

**ITTEHAD CHEMICALS LIMITED  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010  
(UN-AUDITED)**

# CONTENTS

<b>Corporate Information.....</b>	<b>2</b>
<b>Directors' Report.....</b>	<b>3</b>
<b>Independent Auditors' Review Report.....</b>	<b>4</b>
<b>Condensed Interim Balance Sheet.....</b>	<b>5</b>
<b>Condensed Interim Profit &amp; Loss Account.....</b>	<b>6</b>
<b>Condensed Interim Statement of Comprehensive Income.....</b>	<b>7</b>
<b>Condensed Interim Cash Flow Statement.....</b>	<b>8</b>
<b>Condensed Interim Statement of Changes in Equity.....</b>	<b>9</b>
<b>Notes to the Condensed Interim Financial Statements.....</b>	<b>10</b>
<b>Condensed Consolidated Interim Financial Statements.....</b>	<b>17</b>

**CORPORATE INFORMATION**
**BOARD OF DIRECTORS**

Mr. Muhammad Siddique Khatri	Chairman & Chief Executive
Mr. Abdul Ghafoor Khatri	Director
Mr. Abdul Sattar Khatri	Director
Mr. Mansoor Ahmed Khatri	Director
Ms. Farhana Abdul Sattar	Director
Mr. Fawad Yousuf	Director
Ms. Rushda Mustafa	Director

**AUDIT COMMITTEE**

Mr. Mansoor Ahmed Khatri	Chairman
Mr. Abdul Sattar Khatri	Member
Mr. Abdul Ghafoor Khatri	Member

**DIRECTOR FINANCE & CFO**

Mr. Javed Iqbal

**COMPANY SECRETARY**

Mr. Waheed Ashraf

**REGISTERED OFFICE/HEAD OFFICE**

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Lahore-54000.  
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Fax : 042 - 36365697  
www.ittehadchemicals.com  
E-mail: info@ittehadchemicals.com

**PLANT**

G.T. Road, Kala Shah Kaku,  
District Sheikhpura.  
Ph : 042 - 37950222-25  
Fax : 042 - 37950206

**SHARE REGISTRARS**

M/s. Corplink (Pvt.) Limited  
Corporate and Financial Consultants  
Wings Arcade, I-K Commercial,  
Model Town, Lahore.  
Ph: 042 - 35839182  
Fax: 042 - 35869037

**BANKERS TO THE COMPANY**

Askari Bank Limited  
Allied Bank Limited  
Citi Bank  
Dawood Islamic Bank Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Pak Libya Holding Co. (Pvt.) Limited  
Pakistan Kuwait Investment Co. (Pvt.) Limited  
Pak Brunei Investment Co. (Pvt.) Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
The Bank of Punjab  
United Bank Limited

**AUDITORS**

M/s. BDO Ebrahim & Co., Chartered Accountants,  
2<sup>nd</sup> Floor, Block-C, Lakson Square Building No.1,  
Sarwar Shaheed Road, Karachi.  
Ph: 021-35683189-35683498 Fax: 021-35684239

**LEGAL ADVISORS**

M/s. Tahir Ali Tayebi & Co.  
310, Marine Point, Schon Circle,  
Block 9, Clifton, Karachi.  
Ph : 021-35370458 Fax : 021-35370459

**DIRECTORS' REPORT**

It gives me immense pleasure 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, 2010 together with Independent Auditors' Review Report thereon.

**Financial Results**

During the period under review your Company has posted net sales of Rs. 1,597.832 million against the sales of Rs. 1,473.538 million for the corresponding period of last year, representing an increase of 8%. This increase in sales is mainly due to revision in the selling prices of the products to nullify the effects of increase in cost of sales and other operating expenses due to devaluation of Pak Rupee and high rate of inflation during the period. Gross profit margin is increased by 8% over the corresponding period and stood at Rs. 362.207 million. Profit before tax increased to Rs. 118.455 million as compared to Rs. 89.493 million for the corresponding period of last year, showing an increase of 32% over the corresponding period of last year. The profit after tax is recorded at Rs. 82.818 million as against profit after tax of Rs. 59.956 million for the same period of last year, showing an increase of 38%. As a consequence the earning per share for the period stood at Rs. 2.30 as compared to Rs. 1.67 for the corresponding period of last year.

In spite of pathetic economic conditions prevailing in the country and prolonged and unprecedented outages in supply of gas by the SNGPL throughout the winter season, by the Grace of Almighty Allah your Company has performed well and managed to attain these results.

