             |                              |               |
| Trade and other payables                                 | 229,386                      | (35,511)      |
| Cash generated from operations                           | 365,417                      | 305,227       |
| Taxes paid   | (25,024)                     | (9,084)       |
| Gratuity paid  | (606)                        | (220)         |
| Financial charges paid                                   | (118,004)                    | (115,608)     |
| Net cash inflow from operating activities                | 221,783                      | 180,315       |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>               |                              |               |
| Additions to operating fixed assets-net                  | (2,213)                      | (5,965)       |
| Additions to capital work in progress                    | (72,303)                     | (140,851)     |
| Additions to intangible assets                           | -                            | (247)         |
| Proceeds from sale of operating fixed assets             | 160                          | 1,125         |
| Long term deposits                                       | (2,340)                      | (10,685)      |
| Net cash (used in) from investing activities             | (76,696)                     | (156,623)     |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>               |                              |               |
| Proceeds from long term financing                        | -                            | 150,000       |
| Repayment of long term financing                         | (56,685)                     | (33,074)      |
| Repayment of long term musharaka                         | (83,334)                     | (83,333)      |
| Repayment of long term murabaha                          | (38,888)                     | (38,889)      |
| Dividend paid  | (17,994)                     | (18,000)      |
| Short term borrowings                                    | 52,369                       | 14,236        |
| Net cash (outflow) from financing activities             | (144,532)                    | (9,060)       |
| Net increase in cash and cash equivalents                | 555                          | 14,632        |
| Cash and cash equivalents at the beginning of the period | 117,434                      | 15,399        |
| Cash and cash equivalents at the end of the period       | <u>117,989</u>               | <u>30,031</u> |

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

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

|   | Attributable to the equity holders of<br>the holding company |                                |                  | Non<br>controlling<br>interest | Grand<br>Total   |
|---|--|--------------------------------|------------------|--------------------------------|------------------|
|   | Share<br>Capital   | Unapprop-<br>-riated<br>profit | Sub total        |                                |                  |
| Balance as at July 01, 2010                                   | 360,000  | 576,008                        | 936,008          | 9,740                          | 945,748          |
| Final cash dividend 2010: Re. 0.50 per share                  |  | (18,000)                       | (18,000)         | -                              | (18,000)         |
| Total Comprehensive income for the period                     |  | 81,786                         | 81,786           | 2,451                          | 84,237           |
| Balance as at December 31, 2010                               | <u>360,000</u>   | <u>639,794</u>                 | <u>999,794</u>   | <u>12,191</u>                  | <u>1,011,985</u> |
| Interim cash dividend 2011: Re. 0.50 per share -              |  | (18,000)                       | (18,000)         | -                              | (18,000)         |
| Total Comprehensive income for the period                     | -  | 19,937                         | 19,937           | 628                            | 20,565           |
| Purchase of non controlling interest in<br>Subsidiary Company | -  | 9,369                          | 9,369            | (12,819)                       | (3,450)          |
| Balance as at June 30, 2011                                   | <u>360,000</u>   | <u>651,100</u>                 | <u>1,011,100</u> | <u>-</u>                       | <u>1,011,100</u> |
| Final cash dividend 2011: Re. 0.50 per share                  | -  | (18,000)                       | (18,000)         | -                              | (18,000)         |
| Total Comprehensive loss for the period                       | -  | (21,890)                       | (21,890)         | -                              | (21,890)         |
| Balance as at December 31, 2011                               | <u>360,000</u>   | <u>611,210</u>                 | <u>971,210</u>   | <u>-</u>                       | <u>971,210</u>   |

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 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 100% shareholding.

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

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

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

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

The Board of Directors of the Holding and Subsidiary Company has approved the merger of the Subsidiary Company with its Parent Company and therefore, the Subsidiary Company is not a going concern. The assets and liabilities of the Subsidiary Company have not been stated at its realizable and expected settlement values as these would be merged in Parent Company's books at book values as both the entities are under common control.

**2 BASIS OF PREPARATION**
**2.1 Statement of compliance**

These condensed consolidated interim financial statements of the Group for the six months period ended December 31, 2010 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, 2011.

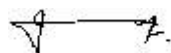
**2.2 Basis of measurement**

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

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

**2.3 Functional and presentation currency**

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



CHIEF EXECUTIVE



DIRECTOR

**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, 2011. 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 24   | - Related Party Disclosures  |
| IFRS 1   | - First time Adoption of International Financial Reporting Standards                       |
| IFRS 7   | - Financial Instruments - Disclosures  |
| IFRIC 14 | - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |

**4 TAXATION**

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

**5 ESTIMATES**

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the consolidated financial statements for the year ended June 30, 2011.

**6 OPERATING FIXED ASSETS**

|   |     | December 31,<br>2011<br>(Unaudited)<br>(Rupees in thousand) | June 30,<br>2011<br>(Audited) |
|---|-----|---|-------------------------------|
| Opening net book value (NBV)                  |     | 2,498,639   | 2,470,758                     |
| Additions (at cost) during the period / year  | 6.1 | <u>80,478</u>   | <u>227,043</u>                |
|   |     | 2,579,117   | 2,697,801                     |
| Disposals (at NBV) during the period / year   | 6.2 | <u>(11)</u>   | <u>(3,877)</u>                |
| Depreciation charged during the period / year |     | <u>(94,083)</u>   | <u>(195,285)</u>              |
|   |     | <u>(94,094)</u>   | <u>(199,162)</u>              |
| Closing net book value (NBV)                  |     | <u>2,485,023</u>  | <u>2,498,639</u>              |

