

**ITTEHAD CHEMICALS LIMITED**  
**UN-AUDITED ACCOUNTS FOR THE HALF YEAR ENDED**  
**DECEMBER 31, 2005**

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## CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Abdul Aziz Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Abdul Sattar Mr. Fawad Yousuf	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Mansoor Ahmed Khatri Mr. Abdul Sattar Khatri Mr. Muhammad Siddique Khatri	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Noor Zaman Khan	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042- 6306586 - 88 Fax : 042- 6365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhpura. Ph : 042-7980026 - 28 Fax : 042-7981646	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042-5839182 Fax: 042-5869037	
BANKERS TO THE COMPANY	Askari Commercial Bank Ltd Metropolitan Bank Ltd MCB Bank Ltd Pakistan Industrial Credit & Investment Corporation Ltd Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd Pak Libya Holding Co. (Pvt.) Ltd The Bank of Punjab Faysal Bank Ltd United Bank Ltd KASB Bank Limited Union Bank Ltd Citi Bank	
AUDITORS	M/s. Ebrahim & Co., Chartered Accountants, Suite No. 516, 5 <sup>th</sup> Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. Ph : 042-6361113 Fax : 042-6312508	
LEGAL ADVISORS	M/s. Tahir Ali Tayebi & Co. 310, Marine Point, Schon Circle, Block 9, Clifton, Karachi. Ph : 021-537 04 58 Fax : 021-537 04 59	

## DIRECTORS' REVIEW

On behalf of the Board of Directors of Ittehad Chemicals Limited I feel pleasure to present the un-audited accounts of the Company for the period ended December 31, 2005.

Demand grew during the period under review giving higher net sales than the corresponding period in 2004. As a result the Company produced 30 % more Caustic and Sodium Hypo Chlorite in aggregate as compared to the same preceding period. Profitability remains high thanks to cost-effective operations. The sustained maintenance and development of competitiveness has enabled your Company to retain its strong market position.

The Company's net sales were up by Rs. 165.20 million and closed at Rs. 1,046.25 million from Rs. 881.05 million in previous corresponding period, reflecting an impressive increase of 18.75%. Increased net sales and cost-effectiveness improved profitability, which is clearly better than that of the corresponding period in 2004. Compared to 2004, the highest improvement in profitability has been achieved as is evident from the following statistics:

<i>Particulars</i>	<i>December 2005</i>	<i>December 2004</i>	<i>Progress %age</i>
	<i>-----Rs. in Million-----</i>		
Net sales	1,046.25	881.05	18.75
Gross profit	220.74	139.63	58.09
Operating profit	149.25	85.83	73.89
Profit before tax	87.69	57.61	52.21
Profit after tax	47.53	28.78	65.15

The healthy growth in gross profit has been mainly achieved through increase in sales volume and reduction in per KWH cost resulting from power generation at gas based captive power plant thus lowering dependence on WAPDA power supply. Other factors contributing the improvement in profitability includes shifting of greater part of production from DSA plant to the more cost-effective IEM plant. Improvement in profit before tax has not been in line with the growth in operating profit due to higher finance cost resulting from increase in working capital needs, appreciation in mark up rates in the financial market and stoppage of capitalization of mark up on syndicate finance facility upon commencement of commercial power generation through power plant.

Effective January 01, 2006 SNGPL has increased the prices of Gas by 15.40% approximately which is one of the major raw materials for producing electricity at power plant. It will slightly have an adverse effect on the profitability of the Company in the period in offing. However the management would try to repel this negative impact through increased sales volume by reaping maximum benefit from the present demand trend. The IEM expansion plant is also expected to fully commence commercial production in March 2006 which will not only enhance the production capacity of the Company but shall also have positive effect on the profitability through production at lower cost.

As regards future prospects the Board of Directors are optimistic about the period ahead and expect growth in net sales. Although they perceive difficulty in view of high gas prices and mark-up rates, even then they have resolved to give handsome profit in the coming period.

