



ITTEHAD CHEMICALS LIMITED

Half Yearly Report Jul - Dec 2007



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ITTEHAD CHEMICALS LIMITED

Half Yearly Condensed Interim Financial Statements

*for the period ended December 31, 2007
(Un-Audited)*

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri Mr. Abdul Ghafoor Khatri Mr. Abdul Sattar Khatri Mr. Mansoor Ahmed Khatri Ms. Farhana Abdul Sattar Mr. Fawad Yousuf Ms. Noor-ul-Huda	Chairman & Chief Executive Director Director Director Director Director Director
AUDIT COMMITTEE	Mr. Mansoor Ahmed Khatri Mr. Abdul Sattar Khatri Mr. Abdul Ghafoor 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 Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited Pak Libya Holding Co. (Pvt.) Limited The Bank of Punjab Faysal Bank Limited United Bank Limited KASB Bank Limited Standard Chartered Bank Limited Citi Bank Allied Bank Limited My Bank Limited Pak Kawait Investment Co. (Pvt.) Limited	
AUDITORS	M/s.BDO Ebrahim & Co., Chartered Accountants, 2 nd Floor, Block-C, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. Ph: 021-5683189-5683498 Fax: 021-5684239	
LEGAL ADVISORS	M/s. Tahir Ali Tayebi & Co. 310, Marine Point, Schon Circle, Block 9, Clifton, Karachi. Ph : 021-5370458 Fax : 021-5370459	

On behalf of the Board of Directors of Ittehad Chemicals Limited, I feel pleasure in presenting the un-audited financial statements of the Company for the half year ended December 31, 2007.

As in the case of other industries, the frequent power breakdowns, irregular gas supply and unrest in the country due to political disturbances has hit the Company's production, sales and profitability. However, despite the foregoing impediments, your Company successfully managed to improve the net sales to Rs. 1,279.56 millions from Rs. 1,231.225 millions recording a marginal increase of around 4% over the corresponding period of last year. The overall profitability of the Company however did not improve on the same pattern mainly due to accelerating prices of raw materials, increase in fuel & power costs and tough competition in the market. Earning per share has therefore dropped from Rs. 1.06 to Rs. 0.66.

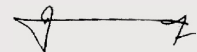
At present country's economy is showing declining trends due to energy crisis, disturbances in the country and political uncertainty. Industrial production in upcoming times would therefore depend, to a greater extent, on correction or otherwise of the foregoing situations. In addition, textile sector which is one of the largest consumers of the Company's products and which has been passing through the difficult times has again been hit by the current energy crisis. There is therefore a need for prompt and effective remedial action from the Government side for rescuing this industry.

Looking forward, the management would take position according to the varying market trends and it expects a growth in sales of your Company subject to the restoration of gas supply, political stability and anticipated rise in seasonal demand.

Thanks must go to the Company's staff, valued customers and other stakeholders for their dedication, support and cooperation.

Lahore
February 27, 2008

On Behalf of the Board



Muhammad Siddique Khatri
Chief Executive

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

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of **ITTEHAD CHEMICALS LIMITED** (the "Company") as at December 31, 2007 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity, together with the notes forming part thereof (herein after referred to as "interim financial information"), for the half year then ended. 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, 2007 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, 2007 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: February 27, 2008

**BDO EBRAHIM & COMPANY
CHARTERED ACCOUNTANTS**

CONDENSED INTERIM BALANCE SHEET

as at December 31, 2007

		DECEMBER 31 2007 UNAUDITED	JUNE 30 2007 AUDITED
	NOTE	(Rupees in thousands)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,294,220	2,359,749
Capital work in progress	7	80,537	47,679
		2,374,757	2,407,428
Intangible assets		1,337	1,538
Investment property		82,140	82,140
Long term investments		65,411	65,542
Deferred cost		475	901
Long term deposits		11,475	14,205
		2,535,595	2,571,754
CURRENT ASSETS			
Stores, spares and loose tools		330,476	290,006
Stock in trade		149,292	102,285
Trade debts		531,543	444,614
Loans and advances		41,560	26,163
Trade deposits and short term prepayments		11,787	8,195
Other receivables		7,161	307
Tax refunds due from the Government		439	439
Taxation-net		64,106	60,563
Cash and bank balances		30,968	29,130
		1,167,332	961,702
TOTAL ASSETS		3,702,927	3,533,456
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 (June 30, 2007: 75,000,000) shares of Rs. 10/- each	8.1	750,000	750,000
Issued, subscribed and paid up capital			
36,000,000 (June 30, 2007: 36,000,000) ordinary shares of Rs. 10/- each	8.2	360,000	360,000
Reserves		374,123	404,477
Shareholders' equity		734,123	764,477
SURPLUS ON REVALUATION OF FIXED ASSETS		643,372	643,372
NON CURRENT LIABILITIES			
Long term financing	9	825,000	584,158
Long term murabaha	10	350,000	217,438
Liabilities against assets subject to finance lease	11	710	913
Deferred liabilities		270,940	246,640
		1,446,650	1,049,149
CURRENT LIABILITIES			
Trade and other payables		220,231	190,038
Mark up accrued		74,240	51,006
Short term borrowings		486,923	442,930
Current portion of long term financings		97,388	392,484
		878,782	1,076,458
CONTINGENCIES AND COMMITMENTS	12	-	-
TOTAL EQUITY AND LIABILITIES		3,702,927	3,533,456