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

|                            |               |                |
|----------------------------|---------------|----------------|
| Plant and machinery        | 79,058        | 222,389        |
| Other equipment            | 12            | 444            |
| Furniture and fixtures     | 5             | 176            |
| Office and other equipment | 1,351         | 2,069          |
| Vehicles                   | 52            | 1,965          |
|                            | <u>80,478</u> | <u>227,043</u> |

|  | December 31,<br>2011<br>(Unaudited)<br>(Rupees in thousand) | June 30,<br>2011<br>(Audited) |
|--|---|-------------------------------|
|--|---|-------------------------------|

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

|          |           |              |
|----------|-----------|--------------|
| Vehicles | 11        | 3,877        |
|          | <u>11</u> | <u>3,877</u> |

**7 CAPITAL WORK IN PROGRESS**

|                     |               |               |
|---------------------|---------------|---------------|
| Plant and machinery | 74,154        | 82,944        |
| Building            | 690           | 690           |
| Intangibles         | 3,500         | -             |
|                     | <u>78,344</u> | <u>83,634</u> |

**7.1 An amount of Rs. 78.264 million (June 30, 2011: Rs. 214.942 million) has been transferred to operating fixed assets during the period.**
**8 SHARE CAPITAL**
**8.1 Authorized Share Capital**

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

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

|  |                |                |
|--|----------------|----------------|
| 100,000 (June 30, 2011: 100,000) ordinary shares of Rs. 10/- each fully paid in cash                             | 1,000          | 1,000          |
| 24,900,000 (June 30, 2011: 24,900,000) ordinary shares of Rs. 10/- each issued for consideration other than cash | 249,000        | 249,000        |
| 11,000,000 (June 30, 2011: 11,000,000) fully paid bonus shares of Rs. 10/- each                                  | <u>110,000</u> | <u>110,000</u> |
|  | <u>360,000</u> | <u>360,000</u> |



----- (Unaudited) -----  
 Half year ended December 31, Quarter ended December 31,  
 2011 2010 2011 2010  
 ----- (Rupees in thousand) -----

**13 COST OF SALES**

|                                    |                  |                  |                 |                 |
|------------------------------------|------------------|------------------|-----------------|-----------------|
| Raw materials consumed             | 167,762          | 150,036          | 92,931          | 78,873          |
| Other overheads:                   |                  |                  |                 |                 |
| Salaries, wages and other benefits | 103,627          | 94,340           | 53,456          | 46,224          |
| Stores, spares and consumables     | 87,166           | 89,754           | 46,774          | 44,700          |
| Packing materials consumed         | 14,021           | 10,504           | 8,292           | 5,215           |
| Fuel and power                     | 1,054,431        | 854,851          | 594,614         | 453,813         |
| Repair and maintenance             | 8,009            | 11,646           | 3,296           | 3,076           |
| Rent, rates and taxes              | 14,106           | 13,955           | 6,936           | 7,109           |
| Insurance                          | 5,104            | 4,564            | 2,551           | 2,300           |
| Vehicle running expenses           | 7,079            | 5,731            | 3,471           | 2,912           |
| Postage, printing and stationery   | 325              | 237              | 178             | 127             |
| Depreciation                       | 92,158           | 91,957           | 46,890          | 46,674          |
| Other expenses                     | 923              | 593              | 485             | 455             |
|                                    | <u>1,386,949</u> | <u>1,178,132</u> | <u>766,943</u>  | <u>612,605</u>  |
| Opening work in process            | 11,449           | 8,822            | 12,371          | 9,105           |
| Closing work in process            | (16,549)         | (10,640)         | (16,549)        | (10,640)        |
|                                    | <u>(5,100)</u>   | <u>(1,818)</u>   | <u>(4,178)</u>  | <u>(1,535)</u>  |
| Cost of goods manufactured         | 1,549,611        | 1,326,350        | 855,696         | 689,943         |
| Cost of stores traded              | 2,689            | 3,443            | 2,278           | 1,210           |
| Opening stock of finished goods    | 128,495          | 99,475           | 72,906          | 78,468          |
| Closing stock of finished goods    | (104,092)        | (130,263)        | (104,092)       | (130,263)       |
|                                    | <u>24,403</u>    | <u>(30,788)</u>  | <u>(31,186)</u> | <u>(51,795)</u> |
|                                    | <u>1,576,703</u> | <u>1,299,005</u> | <u>826,788</u>  | <u>639,358</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                     | 16,527 | 11,905 | 8,464  | 6,025  |
| Associated company            | Sales of good and services                     | 89     | 63     | 41     | -      |
| Retirement benefit plans      | Contribution to staff retirement benefit plans | 123    | 148    | 62     | 90     |
| Key management personnel      | Remuneration and other benefits                | 32,560 | 26,711 | 15,453 | 13,355 |

----- (Unaudited) -----  
 Half year ended December 31, Quarter ended December 31,  
 2011 2010 2011 2010

**15 EARNINGS PER SHARE - BASIC AND DILUTED**

|  |               |             |               |             |
|--|---------------|-------------|---------------|-------------|
| (Loss) / profit after taxation - (Rs. in thousand)         | (21,890)      | 81,786      | (26,663)      | 54,519      |
| Weighted average number of ordinary shares - (in thousand) | 36,000        | 36,000      | 36,000        | 36,000      |
| Earnings per share - basic and diluted - (Rs.)             | <u>(0.61)</u> | <u>2.27</u> | <u>(0.74)</u> | <u>1.51</u> |

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

**16 DATE OF AUTHORIZATION FOR ISSUE**

These condensed consolidated interim financial statements were authorized for issue on February 22, 2012 by the Board of Directors of the Holding Company.

**17 GENERAL**

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

CHIEF EXECUTIVE

DIRECTOR