Contents of Consolidated Financial Statement

The Directors are pleased to present the audited consolidated financial statements of the Company and its subsidiary, Chemi Chloride Industries Limited (CCIL), for the year ended June 30, 2008.

The Directors' Report on the performance of Ittehad Chemicals Limited (ICL), for the year ended June 30, 2008 has been presented separately.

CCIL has not achieved the normal capacity due to teething troubles overcoming of which requires services of NIVOBA engineers (supplier of plant of Calcium Chloride). Initially they declined to visit Pakistan because of poor law and order situation, but now they have finally shown their willingness to visit Pakistan soon. After overcoming the teething troubles the management expects that the plant will run on projected capacity.

Operating Results:

Inspite of the above bottlenecks during the year under review CCIL has made net sales of Rs. 20.792 million including export sales to Gulf countries. During the year under review CCIL has incurred an operating loss of Rs. 22.102 million due to high cost of sales and fixed overheads which could not be recouped on account of under utilization of projected capacity. This resulted in loss before taxation of Rs. 29.255 million and after tax loss of Rs. 29.357 million. Therefore subsidiary company has shown a negative earning per share of Rs. 8.47 for the year under review whereas group's earning per share came in at Rs. 0.81 per share.

Janyvar BV Havelte, Netherlands, a party to the JV agreement dated Nov 22, 2005, has finally declined to subscribe their agreed share of equity in CCIL. Ittehad Chemicals Limited, the holding company, has already obtained approval from its shareholders for a further investment of Rs. 23.00 million in CCIL and the same has been deposited in August 2008. CCIL shall approach SECP for seeking special permission for issuance of shares to ICL. This would increase the holding company's share in the paid up capital of CCIL, from 70% to 95% after issuance of shares.

On behalf of the Board

September 20, 2008
Lahore

Muhammad Siddique Khatri
Chief Executive Officer

BDO Ebrahim & Co.
Chartered Accountants

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of **ITTEHAD CHEMICALS LIMITED** (the holding company) and its subsidiary company (together 'the Group") comprising the consolidated balance sheet as at June 30, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the said statements are free of any material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Group as at June 30, 2008, and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KARACHI
DATED: September 20, 2008

CHARTERED ACCOUNTANTS

	Note	2008	2007
		(Rupees in thousands)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	3	2,523,899	2,359,749
Capital work in progress	4	104,377	47,679
		2,628,276	2,407,428
Intangible assets	5	4,141	1,538
Goodwill	6	6,445	-
Investment properties	7	52,950	82,140
Long term investments	8	707	65,542
Deferred cost	9	-	901
Long term deposits	10	12,339	14,205
		2,704,858	2,571,754
CURRENT ASSETS			
Stores, spares and loose tools	11	317,191	290,006
Stock in trade	12	159,683	102,285
Trade debts	13	299,766	444,614
Loans and advances	14	18,125	26,163
Trade deposits and short term prepayments	15	27,987	8,195
Other receivables	16	21	307
Tax refunds due from Government	17	439	439
Taxation - net	18	62,897	60,563
Cash and bank balances	19	42,070	29,130
		928,179	961,702
TOTAL ASSETS		3,633,037	3,533,456
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
75,000,000 (2007: 75,000,000)shares of Rs. 10/- each	20.1	750,000	750,000
Issued, subscribed and paid up capital	20.2	360,000	360,000
Reserves	21	379,123	404,477
		739,123	764,477
Advance against future issue of shares		1,811	-
Minority interest		3,124	-
		744,058	764,477
SURPLUS ON REVALUATION OF FIXED ASSETS	22	643,372	643,372
NON CURRENT LIABILITIES			
Redeemable capital	23	-	-
Long term financing	24	173,117	584,158
Long term diminishing musharaka	25	750,000	-
Long term murabaha	26	350,000	217,438
Liabilities against assets subject to finance lease	27	491	913
Deferred liabilities	28	294,525	246,640
		1,568,133	1,049,149
CURRENT LIABILITIES			
Trade and other payables	29	237,717	190,038
Mark up accrued	30	63,663	51,006
Short term borrowings	31	294,969	442,930
Current portion of long term liabilities	32	81,125	392,484
		677,474	1,076,458
CONTINGENCIES AND COMMITMENTS	33	-	-
TOTAL EQUITY AND LIABILITIES		3,633,037	3,533,456

The annexed notes from 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Khatri
Chief Executive

Abdul Sattar Khatri
Director

	Note	2008	2007
		(Rupees in thousands)	
Sales	34	2,698,036	2,533,603
Cost of sales	35	(2,163,233)	(1,911,635)
Gross profit		534,803	621,968
Selling and distribution expenses	36	(142,121)	(118,521)
General and administrative expenses	37	(74,336)	(60,134)
Other operating expenses	38	(10,321)	(12,547)
Other operating income	39	2,220	6,879
		(224,558)	(184,323)
Operating profit		310,245	437,645
Financial charges	40	(218,056)	(207,791)
Fair value gain/(loss) on investment property	7	(390)	4,941
Profit before taxation		91,799	234,795
Taxation	41	(63,733)	(97,482)
Profit after taxation		28,066	137,313
Minority interest - share of loss		(1,015)	-
Profits attributable to equity holders of parent		29,081	137,313
Earnings per share - basic and diluted (Rupees)	43	0.81	3.81