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


CHIEF EXECUTIVE

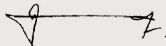

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

for the half year ended December 31, 2007 (Un-Audited)

	Note	Half year ended		Quarter ended	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
		(Rupees in thousands)			
Sales - net	13	1,279,056	1,231,225	624,629	630,179
Cost of sales		<u>(1,009,010)</u>	<u>(955,408)</u>	<u>(501,073)</u>	<u>(497,156)</u>
Gross profit		270,046	275,817	123,556	133,023
Selling and distribution expenses		(75,703)	(65,975)	(39,149)	(34,030)
General and administrative expenses		(32,634)	(29,217)	(16,400)	(15,408)
Other operating expenses		(3,058)	(4,170)	(1,133)	(1,734)
Other operating income		<u>7,737</u>	<u>2,190</u>	<u>4,380</u>	<u>1,343</u>
Operating profit		166,388	178,645	71,254	83,194
Finance Cost		<u>(112,602)</u>	<u>(102,834)</u>	<u>(53,090)</u>	<u>(52,716)</u>
Net profit for the period		53,786	75,811	18,164	30,478
Taxation		<u>(30,010)</u>	<u>(37,822)</u>	<u>(15,232)</u>	<u>(11,107)</u>
Profit after taxation		<u>23,776</u>	<u>37,989</u>	<u>2,932</u>	<u>19,371</u>
Earnings per share - basic and diluted (Rupees)	15	<u>0.66</u>	<u>1.06</u>	<u>0.08</u>	<u>0.54</u>

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


CHIEF EXECUTIVE

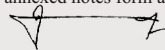

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT

for the half year ended December 31, 2007 (Un-Audited)

	December 31, 2007	December 31, 2006
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	53,786	75,811
Adjustment for non cash charges and other items:		
Depreciation	89,901	96,755
Amortization of intangible assets	301	-
Provision for gratuity	790	226
Amortization of deferred cost	426	425
Gain on disposal of fixed assets	-	(296)
Foreign exchange gain	(13)	(22)
Finance cost	112,602	102,834
	257,793	275,733
(Increase) / decrease in current assets		
Stores, spares and loose tools	(40,470)	12,328
Stock in trade	(47,007)	(15,991)
Trade debts	(86,929)	(95,848)
Loan and advances	(15,397)	(22,361)
Trade deposits and short term prepayments	(3,592)	(1,991)
Other receivables	(6,854)	1,913
	(200,249)	(121,950)
Increase in current liabilities		
Trade and other payables	30,175	11,853
Cash generated from operations	87,719	165,636
Taxes paid	(10,043)	(790)
Dividend paid	(54,000)	-
Gratuity paid	-	(140)
Net cash generated from operating activities	23,676	164,706
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to operating fixed assets - (net)	(21,875)	(8,472)
Additions to intangible assets	(100)	-
Additions to capital work in progress	(35,321)	(23,727)
Proceeds from disposal of operating fixed assets	-	394
Long term investments	-	(63,400)
Long term deposits	2,730	-
Net cash (used in) investing activities	(54,566)	(95,205)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(41,633)	(41,633)
Proceeds from long term financing	750,000	250,000
Repayment of long term financing	(668,896)	(393,960)
Proceeds from long term murabaha	350,000	50,000
Repayment of long term murabaha	(311,188)	(32,562)
Liabilities against assets subject to finance leases	(180)	-
Finance cost paid	(89,368)	(89,419)
Short term borrowings	43,993	(10,444)
Net cash generated from / (used in) financing activities	32,728	(268,018)
Net increase / (decrease) in cash and cash equivalents	1,838	(198,517)
Cash and cash equivalents at beginning of the period	29,130	257,713
Cash and cash equivalents at end of the period	30,968	59,196
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	30,968	59,196

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

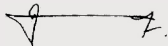

CHIEF EXECUTIVE


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the half year ended December 31, 2007 (Un-Audited)

	Issued, subscribed and paid-up capital	Capital reserve - Fair value reserve	Unappropriated profits	Total
	(Rupees in thousands)			
Balance as at July 01, 2006	300,000	809	326,030	626,839
Bonus shares issued during the period	60,000	-	(60,000)	-
Fair value gain	-	34	-	34
Profit after taxation for the period	-	-	37,989	37,989
Balance as at December 31, 2006	360,000	843	304,019	664,862
Fair value gain	-	291	-	291
Profit after taxation for the period	-	-	99,324	99,324
Balance as at June 30, 2007	360,000	1,134	403,343	764,477
Fair value gain	-	(130)	-	(130)
Dividend paid	-	-	(54,000)	(54,000)
Profit after taxation for the period	-	-	23,776	23,776
Balance as at December 31, 2007	360,000	1,004	373,119	734,123

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


CHIEF EXECUTIVE


DIRECTOR

NOTES TO THE CONDESNSED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (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.