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

On behalf of the Board



Muhammad Siddique Khatri  
Chief Executive

Lahore: February 25, 2006

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **ITTEHAD CHEMICALS LIMITED** as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**LAHORE**  
**DATED: FEBRUARY 25, 2006**

**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**

**BALANCE SHEET AS AT DECEMBER 31, 2005**

	Note	Dec. 31, 2005 Unaudited (Rupees in thousand)	June 30, 2005 Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant and equipment			
Operating fixed assets	4	1,487,539	686,562
Capital work in progress	5	163,346	807,334
		<u>1,650,885</u>	<u>1,493,896</u>
Long term investments		630	341
Deferred cost		2,175	2,601
Long term deposits		14,658	14,658
		<u>1,668,348</u>	<u>1,511,496</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	6	517,533	274,793
Stock in trade	7	82,927	92,759
Trade debts		154,052	171,516
Loans and Advances	8	78,634	118,800
Trade deposits and short term prepayments		9,528	4,198
Other receivables		290	8,964
Tax refunds due from the Government		5,850	59,968
Taxation- net		67,556	75,773
Cash and bank balances		50,570	80,831
		<u>966,940</u>	<u>887,602</u>
<b>TOTAL ASSETS</b>		<u><u>2,635,288</u></u>	<u><u>2,399,098</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
75,000,000 (June 30, 2005: 75,000,000) shares of Rs. 10 each	9	750,000	750,000
Issued, subscribed and paid up capital			
30,000,000 (June 30, 2005: 30,000,000) ordinary shares of Rs.10 each		300,000	300,000
Capital reserve - Fair value reserve		622	333
Unappropriated profit		254,045	206,516
Shareholders' equity		<u>554,667</u>	<u>506,849</u>
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital	10	124,900	166,533
Long term financing	11	487,986	592,820
Long term Morabaha	12	304,938	187,500
Deferred liabilities		154,460	117,154
		<u>1,072,284</u>	<u>1,064,007</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		218,929	201,683
Mark up accrued		23,185	18,025
Short term borrowings		440,832	359,397
Current portion of long term borrowings		325,391	249,137
		<u>1,008,337</u>	<u>828,242</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,635,288</u></u>	<u><u>2,399,098</u></u>

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



**CHIEF EXECUTIVE**




**DIRECTOR**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN AUDITED)**

	Note	Half year ended		Quarter ended	
		Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
		<b>(Rupees in thousand)</b>			
Gross sales		1,221,809	1,028,785	612,021	519,439
Sales tax and commission		(175,562)	(147,731)	(87,855)	(74,660)
Net sales		<u>1,046,247</u>	<u>881,054</u>	<u>524,166</u>	<u>444,779</u>
Cost of sales	14	<u>(825,507)</u>	<u>(741,422)</u>	<u>(407,676)</u>	<u>(374,664)</u>
Gross profit		220,740	139,632	116,490	70,115
Selling and distribution expenses		(44,173)	(31,345)	(23,578)	(18,324)
Administrative expenses		(26,952)	(21,652)	(15,560)	(12,351)
Other operating income		4,469	2,437	3,586	1,056
Other operating expenses		<u>(4,835)</u>	<u>(3,240)</u>	<u>(2,332)</u>	<u>(1,425)</u>
Operating profit		149,249	85,832	78,606	39,071
Finance cost		<u>(61,558)</u>	<u>(28,219)</u>	<u>(37,412)</u>	<u>(15,231)</u>
Net profit for the period		87,691	57,613	41,194	23,840
Taxation		40,162	28,838	16,996	11,276
Profit after taxation		<u>47,529</u>	<u>28,775</u>	<u>24,198</u>	<u>12,564</u>
Earning per share - Basic and diluted	16				
Before provision for taxation		Rs. 2.92	Rs. 1.92	Rs. 1.37	Rs. 0.79
After provision for taxation		Rs. 1.58	Rs. 0.96	Rs. 0.81	Rs. 0.42

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

  
CHIEF EXECUTIVE

  
DIRECTOR

**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	Half year ended	
	Dec. 31, 2005	Dec. 31, 2004
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	87,691	57,613
Adjustments for non cash charges and other items		
Depreciation	62,973	37,980
Provision for gratuity	150	150
Amortization of deferred cost	426	425
Provision for doubtful debts	2,002	353
Provision for bad and doubtful debts written back	(497)	-
Gain on sale of fixed assets	-	(83)
Loss on foreign exchange	69	-
Finance cost	61,558	28,219
	214,372	124,657
<b>(Increase) / Decrease in current assets</b>		
Stores, spares and loose tools	(242,740)	(24,188)
Stock in trade	9,832	(18,395)
Trade debts	15,959	(9,126)
Loans and Advances	40,166	(45,663)
Trade deposits and short term prepayments	(5,330)	(34,546)
Other receivables	8,674	4,189
Tax refunds due from the Government	44,357	-
	(129,082)	(127,729)
<b>Increase / (Decrease) in current liabilities</b>		
Trade and other payables	33,500	39,739
Cash generated from operations	118,790	36,667
Taxes paid	(1,352)	(3,149)
Gratuity paid	-	(117)
Net cash generated from operating activities	117,438	33,401
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(219,961)	(541,530)
Proceeds from disposal of operating fixed assets	-	445
Long term deposits	-	(2,730)
Net cash used in investing activities	(219,961)	(543,815)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of redeemable capital	(41,633)	(50)
Repayment of long term financing	(61,142)	550,805
Proceeds from long term morabaha	150,000	-
Repayment of finance lease liabilities	-	(253)
Finance cost paid	(56,398)	(27,600)
Short term borrowings	81,435	45,268
Net cash generated from financing activities	72,262	568,170
Net (decrease) / increase in cash and cash equivalents	(30,261)	57,756
Cash and cash equivalents at beginning of the period	80,831	30,731
Cash and cash equivalents at end of the period	50,570	88,487