The key financial indicators of the company for the half year ended December 31, 2010 are recapitulated as under:

	Half Year ended December 31		% Change Increase
	2010	2009	
-----Rupees in Million-----			
Net Sales	<b>1,597.832</b>	1,473.538	8%
Gross Profit	<b>362.207</b>	336.268	8%
Operating Profit	<b>227.210</b>	194.361	17%
Profit Before Tax	<b>118.455</b>	89.493	32%
Profit After Tax	<b>82.818</b>	59.956	38%
Earning Per Share (Rupees)	<b>2.30</b>	1.67	38%

**Future Outlook**

Despite all the formidable challenges, our focus will continue to remain profitable on the existing lines of business with the ultimate objective of increasing shareholders' value in long term.

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 18, 2011  
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, 2010 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, 2010 is not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

The figures for the quarter ended December 31, 2010 and December 31, 2009 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.

KARACHI  
FEBRUARY 18, 2011



CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2010**

	December 31, 2010	June 30, 2010
Note	(Un-audited)	(Audited)
	(Rupees in thousand)	
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment		
Operating fixed assets	6    2,351,586	2,299,211
Capital work in progress	7    60,022	54,380
	2,411,608	2,353,591
Intangible assets	651	1,462
Investment properties	82,250	82,250
Long term investments	87,400	87,400
Long term deposits	21,434	21,449
	2,603,343	2,546,152
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	387,224	437,333
Stock in trade	190,718	161,585
Trade debts	508,889	473,583
Loans and advances	46,774	48,916
Trade deposits and short term prepayments	10,797	4,612
Other receivables	2,104	16,540
Tax refunds due from Government	22,167	43,570
Taxation - net	23,151	7,007
Cash and bank balances	29,687	15,132
	1,221,511	1,208,278
<b>TOTAL ASSETS</b>	<b>3,824,854</b>	<b>3,754,430</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital	8.1    750,000	750,000
Issued, subscribed and paid up capital	8.2    360,000	360,000
Reserves	681,751	616,933
	1,041,751	976,933
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	749,059	749,059
<b>NON CURRENT LIABILITIES</b>		
Long term financing	9    286,111	172,222
Long term diminishing musharaka	10    333,333	416,666
Long term murabaha	11    155,555	194,444
Deferred liabilities	342,013	316,806
	1,117,012	1,100,138
<b>CURRENT LIABILITIES</b>		
Trade and other payables	283,805	321,693
Mark-up accrued	58,300	58,724
Short term borrowings	270,760	262,466
Current portion of long term liabilities	304,167	285,417
	917,032	928,300
<b>CONTINGENCIES AND COMMITMENTS</b>	12    -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,824,854</b>	<b>3,754,430</b>

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

Note	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
----- (Rupees in thousand) -----				
Sales - net	1,597,832	1,473,538	809,624	732,693
Cost of sales	13 (1,235,625)	(1,137,270)	(607,198)	(592,283)
Gross profit	362,207	336,268	202,426	140,410
Selling and distribution expenses	(84,210)	(90,432)	(42,672)	(36,165)
General and administrative expenses	(51,762)	(52,459)	(23,972)	(24,759)
Other operating expenses	(9,130)	(6,907)	(5,994)	(2,154)
Other operating income	10,105	7,891	4,921	3,267
	(134,997)	(141,907)	(67,717)	(59,811)
Operating profit	227,210	194,361	134,709	80,599
Financial charges	(108,755)	(104,868)	(55,976)	(49,726)
Profit before taxation	118,455	89,493	78,733	30,873
Taxation	(35,637)	(29,537)	(20,132)	(9,349)
Profit after taxation	82,818	59,956	58,601	21,524
Earning per share - basic and diluted (Rupees)	15 2.30	1.67	1.63	0.60