During the period the Company received shares against investments in Chemi Chloride Industries Limited (CCIL) as a result of which the Company held 93.33% of the shares issued, subscribed and paidup capital of CCIL.

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

2 STATEMENT OF COMPLIANCE

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

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirement of the Companies Ordinance 1984, or the requirements of the said directives take precedence.

The disclosures made in these financial statements have, however, been limited in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".

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

3 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2007.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the half year ended December 31, 2007 (Un-Audited)

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, 2007.

		December 31, 2007	June 30, 2007
	Note	Un-audited (Rupees in thousands)	Audited
6 OPERATING FIXEDASSETS			
Opening book value		2,359,749	2,510,171
Additions during the period/year	6.1	24,372	73,288
		<u>2,384,121</u>	<u>2,583,459</u>
Disposals during the period/year	6.2	-	(29,009)
Depreciation charged during the period/year		(89,901)	(194,701)
		<u>(89,901)</u>	<u>(223,710)</u>
Closing book value		<u>2,294,220</u>	<u>2,359,749</u>

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

Owned assets:

Freehold land	11,359	4,798
Building on freehold land	-	121
Railway sidings	-	2,005
Plant and machinery	8,531	58,160
Other equipments	2,464	139
Furniture and fixtures	126	1,490
Vehicles	580	3,647
Office and other equipment	1,279	1,557
	<u>24,339</u>	<u>71,917</u>

Assets subject to finance lease:

Vehicle	33	1,371
	<u>24,372</u>	<u>73,288</u>

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

Freehold land	-	28,800
Vehicle	-	209
	<u>-</u>	<u>29,009</u>

7 CAPITAL WORK -IN-PROGRESS

Plant and machinery	<u>80,537</u>	<u>47,679</u>
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7.1 An amount of Rs. 2.464 million (June 30, 2007: Rs. 36,414 million) has been transferred to operating fixed assets during the period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

		December 31, 2007	June 30, 2007
	Note	Un-audited	Audited
(Rupees in thousands)			
8 SHARE CAPITAL			
8.1 Authorize Share Capital			
50,000,000 (June 30, 2007: 50,000,000) ordinary shares of Rs. 10/- each		500,000	500,000
25,000,000 (June 30, 2007: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		750,000	750,000
8.2 Issued, subscribed and paid up capital			
100,000 (June 30, 2007: 100,000) fully paid in cash		1,000	1,000
24,900,000 (June 30, 2007: 24,900,000) issued for consideration other than cash		249,000	249,000
11,000,000 (June 30, 2007: 11,000,000) fully paid bonus shares		110,000	110,000
		360,000	360,000
9 LONG TERM FINANCING			
From banking companies and financial institutions - Secured			
Balance as at July 01		799,253	939,541
Obtained during the period / year	9.1	750,000	350,000
		1,549,253	1,289,541
Repayments made during the period / year		(668,896)	(490,288)
		880,357	799,253
Current portion shown under current liabilities		(55,357)	(215,095)
		825,000	584,158
9.1 The Company has obtained long term Islamic finance facility amounting Rs. 1,100 million through a syndicate of banks led by Standard Chartered Bank (Pakistan) Limited. This loan has been obtained by the Company to swap its conventional loans into Islamic financing mode with better terms.			
The finance is secured against first pari passu charge over plant and machinery of the company with 25% security margin and carries mark-up at the rate of average six months KIBOR plus 200 bps.			
10 LONG TERM MORABAHA			
From banking companies - Secured			
Balance as at July 01		311,188	337,500
Obtained during the period / year	9.1	350,000	50,000
		661,188	387,500
Less: Repayments made during the period / year		(311,188)	(76,312)
		350,000	311,188
Less: Current portion shown under current liabilities		-	(93,750)
		350,000	217,438
10.1 This facility has been obtained under financing facility described in note 9.1 and is repayable in nine equal Bi-annual installments.			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the half year ended December 31, 2007 (Un-Audited)

	December 31, 2007	June 30, 2007
	Un-audited	Audited
	(Rupees in thousands)	
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Secured		
Balance as at July 01	1,286	-
Addition during the period / year	<u>-</u>	<u>1,371</u>
	1,286	1,371
Payments made during the period / year	<u>(180)</u>	<u>(85)</u>
	1,106	1,286
Current portion shown under current liabilities	<u>(396)</u>	<u>(373)</u>
	<u>710</u>	<u>913</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

- a) 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 withholding 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 December 23, 2003 had restored the original assessment under section 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 (LHC).