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


  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	<b>Issued, subscribed and paid- up capital</b>	<b>Capital reserve – fair value reserve</b>	<b>Unappropriated profit</b>	<b>Total</b>
<b>(Rupees in thousand)</b>				
Balance as at July 1, 2004	250,000	167	206,026	456,193
Profit for the period	–	–	28,775	28,775
Fair value gain	–	36	–	36
Balance as at December 31, 2004	250,000	203	234,801	485,004
Profit for the period	–	–	21,715	21,715
Fair value gain	–	130	–	130
Issue of bonus shares	50,000	–	(50,000)	–
Balance as at June 30, 2005	300,000	333	206,516	506,849
Profit for the period	–	–	47,529	47,529
Fair value gain	–	289	–	289
Balance as at December 31, 2005	300,000	622	254,045	554,667

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

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

**1. NATURE AND STATUS OF BUSINESS**

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

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

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

**2. STATEMENT OF COMPLIANCE**

These financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard 34 “Interim Financial Reporting” as applicable in Pakistan.

**3. ACCOUNTING POLICIES**

The accounting policies adopted and method of computation followed in the preparation of these financial statements are the same as those of the preceding annual financial statements for the year ended June 30, 2005. The following new policies have been adopted:

**3.1 Freehold land held for sale**

Freehold land held for sale in the ordinary course of business is initially recognized as stock in trade at cost. After initial recognition it is measured at the lower of cost and net realizable value.

**3.2 Revenue recognition for freehold land held for sale**

Revenue from sale of freehold land held for sale is recognized in the period in which legal title passes to the buyer.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	Note	Half year ended Dec. 31, 2005 (Rupees in thousand)	Year ended June 30, 2005
<b>4. OPERATING FIXED ASSETS</b>			
Opening book value		686,562	739,316
Add: Additions during the period / year	4.1	863,950	25,736
		1,550,512	765,052
Less:			
Disposals and retirements during the period / year	4.2	–	1,654
Depreciation charged during the period / year		62,973	76,836
		62,973	78,490
Closing book value		1,487,539	686,562
4.1 Details of additions during the period / year are as follows:			
Buildings on freehold land		29,373	6,983
Plant and machinery		815,958	13,114
Other equipment		27	–
Furniture and fixtures		150	243
Vehicles		17,904	3,598
Office and other equipment		538	1,798
		863,950	25,736
4.2 Details of disposals/retirements during the period/year are as follows:			
Vehicles		–	997
Vehicles -Leased		–	657
		–	1,654
<b>5. CAPITAL WORK-IN-PROGRESS</b>			
This consists of:			
Building		696	25,257
Plant and machinery		162,650	782,077
		163,346	807,334
5.1 An amount of Rs. 833.240 million (June 30, 2005: Rs. 1.807 million) has been transferred to operating fixed assets during the period.			

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	<b>Half year ended Dec. 31, 2005 (Rupees in thousand)</b>	<b>Year ended June 30, 2005</b>
<b>6. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	96,682	102,434
Spares		
in hand	340,978	179,066
in transit	102,060	15,302
	443,038	194,368
Loose tools	245	423
	539,965	297,225
Less: Provision for slow moving and obsolete items	22,432	22,432
	517,533	274,793

**7. STOCK IN TRADE**

These include a freehold land held for sale amounting to Rs. 15.210 million. The forced sale value of the land as determined by Sakina Enterprises "the approved valuer" as at the balance sheet date was Rs. 15.552 million.