The annexed notes from 1 to 18 form an integral part of these financial statements.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- (Rupees in thousand) -----			
<b>Profit for the period</b>	82,818	59,956	58,601	21,524
<b>Other comprehensive income:</b>				
Surplus / (deficit) on remeasurement of available for sale financial assets	-	42	-	(52)
<b>Total comprehensive income for the period</b>	<u>82,818</u>	<u>59,998</u>	<u>58,601</u>	<u>21,472</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	118,455	89,493
Adjustments for items not involving movement of funds:		
Depreciation	86,049	91,164
Amortization of intangible assets	1,058	993
Provision for gratuity	2,540	981
Gain on sale of fixed assets	(589)	(244)
Gain on foreign exchange	(179)	-
Bad debts written off	112	-
Financial charges	<u>108,755</u>	<u>104,868</u>
Net cash flow before working capital changes	316,201	287,255
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	50,109	(43,598)
Stock in trade	(29,133)	(101,685)
Trade debts	(35,239)	48,597
Loans and advances	2,142	4,663
Trade deposits and short term prepayments	(6,185)	5,673
Other receivables	<u>14,436</u>	<u>(16,426)</u>
	(3,870)	(102,776)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	<u>(37,888)</u>	9,782
Cash generated from operations	274,443	194,261
Income taxes paid	(7,490)	(40,588)
Gratuity paid	(220)	(322)
Financial charges paid	<u>(109,179)</u>	<u>(114,099)</u>
Net cash inflow from operating activities	157,554	39,252
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets - net	(4,442)	(23,872)
Additions to capital work in progress	(140,161)	(60,819)
Additions to intangible assets	(247)	-
Proceeds from sale of operating fixed assets	1,125	675
Long term deposits	15	(5,128)
Net cash (used in) investing activities	(143,710)	(89,144)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	150,000	100,000
Repayment of long term financing	(17,361)	(25,000)
Repayment of long term diminishing musharaka	(83,333)	(83,335)
Repayment of long term murabaha	(38,889)	(38,889)
Repayment of liabilities against assets subject to finance lease	-	(236)
Dividend paid	(18,000)	(54,000)
Short term borrowings	<u>8,294</u>	<u>151,448</u>
Net cash inflow from financing activities	711	49,988
Net increase in cash and cash equivalents	14,555	96
Cash and cash equivalents at the beginning of the period	<u>15,132</u>	<u>26,037</u>
Cash and cash equivalents at the end of the period	<u><u>29,687</u></u>	<u><u>26,133</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Issued, subscribed and paid-up capital	Fair value reserve	Unappropriated profits	Total
	----- (Rupees in thousand) -----			
Balance as at July 01, 2009	360,000	378	530,127	890,505
Dividend paid	-	-	(54,000)	(54,000)
Total Comprehensive income for the period	-	42	59,956	59,998
Balance as at December 31, 2009	360,000	420	536,083	896,503
Total Comprehensive (loss) / income for the period	-	(420)	80,850	80,430
Balance as at June 30, 2010	360,000	-	616,933	976,933
Dividend paid	-	-	(18,000)	(18,000)
Total Comprehensive income for the period	-	-	82,818	82,818
Balance as at December 31, 2010	360,000	-	681,751	1,041,751

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2010

### 1 NATURE AND STATUS OF BUSINESS

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

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

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

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

#### 2.3 Functional and presentation currency

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

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

**4 TAXATION**

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

**5 ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2010.

**6 OPERATING FIXED ASSETS**

	December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
Note	(Rupees in thousand)	
Opening net book value (NBV)	2,299,211	2,422,693
Additions (at cost) during the period / year	6.1 <u>138,960</u>	<u>167,777</u>
	2,438,171	2,590,470
Disposals (at NBV) during the period / year	6.2 <u>(536)</u>	<u>(103,577)</u>
Depreciation charged during the period / year	<u>(86,049)</u>	<u>(187,682)</u>
	(86,585)	(291,259)
Closing net book value (NBV)	<u>2,351,586</u>	<u>2,299,211</u>

December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
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(Rupees in thousand)

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

Plant and machinery	136,131	157,628
Other equipment	287	1,226
Furniture and fixtures	102	61
Office and other equipment	636	2,205
Vehicles	1,804	6,657
	<u>138,960</u>	<u>167,777</u>

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

Plant and machinery	-	102,686
Vehicles	536	891
	<u>536</u>	<u>103,577</u>

**7 CAPITAL WORK-IN -PROGRESS**

Plant and machinery	59,440	53,798
Building	582	582
	<u>60,022</u>	<u>54,380</u>

7.1 An amount of Rs. 134.519 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

**8 SHARE CAPITAL**

**8.1 Authorized share capital**

75,000,000 (June 30, 2010: 75,000,000) shares of Rs. 10/- each	<u>750,000</u>	<u>750,000</u>
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**8.2 Issued, subscribed and paid up share capital**