The said reference application is pending before LHC. The matter has now been remanded back to IAC by ITAT. In order to avoid further delay in the subject case, management had filed an application in October 2007 to the Federal Board of Revenue (FBR) for appointment of an Alternative Dispute Resolution Committee (ADRC). FBR appointed the said committee on November 22, 2007. Decision of FBR in the light of recommendations of ADRC is expected in due course.

In case the management is not satisfied with the decision of FBR, it would continue to pursue the matter before the Lahore High Court. In the event of an adverse decision, the Company would be faced with a charge against profit of Rs. 34.107 million (June 30, 2007: Rs. 34.107 million).

- b) The liability for income tax determined for assessment year 2002-03 amounted to Rs. 46.112 million. The Company had filed an appeal to the Commissioner Appeals (CIT) against the assessment order 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. The department has filed an appeal against the order of CIT Appeals. In the event of an adverse decision the Company would be faced with a charge against profit of Rs. 5.974 million (June 30, 2007: Rs. 5.974 million).
- c) Additional Commissioner Audit vide his order dated March 24, 2006 amended assessment of Tax Year 2005 and added back certain provisions to the extent of Rs. 58.693 million. CIT Appeals allowed these expenses whereas the Department has challenged this order. In case of adverse decision, charge to profit will be to the extent of disallowance and tax liability will be accordingly increased.

NOTES TO THE CONDESNSED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.898 million (June 30, 2007: Rs. 5.086 million) against these claims.
- e) Letters of guarantee outstanding as at December 31, 2007 were Rs.206.055 million (June 30, 2007: Rs.202.887 million).

12.2 Commitments

Commitments as on December 31, 2007 were as follows:

- a) Against letters of credit outstanding amounting to Rs.44.213 million (June 30, 2007: Rs. 69.016 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2007: Rs. 5.047 million).
- c) Against purchase of End User Licences of SAP Business One (ERP System) amounting Rs. 1.065 million (June 30, 2007: Rs. 2.05 million).

Half year ended		Quarter ended	
December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
(Rupees in thousands)		(Rupees in thousands)	

13 COST OF SALES

Raw materials consumed	169,524	142,401	88,325	68,980
Stores, spares and loose tools consumed	83,576	93,113	43,430	62,209
Packing materials consumed	3,914	2,573	2,119	1,398
Salaries, wages and other benefits	51,763	44,456	25,919	22,582
Fuel and power	589,343	582,473	294,325	295,348
Repair and maintenance	8,165	10,784	4,061	7,403
Insurance	3,938	4,852	1,734	2,428
Depreciation	88,510	95,285	44,359	47,953
Vehicle running expenses	3,789	2,821	2,051	1,384
Postage, printing and stationery	926	900	484	520
Other expenses	1,252	1,326	499	834
	1,004,700	980,984	507,306	511,039
Opening work-in-process	3,200	3,322	3,200	3,322
Closing work-in-process	(3,543)	(3,452)	(3,543)	(3,452)
	(343)	(130)	(343)	(130)
Cost of goods manufactured	1,004,357	980,854	506,963	510,909
Cost of storetraded	1,895	-	523	-
Opening stock of finished goods	59,312	31,600	50,141	43,293
Closing stock of finished goods	(56,554)	(57,046)	(56,554)	(57,046)
	2,758	(25,446)	(6,413)	(13,753)
	1,009,010	955,408	501,073	497,156

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

	Half year ended		Quarter ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(Rupees in thousands)		(Rupees in thousands)	
Associated companies				
Sales of good and services	6,539	429	2,491	235
Late payment charges	-	270	-	32
Marketing services charges	12,934	12,408	6,340	6,334
Investment made	-	63,400	-	46,940
Land rentals	5,446	-	-	-
Loans and advances made	17,426	2,560	9,069	2,560
Mark up on loans and advances	333	9	126	9
Contribution to staff retirement	67	65	33	32
Remuneration and other benefits	13,603	4,574	7,008	1,836

15 BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

- Profit after taxation (Rupees in thousands)	23,776	37,989	2,932	19,371
- Weighted average number of ordinary shares (in thousands)	36,000	36,000	36,000	36,000
Earnings per share (Rupees)	0.66	1.06	0.08	0.54

16 DATE OF AUTHORISATION

These financial statements were authorized for issue on February 27, 2008 by the Board of Directors of the Company.