**8. LOANS AND ADVANCES**

The amount under this head includes payments aggregating to Rs. 35.985 million made for the purchase of land in respect of which registration title is in process. The management has an understanding with the contracting party that no further amounts are payable under the previously executed agreements referred in note: 10.1 of the notes to the audited financial statements for the year ended June 30, 2005 as the quantum of land purchased has been proportionately reduced. Based on the valuation report of M/s Sakina Enterprises "the approved valuer" the fair value of this land is greater than the amount paid.

**9. AUTHORISED SHARE CAPITAL**

The Company in its Extra Ordinary General Meeting held on August 10, 2005 has passed a special resolution for issuance of 25,000,000 non voting cumulative preference shares of Rs.10/- each. Approval from SECP has been obtained for issuance of 20,000,000 preference shares of Rs. 10/- each amounting to Rs. 200.00 million so far and the arrangement of prospective investors for the rest of the issue is in process.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	<b>Half year ended Dec. 31, 2005 (Rupees in thousand)</b>	<b>Year ended June 30, 2005</b>
<b>10. REDEEMABLE CAPITAL</b>		
Balance as at July 01	249,800	249,900
Repayments made during the period / year	(41,633)	(100)
	208,167	249,800
Current portion shown under current liabilities	(83,267)	(83,267)
	124,900	166,533
<b>11. LONG TERM FINANCING</b>		
From banking companies and financial institutions - Secured		
Balance as at July 01	726,190	337,725
Obtained during the period / year	–	500,000
	726,190	837,725
Repayments made during the period / year	(50,142)	(111,535)
	676,048	726,190
	(197,062)	(153,370)
	478,986	572,820
From directors and others- Unsecured		
Balance as at July 01	20,000	20,000
Repayments made during the period / year	(11,000)	–
	9,000	20,000
	487,986	592,820
<b>12. LONG TERM MORABAHA</b>		
From banking companies - Secured		
Balance as at July 01	200,000	–
Obtained during the period / year	150,000	200,000
	350,000	200,000
Current portion shown under current liabilities	(45,062)	(12,500)
	304,938	187,500

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

**13. CONTINGENCIES AND COMMITMENTS**

**13.1 Contingencies**

- a. Claim lodged by M/s Saigol Brothers Limited (SBL), of Rs. 2.608 million (June 30, 2005: Rs. 2.608 million) on account of rent of storage tanks at Faisalabad used by Ittehad Chemicals Limited "the Company" from July 1, 1973 to March 10, 1982 of which only Rs. 0.044 million (June 2005: Rs. 0.044 million) has been acknowledged and provided for in these financial statements.
- b. Demand created for assessment year 1996-97 with respect to disallowance of expenses incurred on account of Golden Hand Shake (GHS) and of Voluntary Separation Scheme (VSS) amounting to Rs. 56.437 million for reason of non deduction of tax on payment of such expenses had been set aside by the Honorable Income Tax Appellate Tribunal (ITAT) with direction to re-compute the tax liability by using the specified methodology. The Inspecting Additional Commissioner (IAC), vide his order dated Dec 23, 2003 had restored the original assessment u/s 66-A of the Income Tax Ordinance 1979 without considering the directions of ITAT. Management had filed a revised petition before ITAT and Reference Application before the Learned Lahore High Court. The matter has now been remanded back to IAC by ITAT. In the event of adverse decision the Company would be faced with the charge against profit of Rs. 34.107 million. (June 2005: Rs. 34.107 million).
- c. Liability determined for assessment year 2002-03 amounted to Rs. 46.112 million. Company had filed an appeal to the Commissioner Appeals (CIT) against the decision of Deputy Commissioner Income Tax (DCIT). CIT appeals vide his order dated October 03, 2005 has given the decision in favour of the Company and accepted all the items as permissible which were not acknowledged by the DCIT. Subsequent to the balance sheet date department has filed an appeal against the order of CIT Appeals. In the event of adverse decision against the Company it would be faced with a charge of Rs. 5.974 million against profit. (June 2005: Rs. 10.205 million).
- d. Letters of guarantee outstanding as at December 31, 2005 amounted to Rs. 83.936 million (June 2005: Rs. 84.843 million).