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

	December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
	(Rupees in thousand)	
<b>9 LONG TERM FINANCING</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	213,194	50,000
Obtained during the period / year	<u>150,000</u>	<u>194,444</u>
	363,194	244,444
Repayments made during the period / year	<u>(17,361)</u>	<u>(31,250)</u>
	345,833	213,194
Current portion shown under current liabilities	<u>(59,722)</u>	<u>(40,972)</u>
	<u>286,111</u>	<u>172,222</u>
<b>10 LONG TERM DIMINISHING MUSHARAKA</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	583,333	750,000
Repayments made during the period / year	<u>(83,333)</u>	<u>(166,667)</u>
	500,000	583,333
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u>333,333</u>	<u>416,666</u>
<b>11 LONG TERM MURABAHA</b>		
From banking companies - secured		
Balance as at July 01	272,222	350,000
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,778)</u>
	233,333	272,222
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>155,555</u>	<u>194,444</u>
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Contingent liabilities</b>		
a)	The Company has received assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the company have decreased by Rs. 24.849 million (June 30, 2010: Rs. 24.849 million). The company filed an appeal before Commissioner of Inland revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the company. Both ICL and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the company, the company may be liable to pay a tax liability of Rs. 8.697 million.	
b)	An order has also been received under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2010: Rs. 12.069 million). The company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the company, it may result in tax payable of Rs. 12.069 million.	

- c) The Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2010: Rs. 8.661 million). The company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the company. Both Income Tax Department and company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Company would be required to pay an amount of Rs. 2.331 million (June 30, 2010: Rs. 2.231 million) against these claims.
- e) Letters of guarantee outstanding as at December 31, 2010 were Rs. 208.729 million (June 30, 2010: Rs. 217.348 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2010: Rs. 203 million).

## 12.2 Commitments

Commitments as on December 31, 2010 were as follows:

- a) Against letters of credit amounting to Rs. 50.229 million (June 30, 2010: Rs. 46.109 million).
- b) Against purchase of land amounting to Rs.1.838 million (June 30, 2010: Rs 1.838 million).

	December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
	(Rupees in thousand)	
c) Ujrah payments under Ijarah financing agreement:		
Not later than one year	27,476	27,196
Later than one year but not later than five years	89,297	108,782
	116,773	135,978

----- (Un-audited) -----			
Half year ended		Quarter ended	
December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
----- (Rupees in thousand) -----			

## 13 COST OF SALES

Raw materials consumed	150,712	169,595	78,950	77,374
Other overheads:				
Salaries, wages and other benefits	87,550	81,260	42,504	41,023
Stores, spares and consumables	87,990	57,070	43,779	29,504
Packing materials consumed	4,248	3,668	2,068	1,902
Fuel and power	837,445	744,769	446,087	369,048
Repair and maintenance	7,886	27,545	1,902	13,461
Rent, rates and taxes	13,715	-	6,869	-
Insurance	4,270	4,296	2,141	2,084
Vehicle running expenses	5,731	6,120	2,912	2,838
Postage, printing and stationery	231	410	126	175
Depreciation	83,686	88,483	42,535	44,802
Other expenses	534	1,842	396	987
	1,133,286	1,015,463	591,319	505,824

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

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- (Rupees in thousand) -----			
Opening work in process	8,165	4,384	8,368	4,789
Closing work in process	(9,189)	(4,844)	(9,189)	(4,844)
	(1,024)	(460)	(821)	(55)
Cost of goods manufactured	1,282,974	1,184,598	669,448	583,143
Cost of stores traded	3,443	-	1,210	-
Opening stock of finished goods	75,458	53,587	62,790	110,055
Closing stock of finished goods	(126,250)	(100,915)	(126,250)	(100,915)
	(50,792)	(47,328)	(63,460)	9,140
	1,235,625	1,137,270	607,198	592,283

**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	11,905	14,687	6,025	6,696
Associated company	Purchase of goods	1,131	1,103	1,131	1,103
Subsidiary /	Sales of good and				
Associated companies	services	39,090	35,003	19,068	22,098
Subsidiary company	Land rentals	2,400	2,400	1,200	1,200
Subsidiary company	Loans and advances made	22,559	81,482	11,631	61,649
Subsidiary company	Mark up on loans and advances	1,685	1,701	850	888
Retirement benefit plans	Contribution to staff retirement benefit plans	148	96	90	49
Key management personnel	Remuneration and other benefits	23,912	21,301	11,956	9,222

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

	Half year ended	Quarter ended	Quarter ended	Quarter ended
	December 31,	December 31,	December 31,	December 31,
	2010	2009	2010	2009

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

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

Profit for the period	<u>82,818</u>	<u>59,956</u>	<u>58,601</u>	<u>21,524</u>
	----- Number of Shares (in thousand) -----			
Weighted average number of ordinary shares	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
	----- Amount in Rupees -----			
Earnings per share - basic and diluted	<u>2.30</u>	<u>1.67</u>	<u>1.63</u>	<u>0.60</u>

**16 PROFIT DISTRIBUTION AND APPROPRIATION**

Subsequent to the half year ended December 31, 2010, the Board of Directors of the Company in their meeting held on February 18, 2011 has declared interim cash dividend of Re. 0.50 per share (i.e. 5%) amounting to Rs. 18.000 million.