17 GENERAL

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


CHIEF EXECUTIVE


DIRECTOR

ITTEHAD CHEMICALS LIMITED

Half Yearly Condensed Consolidated Interim Financial Statements

*for the period ended December 31, 2007
(Un-Audited)*

Directors' Review on Consolidated Accounts	18
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DIRECTORS' REVIEW ON CONSOLIDATED ACCOUNTS

On behalf of the Board of Directors, I feel pleasure in presenting the un-audited consolidated financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL) for the half year ended December 31, 2007.

CCIL commenced its trial production in October 2007 which ended by the end of December 2007. Commercial production of Calcium Chloride was due to start in January 2008 which has been delayed because of non-availability of gas to the plant.

During the period under review CCIL posted a trial run loss of Rs. 2.231 million. Entire sales revenue earned during the period has been taken in the trial run account. A total amount of Rs. 2.737 million has been included in income statement of the subsidiary on account of general, admin and financial expenses. CCIL has therefore reported a negative earning per share of Rs. 78.2 for the above referred period whereas group's earning came in at Rs. 0.36 per share. Total cost incurred on the project up to Dec 31, 2007 has remained at Rs. 209.913 million.

Calcium Chloride prills has a good demand all around the world especially in the Middle East. Company has approached a number of potential customers abroad and got positive responses. Besides this, there are numerous local industries which consume calcium chloride; these include oil & gas, beverage, drinking water, ice cream manufacturers and well drilling companies. In view of the foregoing, management anticipates reasonable sale revenue both from international and local markets.

Due to current law & order situation in the country, Janyvar BV Havelte, Netherlands, a party to the JV agreement dated November 22, 2005, is reluctant to release its subscription money of Rs. 21.189 million which is outstanding against their agreed share of Rs. 23.00 million, i.e., 25% of the proposed paid up capital of CCIL amounting to Rs. 92.00 million. Sponsors have therefore agreed to make up the shortfall in case Janyvar fails to pay the same in due course of time. Ittehad Chemicals Limited, the holding company, has also shown interest to acquire the entitlement of Janyvar in the paid up capital of CCIL in case of their withdrawal. The matter will be decided after having known the final decision of Janyvar.

February 27, 2008
Lahore

On Behalf of the Board



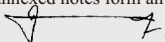
Muhammad Siddique Khatri
Chief Executive

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

as at December 31, 2007

		DECEMBER 31, 2007	JUNE 30, 2007
	NOTE	UNAUDITED	AUDITED
(Rupees in thousands)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	2,494,182	2,359,749
Capital work in progress	7	80,537	47,679
		2,574,719	2,407,428
Intangible assets		1,337	1,538
Investment property		82,140	82,140
Goodwill		6,445	-
Long term investments		1,011	65,542
Deferred cost		540	901
Long term deposits		12,339	14,205
		2,678,531	2,571,754
CURRENT ASSETS			
Stores, spares and loose tools		331,951	290,006
Stock in trade		159,891	102,285
Trade debts		528,169	444,614
Loans and advances		29,003	26,163
Trade deposits and short term prepayments		16,824	8,195
Other receivables		305	307
Tax refunds due from the Government		439	439
Taxation-net		65,541	60,563
Cash and bank balances		32,118	29,130
		1,164,241	961,702
		3,842,772	3,533,456
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 (June 30, 2007: 75,000,000) shares of Rs. 10/- each	8.1	750,000	750,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
36,000,000 (June 30, 2007: 36,000,000) ordinary shares of Rs.10/- each	8.2	360,000	360,000
Reserves		363,295	404,477
Shareholders' equity		723,295	764,477
Advance against future issue of shares		1,811	-
		4,140	-
MINORITY INTEREST			
		729,246	764,477
SURPLUS ON REVALUATION OF FIXED ASSETS			
		643,372	643,372
NON CURRENT LIABILITIES			
Long term financing	9	927,564	584,158
Long term murabaha	10	350,000	217,438
Liabilities against assets subject to finance lease	11	710	913
Deferred liabilities		270,940	246,640
		1,549,214	1,049,149
CURRENT LIABILITIES			
Trade and other payables		236,056	190,038
Mark up accrued		77,343	51,006
Short term borrowings		488,573	442,930
Current portion of long term financings		118,968	392,484
		920,940	1,076,458
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		3,842,772	3,533,456
TOTAL EQUITY AND LIABILITIES			

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

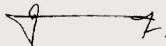

CHIEF EXECUTIVE


DIRECTOR

CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
for the half year ended December 31, 2007 (Un-Audited)