**13.2 Commitments**

Commitments as on December 31, 2005 were as follows:

- a. Commitments against outstanding letters of credit amounted to Rs. 30.502 million (June 2005: Rs. 236.894 million).
- b. Commitments against purchase of land amounted to Rs. 8.022 million (June 2005: Rs. 64.400 million). The amount shown under this head in the financial statements for the year ended June 30, 2005 has reduced for reasons stated in Note: 8.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>Dec. 31,</b>	<b>Dec. 31,</b>	<b>Dec. 31,</b>	<b>Dec. 31,</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>(Rupees in thousand)</b>			
<b>14. COST OF SALES</b>				
Raw materials consumed				
Opening stock	48,210	19,007	51,767	16,782
Purchases	115,080	101,696	54,447	59,400
	<u>163,290</u>	<u>120,703</u>	<u>106,214</u>	<u>76,182</u>
Raw materials traded	-	(725)	-	-
Closing stock	(44,118)	(28,176)	(44,118)	(28,176)
	<u>119,172</u>	<u>91,802</u>	<u>62,096</u>	<u>48,006</u>
Other overheads				
Stores and spares consumed	71,362	33,819	26,689	16,702
Packing materials consumed	837	911	496	376
Production supplies consumed	10,000	9,800	5,000	5,900
Mercury consumed	12,367	6,940	9,635	4,917
Salaries, wages and benefits	36,604	30,212	19,045	15,674
Fuel and power	481,386	515,480	229,849	263,702
Repair and maintenance	26,159	15,689	17,805	9,454
Insurance	3,315	1,958	1,968	1,070
Depreciation	61,969	37,018	38,486	18,526
Vehicle running expenses	2,724	3,297	1,654	1,596
Postage, printing & stationery	1,091	1,276	499	626
Other expenses	665	482	379	240
	<u>708,479</u>	<u>656,882</u>	<u>351,505</u>	<u>338,783</u>
Work in process				
Opening	2,710	2,546	2,710	2,874
Closing	(2,955)	(3,015)	(2,955)	(3,015)
	<u>(245)</u>	<u>(469)</u>	<u>(245)</u>	<u>(141)</u>
Cost of goods manufactured	827,406	748,215	413,356	386,648
Cost of raw materials traded	-	725	-	-
Cost of stores traded	129	4,105	-	1,009
Finished goods				
Opening stock	14,371	12,671	10,719	12,401
Purchases	2,747	1,100	2,747	-
Closing	(19,146)	(25,394)	(19,146)	(25,394)
	<u>(2,028)</u>	<u>(11,623)</u>	<u>(5,680)</u>	<u>(12,993)</u>
	<u>825,507</u>	<u>741,422</u>	<u>407,676</u>	<u>374,664</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**

**15. TRANSACTIONS WITH RELATED PARTIES**

The related parties and associated undertakings 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:

Relation with the company	Nature of transaction	Half year ended		Quarter ended	
		Dec. 31, 2005	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2004
(Rupees in thousand)					
Associated companies	Sales of good and services	13,437	52,046	2,694	22,602
	Late payment charges	2,447	–	–	–
	Marketing services charges	10,494	8,895	5,238	4,506
Retirement benefit plans	Contribution to staff retirement Benefit plans	65	67	32	36
Directors and others	Loan paid back	11,000	–	11,000	–
Key management personnel	Remuneration and other benefits	5,950	2,898	4,300	2,193

**16. BASIC AND DILUTED EARNING PER SHARE**

Profit before tax	87,691	57,613	41,194	23,840
Profit after tax	<u>47,529</u>	<u>28,775</u>	<u>24,198</u>	<u>12,564</u>
	<b>Number of Shares</b>			
Average issued ordinary shares	30,000	30,000	30,000	30,000
	<b>Amount in Rupees</b>			
Earnings per share before tax	Rs. 2.92	Rs. 1.92	Rs. 1.37	Rs. 0.79
Earnings per share after tax	<u>Rs. 1.58</u>	<u>Rs. 0.96</u>	<u>Rs. 0.81</u>	<u>Rs. 0.42</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2005 (UN-AUDITED)**


16.1 To comply with the requirements of International Accounting Standard (IAS) No. 33, comparative figures of earnings per share have been restated in view of Bonus issue of 5,000,000 ordinary shares as declared by the Directors in February 2005.

**17. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 25, 2006 by the Board of Directors of the Company.

**18. GENERAL**

- i.) An amount of Rs. 39.830 million previously classified as "Mercury in cells" under "non-current assets" has been classified under "Stores, spares and loose tools" for proper disclosure.
- ii) Mercury in hand amounting to Rs. 2.255 million previously classified under "stock in trade" has now been classified under "Stores, spares and loose tools".
- iii) Amounts have been rounded off to the nearest rupees in thousand unless otherwise stated.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**