**17 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on February 18, 2011 by the Board of Directors of the Company.

**18 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, 2010  
(UN-AUDITED)**

# CONTENTS

<b>Directors' Report on Condensed Consolidated Interim Financial Statements....</b>	<b>19</b>
<b>Condensed Consolidated Interim Balance Sheet.....</b>	<b>20</b>
<b>Condensed Consolidated Interim Profit &amp; Loss Account.....</b>	<b>21</b>
<b>Condensed Consolidated Interim Statement of Comprehensive Income .....</b>	<b>22</b>
<b>Condensed Consolidated Interim Cash Flow Statement .....</b>	<b>23</b>
<b>Condensed Consolidated Interim Statement of Changes in Equity.....</b>	<b>24</b>
<b>Notes to the Condensed Consolidated Interim Financial Statements.....</b>	<b>25</b>



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

It gives me immense pleasure to present to you on behalf of the Board of Directors of Ittehad Chemicals Limited, the un-audited condensed consolidated interim financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL), for the half year ended December 31, 2010.

The performance of the subsidiary Company, Chemi Chloride Industries Limited, for the half year ended December 31, 2010, is as follows:

During the period under review, CCIL posted net sales of Rs. 138.910 million as compared to the sales of Rs. 113.998 million for the corresponding period of last year, showing an increase of 22%. The Company has earned gross profit of Rs. 39.278 million as compared to gross profit of Rs. 47.334 million for the corresponding period of last year, representing a decrease of 17%. The profit before tax for the period under review is Rs. 2.699 million as compared to Rs. 11.057 million for the corresponding period of last year, showing a decrease of 76%. The Profit after tax is recorded at Rs. 1.418 million as against profit after tax of Rs. 10.397 million for the same period of last year, showing a decrease of 86%. The overall profitability of the Company has declined mainly due to lower production on account of stoppage of gas supply throughout the winter season. The subsidiary Company has therefore reported earning per share of Re. 0.15 for the period under review, whereas group's earning per share is Rs. 2.27.

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 18, 2011**  
**Lahore.**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2010**

		December 31, 2010	June 30, 2010
	Note	(Un-audited)	(Audited)
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	2,516,225	2,470,758
Capital work in progress	7	60,712	54,380
		<u>2,576,937</u>	<u>2,525,138</u>
Intangible assets		651	1,462
Goodwill		6,445	6,445
Investment properties		64,500	64,500
Long term deposits		32,134	21,449
		<u>2,680,667</u>	<u>2,618,994</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		400,441	446,247
Stock in trade		213,098	197,815
Trade debts		511,200	501,812
Loans and advances		28,928	36,826
Trade deposits and short term prepayments		11,398	4,990
Other receivables		-	710
Tax refunds due from Government		45,953	49,651
Taxation - net		23,858	8,049
Cash and bank balances		30,031	15,399
		<u>1,264,907</u>	<u>1,261,499</u>
		<u>3,945,574</u>	<u>3,880,493</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	8.1	750,000	750,000
Issued, subscribed and paid up capital	8.2	360,000	360,000
Reserves		639,794	576,008
		<u>999,794</u>	<u>936,008</u>
Non controlling interest		12,191	9,740
		<u>1,011,985</u>	<u>945,748</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		748,559	748,559
<b>NON CURRENT LIABILITIES</b>			
Long term financing	9	333,377	235,201
Long term diminishing musharaka	10	333,333	416,666
Long term murabaha	11	155,555	194,444
Deferred liabilities		342,013	316,806
		<u>1,164,278</u>	<u>1,163,117</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		292,505	328,016
Mark-up accrued		60,948	60,740
Short term borrowings		315,897	301,661
Current portion of long term liabilities		351,402	332,652
		<u>1,020,752</u>	<u>1,023,069</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	12	-	-
		<u>3,945,574</u>	<u>3,880,493</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