NOTE	Half year ended		Quarter ended	
	DECEMBER 31, 2007	DECEMBER 31, 2006	DECEMBER 31, 2007	DECEMBER 31, 2006
	(Rupees in thousands)		(Rupees in thousands)	
Sales - Net	1,275,419	1,231,225	623,231	630,179
Cost of sales	13 (1,009,469)	(955,408)	(501,508)	(497,156)
Gross profit	265,950	275,817	121,723	133,023
Selling and distribution expenses	(75,703)	(65,975)	(39,149)	(34,030)
General and administrative expenses	(32,634)	(29,217)	(16,400)	(15,408)
Other operating expenses	(3,058)	(4,170)	(1,133)	(1,734)
Other operating income	1,005	2,190	92	1,343
Operating profit	155,560	178,645	65,133	83,194
Finance cost	(112,602)	(102,834)	(53,090)	(52,716)
Net profit for the period	42,958	75,811	12,043	30,478
Taxation	(30,010)	(37,822)	(15,232)	(11,107)
Profit after taxation	12,948	37,989	(3,189)	19,371
Earnings/(loss) per share - basic and diluted (Rupees)	15 Rs. 0.36	Rs. 1.06	Rs. (0.09)	Rs. 0.54

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


CHIEF EXECUTIVE

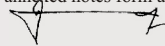

DIRECTOR

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

for the half year ended December 31, 2007 (Un-Audited)

	DECEMBER 31, 2007	DECEMBER 31, 2006
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	42,958	75,811
Adjustments for items not involving movement of items:		
Depreciation	89,901	96,755
Amortization of intangible assets	301	-
Provision for gratuity	790	226
Amortization of deferred cost	426	425
Gain on disposal of fixed assets	-	(296)
Loss on foreign exchange	(13)	(22)
Finance cost	112,602	102,834
	246,965	275,733
(Increase) / decrease in current assets		
Stores, Spares and loose tools	(40,470)	12,328
Stock in trade	(47,007)	(15,991)
Trade debts	(83,321)	(95,848)
Loan and advances	(15,064)	(22,361)
Trade deposits and short term prepayments	(3,592)	(1,991)
Other receivables	33	1,913
	(189,421)	(121,950)
Increase in current liabilities		
Trade and other payables	30,175	11,853
Cash generated from operations	87,719	165,636
Income taxes paid	(10,043)	(790)
Dividend paid	(54,000)	-
Gratuity paid	-	(140)
Net cash generated from operating activities	23,676	164,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(21,875)	(8,472)
Additions to intangible assets	(100)	-
Additions to capital work in progress	(35,321)	(23,727)
Acquisition of subsidiary	1,150	-
Proceeds from sale of operating fixed assets	-	394
Investments	-	(63,400)
Long term deposits	2,730	-
Net cash (used in) investing activities	(53,416)	(95,205)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	(41,633)	(41,633)
Proceeds from long term financing	750,000	250,000
Repayment of long term financing	(668,896)	(393,960)
Proceeds from long term morabaha	350,000	50,000
Repayment of long term morabaha	(311,188)	(32,562)
Repayment of liabilities against subject to finance lease	(180)	-
Finance cost paid	(89,368)	(89,419)
Short term borrowings	43,993	(10,444)
Net cash generated from / (used in) financing activities	32,728	(268,018)
Net increase/(decrease) in cash and cash equivalents	2,988	(198,517)
Cash and cash equivalents at beginning of the period	29,130	257,713
Cash and cash equivalents at the end of the period	32,118	59,196
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	32,118	59,196

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

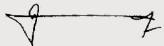

CHIEF EXECUTIVE


DIRECTOR

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
for the half year ended December 31, 2007 (Un-Audited)

	Attributable to equity holders of parent				Minority Interest	Total Equity
	Issued, subscribed and paid-up capital	Capital reserve- Fair value reserve	Unappropriated profits	Total		
(Rupees in thousands)						
Balance as at July 01, 2006	300,000	809	326,030	626,839	-	626,839
Bonus shares issued during the period	60,000	-	(60,000)	-	-	-
Fair value gain	-	34	-	34	-	34
Profit after taxation for the period	-	-	37,989	37,989	-	37,989
Balance as at December 31, 2006	360,000	843	304,019	664,862	-	664,862
Fair value gain	-	291	-	291	-	291
Profit after taxation for the period	-	-	99,324	99,324	-	99,324
Balance as at June 30, 2007	360,000	1,134	403,343	764,477	-	764,477
Fair value loss	-	(130)	-	(130)	-	(130)
Dividend paid	-	-	(54,000)	(54,000)	-	(54,000)
Profit after taxation for the period	-	-	12,948	12,948	4,140	17,088
Balance as at December 31, 2007	360,000	1,004	362,291	723,295	4,140	727,435

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


CHIEF EXECUTIVE


DIRECTOR

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (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 privatised 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.

During the period the Company received shares against investments in Chemi Chloride Industries Limited (CCIL) as a result of which the Company held 93.33% of the shares issued, subscribed and paidup capital of CCIL.

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

2 STATEMENT OF COMPLIANCE

These condensed consolidated interim 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.