Note	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in thousand)-----				
Sales - net	1,703,530	1,559,258	857,902	783,869
Cost of sales	13 (1,299,005)	(1,172,660)	(639,358)	(610,565)
Gross profit	404,525	386,598	218,544	173,304
Selling and distribution expenses	(108,842)	(119,107)	(54,226)	(54,714)
General and administrative expenses	(54,733)	(53,259)	(24,920)	(25,471)
Other operating expenses	(9,393)	(6,953)	(5,742)	(2,177)
Other operating income	5,414	4,159	2,383	1,830
	<u>(167,554)</u>	<u>(175,160)</u>	<u>(82,505)</u>	<u>(80,532)</u>
Operating profit	236,971	211,438	136,039	92,772
Financial charges	(115,816)	(110,891)	(59,742)	(51,980)
Profit before taxation	121,155	100,547	76,297	40,792
Taxation	(36,918)	(30,197)	(20,805)	(9,862)
Profit after taxation	<u>84,237</u>	<u>70,350</u>	<u>55,492</u>	<u>30,930</u>
Profits attributable to equity holders of holding company	81,786	67,914	54,519	29,394
Non controlling interest - share of profit	2,451	2,436	973	1,536
	<u>84,237</u>	<u>70,350</u>	<u>55,492</u>	<u>30,930</u>
Earning per share - basic and diluted (Rupees)	15 2.27	1.89	1.51	0.82

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- (Rupees in thousand) -----			
<b>Profit for the period</b>	81,786	67,914	54,519	29,394
<b>Other comprehensive income:</b>				
Surplus / (deficit) on remeasurement of available for sale financial assets	-	42	-	(52)
<b>Total comprehensive income for the period</b>	<u>81,786</u>	<u>67,956</u>	<u>54,519</u>	<u>29,342</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	121,155	100,547
Adjustments for items not involving movement of funds:		
Depreciation	94,479	99,702
Amortization of intangible assets	1,058	993
Provision for gratuity	2,540	981
Gain on sale of fixed assets	(589)	(244)
Gain on foreign exchange	(591)	-
Bad debts written off	786	-
Financial charges	115,816	110,891
Net cash flow before working capital changes	334,654	312,870
<b>Decrease / (increase) in current assets</b>		
Stores, spares and loose tools	45,806	(44,704)
Stock in trade	(15,283)	(108,535)
Trade debts	(9,583)	29,522
Loans and advances	7,898	7,499
Trade deposits and short term prepayments	(6,408)	5,475
Other receivables	710	(8,088)
Tax refunds due from Government	(17,056)	(17,430)
	6,084	(136,261)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(35,511)	27,740
Cash generated from operations	305,227	204,349
Taxes paid	(9,084)	(37,490)
Gratuity paid	(220)	(322)
Financial charges paid	(115,608)	(120,447)
Net cash inflow from operating activities	180,315	46,090
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets-net	(5,965)	(24,926)
Additions to capital work in progress	(140,851)	(60,819)
Additions to intangible assets	(247)	-
Proceeds from sale of operating fixed assets	1,125	675
Long term deposits	(10,685)	(5,128)
Net cash outflow from investing activities	(156,623)	(90,198)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	150,000	100,000
Repayment of long term financing	(33,074)	(33,452)
Repayment of long term musharaka	(83,333)	(83,335)
Repayment of long term murabaha	(38,889)	(38,889)
Repayment of liabilities against assets subject to finance lease	-	(236)
Dividend paid	(18,000)	(54,000)
Short term borrowings	14,236	154,529
Net cash inflow / (outflow) from financing activities	(9,060)	44,617
Net increase / (decrease) in cash and cash equivalents	14,632	509
Cash and cash equivalents at the beginning of the period	15,399	26,494
Cash and cash equivalents at the end of the period	30,031	27,003

The annexed notes from 1 to 18 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

	Issued, subscribed and paid-up capital	Fair value reserve	Unappropriated profits	Sub total	Minority - Share Capital	Minority - Share of profit / (loss)	Sub total	Grand Total
	----- (Rupees in thousand) -----							
Balance as at July 01, 2009	360,000	378	478,030	838,408	4,600	(339)	4,261	842,669
Dividend paid	-	-	(54,000)	(54,000)	-	-	-	(54,000)
Comprehensive income for the period	-	42	67,914	67,956	-	2,436	2,436	70,392
Balance as at December 31, 2009	360,000	420	491,944	852,364	4,600	2,097	6,697	859,061
Comprehensive income for the period	-	(420)	84,064	83,644	-	3,043	3,043	86,687
Balance as at June 30, 2010	360,000	-	576,008	936,008	4,600	5,140	9,740	945,748
Dividend paid	-	-	(18,000)	(18,000)	-	-	-	(18,000)
Comprehensive income for the period	-	-	81,786	81,786	-	2,451	2,451	84,237
Balance as at December 31, 2010	360,000	-	639,794	999,794	4,600	7,591	12,191	1,011,985