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance 1984. Approved accounting standards comprise of such International accounting Standards as notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirement of the Companies Ordinance 1984, or the requirements of the said directives take precedence.

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

3 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed consolidated financial statements are the same as those of the preceding published annual financial statements for the year ended June 30, 2007.

The financial statement of the subsidiary is consolidated on a line by line basis and all intra-group balances and transactions have been eliminated.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

5 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, 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 judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainly are the same as those that were applied to the financial statements for the year ended June 30, 2007.

		December 31, 2007	June 30, 2007
	Note	Un-audited (Rupees in thousands)	Audited
6 OPERATING FIXEDASSETS			
Opening book value		2,360,913	2,510,171
Additions during the period/year	6.1	223,285	73,288
		<u>2,584,198</u>	<u>2,583,459</u>
Disposals during the period / year		-	(29,009)
Depreciation charged during the period / year	6.2	(90,016)	(194,701)
		<u>(90,016)</u>	<u>(223,710)</u>
Closing book value		<u>2,494,182</u>	<u>2,359,749</u>
6.1 Details of additions during the period / year are as follows:			
Owned assets:			
Freehold land		11,359	4,798
Building on freehold land		21,182	121
Railway sidings		-	2,005
Plant and machinery		183,962	58,160
Trial run loss		2,231	-
		<u>186,193</u>	<u>58,160</u>
Other equipments		2,464	139
Furniture and fixtures		126	1,490
Vehicles		587	3,647
Office and other equipment		1,341	1,557
		<u>223,252</u>	<u>71,917</u>
Assets subject to finance lease:			
Vehicle		33	1,371
		<u>223,285</u>	<u>73,288</u>
6.2 Details of disposals /transfers during the period / year are as follows:			
Freehold land		-	28,800
Vehicle		-	209
		<u>-</u>	<u>29,009</u>
7 CAPITAL WORK -IN-PROGRESS			
Plant and machinery		<u>80,537</u>	<u>47,679</u>
7.1 An amount of Rs. 196.164 million (June 30, 2007: Rs. 36.414 million) has been transferred to operating fixed assets during the period.			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

		December 31, 2007	June 30, 2007
	Note	Un-audited	Audited
(Rupees in thousands)			
8 SHARE CAPITAL			
8.1 Authorized Share Capital			
50,000,000 (June 30, 2007: 50,000,000) ordinary shares of Rs. 10/- each		500,000	500,000
25,000,000 (June 30, 2007: 25,000,000) preference shares of Rs. 10/- each		250,000	250,000
		<u>750,000</u>	<u>750,000</u>
8.2 Issued, subscribed and paid up capital			
100,000 (June 30, 2007: 100,000) fully paid in cash		1,000	1,000
24,900,000 (June 30, 2007: 24,900,000) issued for consideration other than cash		249,000	249,000
11,000,000 (June 30, 2007: 11,000,000) fully paid bonus shares		110,000	110,000
		<u>360,000</u>	<u>360,000</u>
9 LONG TERM FINANCING			
From banking companies and financial institutions - Secured			
Balance as at July 01		923,397	939,541
Obtained during the period / year	9.1	750,000	350,000
		<u>1,673,397</u>	<u>1,289,541</u>
Repayments made during the period / year		(668,896)	(490,288)
		<u>1,004,501</u>	<u>799,253</u>
Current portion shown under current liabilities		(76,937)	(215,095)
		<u>927,564</u>	<u>584,158</u>
9.1 The Company has obtained long term Islamic finance facility amounting Rs. 1,100 million through a syndicate of banks led by Standard Chartered Bank (Pakistan) Limited. This loan has been obtained by the Company to swap its conventional loans into Islamic financing mode with better terms. The finance is secured against first pari passu charge over plant and machinery of the company with 25% security margin and carries amrk-up at the rate of average six months KIBOR plus 200 bps.			
10 LONG TERM MURABAHA			
From banking companies - Secured			
Balance as at July 01		311,188	337,500
Obtained during the period / year	9.1	350,000	50,000
		<u>661,188</u>	<u>387,500</u>
Repayments made during the period / year		(311,188)	(76,312)
		<u>350,000</u>	<u>311,188</u>
Current portion shown under current liabilities		-	(93,750)
		<u>350,000</u>	<u>217,438</u>
10.1 This facility has been obtained under financing facility described in note 9.1 and is repayable in nine equal bi-annual installments.			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

	December 31, 2007	June 30, 2007
	Un-audited	Audited
	(Rupees in thousands)	
11 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Secured		
Balance as at July 01	1,286	-
Addition during the period / year	-	1,371
	<u>1,286</u>	<u>1,371</u>
Payments made during the period / year	(180)	(85)
	<u>1,106</u>	<u>1,286</u>
Current portion shown under current liabilities	<u>(396)</u>	<u>(373)</u>
	<u>710</u>	<u>913</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