The annexed notes from 1 to 18 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

**1 THE GROUP AND ITS OPERATIONS**

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

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

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

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

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

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements of the Group for the 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 annual published consolidated financial statements of the Group for the year ended June 30, 2010.

**2.2 Basis of measurement**

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

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

**2.3 Functional and presentation currency**

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

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

### 4 TAXATION

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

### 5 ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the consolidated financial statements for the year ended June 30, 2010.

### 6 OPERATING FIXED ASSETS

	Note	December 31, 2010 (Un-audited) (Rupees in thousand)	June 30, 2010 (Audited)
Opening net book value (NBV)		2,470,758	2,598,293
Additions (at cost) during the period / year	6.1	<u>140,483</u>	<u>181,398</u>
		2,611,241	2,779,691
Disposals (at NBV) during the period / year	6.2	<u>(537)</u>	<u>(103,577)</u>
Depreciation charged during the period / year		<u>(94,479)</u>	<u>(205,356)</u>
		<u>(95,016)</u>	<u>(308,933)</u>
Closing net book value (NBV)		<u>2,516,225</u>	<u>2,470,758</u>

December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
(Rupees in thousand)	

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

Building on freehold land	-	1,098
Plant and machinery	137,585	167,579
Other equipment	287	2,402
Furniture and fixtures	116	66
Office and other equipment	691	2,930
Vehicles	1,804	7,323
	140,483	181,398

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

Plant and machinery	-	102,686
Vehicles	537	891
	537	103,577

**7 CAPITAL WORK-IN -PROGRESS**

Plant and machinery	59,440	53,798
Building	1,272	582
	60,712	54,380

7.1 An amount of Rs. 134.519 million (June 30, 2010: Rs. 118.949 million) has been transferred to operating fixed assets during the period.

**8 SHARE CAPITAL**
**8.1 Authorized share capital**

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

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

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

	December 31, 2010 (Un-audited)	June 30, 2010 (Audited)
	(Rupees in thousand)	
<b>9 LONG TERM FINANCING</b>		
From banking companies and financial institutions- secured		
Balance as at July 01	307,598	162,568
Obtained during the period / year	<u>150,000</u>	<u>194,444</u>
	457,598	357,012
Repayments made during the period / year	<u>(33,074)</u>	<u>(49,414)</u>
	424,524	307,598
From directors and others - unsecured		
Balance as at July 01	15,810	29,810
Obtained during the period / year	-	4,000
Repayments made during the period / year	<u>-</u>	<u>(18,000)</u>
	15,810	15,810
	440,334	323,408
Current portion shown under current liabilities	<u>(106,957)</u>	<u>(88,207)</u>
	<u>333,377</u>	<u>235,201</u>
<b>10 LONG TERM DIMINISHING MUSHARAKA</b>		
From banking companies and financial institutions- Secured		
Balance as at July 01	583,333	750,000
Repayments made during the period / year	<u>(83,333)</u>	<u>(166,667)</u>
	500,000	583,333
Current portion shown under current liabilities	<u>(166,667)</u>	<u>(166,667)</u>
	<u>333,333</u>	<u>416,666</u>
<b>11 LONG TERM MURABAHA</b>		
From banking companies - secured		
Balance as at July 01	272,222	350,000
Repayments made during the period / year	<u>(38,889)</u>	<u>(77,778)</u>
	233,333	272,222
Current portion shown under current liabilities	<u>(77,778)</u>	<u>(77,778)</u>
	<u>155,555</u>	<u>194,444</u>

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingent liabilities

- a) The Holding Company has received assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the company have decreased by Rs. 24.849 million (June 30, 2010: Rs. 24.849 million). The Holding Company filed an appeal before Commissioner of Inland revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the company. Both ICL and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Holding Company, it may be liable to pay a tax liability of Rs. 8.697 million.