- a) 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 withholding 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 December 23, 2003 had restored the original assessment under section 66-A of the Income Tax Ordinance 1979 without considering the directions of ITAT. Management has filed a revised petition before ITAT and Reference Application before the Learned Lahore High Court (LHC). The said reference application is pending before LHC. The matter has now been remanded back to IAC by ITAT. In order to avoid further delay in the subject case, management had filed an application in October 2007 to the Federal Board of Revenue (FBR) for appointment of an Alternative Dispute Resolution Committee (ADRC). FBR appointed the said committee on November 22, 2007. Decision of FBR in the light of recommendations of ADRC is expected in due course. In case the management is not satisfied with the decision of FBR, it would continue to pursue the matter before the Lahore High Court. In the event of an adverse decision, the Company would be faced with a charge against profit of Rs. 34.107 million (June 30, 2007: Rs. 34.107)
- b) The liability for income tax determined for assessment year 2002-03 amounted to Rs. 46.112 million. The Company had filed an appeal to the Commissioner Appeals (CIT) against the assessment order 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. The department has filed an appeal against the order of CIT Appeals. In the event of an adverse decision the Company would be faced with a charge against profit of Rs. 5.974 million (June 30, 2007: Rs. 5.974 million).
- c) Additional Commissioner Audit vide his order dated March 24, 2006 amended assesment of Tax Year 2005 and added back certain provisions to the extent of Rs. 58.693 million. CIT Appeals allowed these expenses whereas the Department has challenged this order. In case of adverse decision, charge to profit will be to the extent of disallowance and tax liability will be accordingly increased.
- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.898 million (June 30, 2007: Rs. 5.086 million) against these claims.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

- e) Letters of guarantee outstanding as at December 31, 2007 were Rs.206.55 million (June 30, 2007: Rs.202.887 million).

12.2 Commitments

Commitments as on December 31, 2007 were as follows:

- a) Against letters of credit outstanding amounting to Rs.44.213 million (June 30, 2007: Rs. 69.016 million).
 b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2007: Rs. 5.047 million).
 c) Against purchase of End User Licences of SAP Business One (ERP System) amounting Rs. 1.065 million (June 30, 2007: Rs. 2.05 million).

Half year ended		Quarter ended	
December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
(Rupees in thousands)		(Rupees in thousands)	

13 COST OF SALES

Raw materials consumed	169,524	142,401	88,325	68,980
Other overheads				
Stores, spares and loose tools consumed	83,576	93,113	43,430	62,209
Packing materials consumed	3,914	2,573	2,119	1,398
Salaries, wages and other benefits	51,763	44,456	25,919	22,582
Fuel and power	589,802	582,473	294,760	295,348
Repair and maintenance	8,165	10,784	4,061	7,403
Insurance	3,938	4,852	1,734	2,428
Depreciation	88,510	95,285	44,359	47,953
Vehicle running expenses	3,789	2,821	2,051	1,384
Postage, printing and stationery	926	900	484	520
Other expenses	1,252	1,326	499	834
	1,005,159	980,984	507,741	511,039
Opening work-in-process	3,200	3,322	3,200	3,322
Closing work-in-process	(3,543)	(3,452)	(3,543)	(3,452)
	(343)	(130)	(343)	(130)
Cost of goods manufactured	1,004,816	980,854	507,398	510,909
Cost of stores traded	1,895	-	523	-
Opening stock of finished goods	59,312	31,600	50,141	43,293
Closing stock of finished goods	(56,554)	(57,046)	(56,554)	(57,046)
	2,758	(25,446)	(6,413)	(13,753)
	1,009,469	955,408	501,508	497,156

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half year ended December 31, 2007 (Un-Audited)

Half year ended		Quarter ended	
December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise group of companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are given as under:

Associated companies				
Sale of good and services	952	429	(3,096)	235
Late payment charges	-	270	-	32
Marketing services charges	12,934	12,408	6,340	6,334
Investment made	-	63,400	-	46,940
Loans & advances	-	2,560	2,803	2,560
Mark up on loans and advances	-	9	-	9
Contribution to staff retirement benefit plans	67	65	33	32
Remuneration and other benefits	13,603	4,574	7,008	1,836

15 BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings / (loss) per share of the Company, which is based on:

- Profit / (loss) after taxation (Rupees in thousands)	<u>12,948</u>	<u>37,989</u>	<u>(3,189)</u>	<u>19,371</u>
- Weighted average number of ordinary shares (in thousands)	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Earnings /(loss) per share (Rupees)	<u>0.36</u>	<u>1.06</u>	<u>(0.09)</u>	<u>0.54</u>

16 DATE OF AUTHORIZATION

These financial statements were authorized for the issue on February 27, 2008 by the Board of Directors of the Company.

17 GENERAL

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



CHIEF EXECUTIVE



DIRECTOR