- b) An order has also been received under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2010: Rs. 12.069 million). The Holding Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Holding Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 12.069 million.
- c) The Holding Company has received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2009 creating demand of Rs. 8.661 million (June 30, 2010: Rs. 8.661 million). The Holding Company has filed an appeal before Commissioner of Inland Revenue (Appeals) Zone-1 who has granted certain reliefs to the company. Both Income Tax Department and the Holding Company have filed an appeal before Income Tax Appellate Tribunal Inland Revenue. In the event of an adverse decision, the Holding Company would be faced with a charge of Rs. 8.661 million against profit.
- d) The Holding Company is facing claims, launched in the labour courts, pertaining to staff retirement benefits. In the event of an adverse decision the Holding Company would be required to pay an amount of Rs. 2.331 million (June 30, 2010: Rs. 2.231 million) against these claims.
- e) Letters of guarantee outstanding as at December 31, 2010 were Rs. 208.729 million (June 30, 2010: Rs. 217.348 million) and corporate guarantee on behalf of Chemi Chloride Industries Limited amounting to Rs. 203 million (June 30, 2010: Rs. 203 million).

## 12.2 Commitments

Commitments as on December 31, 2010 were as follows:

- a) Against letters of credit amounting to Rs. 55.014 million (June 30, 2010: Rs. 50.831 million).
- b) Against purchase of land amounting to Rs. 1.838 million (June 30, 2010: Rs 1.838 million).

December 31, 2010 (Un-audited)	June 30, 2009 (Audited)
(Rupees in thousand)	

- c) Ujrah payments under Ijarah financing agreement:

Not later than one year	27,476	27,196
Later than one year but not later than five years	<u>89,297</u>	<u>108,782</u>
	<u><u>116,773</u></u>	<u><u>135,978</u></u>

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

	Half year ended	Quarter ended	Quarter ended	Quarter ended
	December 31,	December 31,	December 31,	December 31,
	2010	2009	2010	2009

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

**13 COST OF SALES**

Raw materials consumed	150,036	168,435	78,873	76,593
Other overheads:				
Salaries, wages and other benefits	94,340	85,708	46,224	43,015
Stores, spares and consumables	89,754	67,036	44,700	36,448
Packing materials consumed	10,504	6,431	5,215	3,731
Fuel and power	854,851	753,144	453,813	373,505
Repair and maintenance	11,646	29,625	3,076	14,397
Rent, rate and taxes	13,955	-	7,109	-
Insurance	4,564	4,584	2,300	2,231
Vehicle running expenses	5,731	6,163	2,912	2,881
Postage, printing and stationery	237	423	127	181
Depreciation	91,957	96,964	46,674	49,059
Other expenses	593	1,841	455	986
	1,178,132	1,051,919	612,605	526,434
Opening work in process	8,822	4,384	9,105	4,789
Closing work in process	(10,640)	(4,844)	(10,640)	(4,844)
	(1,818)	(460)	(1,535)	(55)
Cost of goods manufactured	1,326,350	1,219,894	689,943	602,972
Cost of stores traded	3,443	-	1,210	-
Opening stock of finished goods	99,475	71,280	78,468	126,107
Closing stock of finished goods	(130,263)	(118,514)	(130,263)	(118,514)
	(30,788)	(47,234)	(51,795)	7,593
	1,299,005	1,172,660	639,358	610,565

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

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009

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

**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	11,905	14,687	6,025	6,696
Associated company	Purchase of goods	-	1,103	-	1,103
Associated company	Sales of good and services	63	787	-	321
Associated company	Loan Received	-	4,000	-	4,000
Retirement benefit plans	Contribution to staff retirement benefit plans	148	96	90	49
Key management personnel	Remuneration and other benefits	26,711	21,942	13,355	9,540

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

Profit for the period	81,786	67,914	54,519	29,394
	----- Number of Shares (in thousand) -----			
Weighted average number of ordinary shares	36,000	36,000	36,000	36,000
	----- Amount in Rupees -----			
Earnings per share - basic and diluted	2.27	1.89	1.51	0.82

**16 PROFIT DISTRIBUTION AND APPROPRIATION**

Subsequent to the half year ended December 31, 2010, the Board of Directors of the Holding Company in their meeting held on February 18, 2011 has declared interim cash dividend of Re. 0.50 per share (i.e. 5%) amounting to Rs. 18.000 million.

**17 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim consolidated financial statements were authorized for issue on February 18, 2011 by the Board of Directors of the Holding Company.

**18 GENERAL**

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



CHIEF EXECUTIVE



DIRECTOR