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Khatri
Chief Executive

Abdul Sattar Khatri
Director

	Note	2008	2007
		(Rupees in thousands)	
Cash flows from operating activities			
Profit before tax		91,799	234,795
Adjustments for items not involving movement of funds:			
Depreciation		192,494	194,701
Amortization of intangible assets		655	167
Provision for gratuity		1,600	523
Loss on sale of operating fixed assets		53	(361)
(Gain) / loss on revaluation of investment property		390	(4,941)
Loss on foreign exchange		1,510	(47)
Amortization of deferred cost		964	850
Provision for doubtful debts		1,261	757
Financial charges		218,056	207,791
Net cash flow before working capital changes		508,782	634,235
Decrease / (increase) in current assets			
Stores, spares and loose tools		(25,709)	11,790
Stock in trade		(46,800)	42,332
Trade debts		145,665	(239,244)
Loans and advances		13,058	(2,962)
Trade deposits and short term prepayments		(13,319)	(2,990)
Other receivables		287	1,870
		73,182	(189,204)
(Decrease) / increase in current liabilities			
Trade and other payables		27,861	(38,979)
Cash generated from operations		609,825	406,052
Taxes paid		(17,213)	(665)
Gratuity paid		-	(232)
Net cash inflow from operating activities		592,612	405,155
Cash flows from investing activities			
Additions to operating fixed assets (net)		(139,128)	(39,690)
Additions to intangible assets		(3,258)	(1,705)
Transfer from capital work in progress		24,422	36,414
Transfer from investment properties		11,190	-
		(106,774)	(4,981)
Acquisition of subsidiary		1,150	-
Additions to capital work in progress		(81,595)	(59,937)
Additions to investment properties		-	(82,140)
Proceeds from sale of fixed assets		228	570
Long term investments		-	(63,400)
Long term deposits		2,731	453
Net cash outflow from investing activities		(184,260)	(209,435)
Cash flows from financing activities			
Repayment of redeemable capital		(83,266)	(83,266)
Proceeds from long term financing		35,160	350,000
Repayments of long term financing		(706,387)	(490,288)
Proceeds from long term musharaka		750,000	-
Proceeds from long term murabaha		350,000	50,000
Repayments of long term murabaha		(311,188)	(76,312)
Liabilities against assets subject to finance lease		(373)	(85)
Financial charges paid		(208,503)	(185,305)
Dividend paid		(54,000)	-
Short term borrowings		(166,855)	10,953
Net cash (outflow) / inflow from financing activities		(395,412)	(424,303)
Net (decrease) / increase in cash and cash equivalents		12,940	(228,583)
Cash and cash equivalents at the beginning of the year		29,130	257,713
Cash and cash equivalents at the end of the year	19	42,070	29,130

The annexed notes from 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Khatri
Chief Executive

Abdul Sattar Khatri
Director

	Issued, subscribed and paid-up capital	Capital reserve - fair value reserve	Unappropriated profits	Total	Minority - share capital	Minority - share of profit / (loss)	Total	Grand total
	(Rupees in thousand)							
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)	-	-	-	-	-
Net profit for the period	-	-	137,313	137,313	-	-	-	137,313
Fair value gain	-	325	-	325	-	-	-	325
Balance as at June 30, 2007	360,000	1,134	403,343	764,477	-	-	-	764,477
Dividend Paid	-	-	(54,000)	(54,000)	-	-	-	(54,000)
Net profit for the period	-	-	29,081	29,081	4,600	(1,476)	3,124	32,205
Fair value loss	-	(435)	-	(435)	-	-	-	(435)
Balance as at June 30, 2008	360,000	699	378,424	739,123	4,600	(1,476)	3,124	742,247

The annexed notes from 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Khatri
Chief Executive

Abdul Sattar Khatri
Director

1 LEGAL STATUS AND NATURE OF BUSINESS

Ittehad Chemicals Limited (the Company) was incorporated on September 28, 1991 to takeover the assets of Ittehad Chemicals and Ittehad Pesticides under a Scheme of Arrangement dated June 18, 1992 as a result of which the Company became a wholly owned subsidiary of Federal Chemical and Ceramics Corporation (Private) Limited. The Company was 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.

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

During the year the Company received shares against investment in Chemi Chloride Industries Limited (CCIL) as a result of which the Company held 93.33% of the shares issued, subscribed and paid up capital of CCIL. The Subsidiary was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on July 03, 1999. The principal activity of the Company is manufacturing and sale of calcium chloride prills.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and consolidation

These consolidated financial statements have been prepared from the information available in the audit financial statements of the holding and subsidiary company for the year ended June 30, 2008.

The consolidated financial statements include Ittehad Chemicals Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are consolidated as from the date of acquisition using the purchase method. Under this method, the cost of an acquisition is measured at the fair value of assets given, equity instruments issued and liabilities assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the group's share of the identifiable net assets is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in profit and loss account.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Details of the subsidiaries are given in note 51.

Minority interests are that part of the net results of operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company.

2.2 Statement of compliance

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

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

Amendments to the following existing Standards have been published that are mandatory to the financial statements of the Company covering accounting periods beginning on or after the following dates:

IAS 1 Presentation of Financial Statements	Effective from January 01, 2009
IAS 23 Borrowing Costs	Effective from January 01, 2009
IAS 27 Consolidated and Separate Financial Statements	Effective from January 01, 2009
IFRS 3 Business Combinations	Effective from January 01, 2009
IFRS 7 Financial Instruments Disclosures	Effective from April 28, 2008
IFRS 8 Operating Segments	Effective from January 01, 2009
IFRIC12 Service Concession Arrangements	Effective from January 01, 2008
IFRIC13 Customer Loyalty Programs	Effective from July 01, 2008
IFRIC14 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions	Effective from January 01, 2008

Adoption of the above amendments may only impact the extent of disclosures presented in the future financial statements.

Standards, amendments and interpretations effective beginning on or after December 06, 2006.

The new series of standards called "International Financial Reporting Standards" (IFRSs) have been introduced and eight IFRSs have been issued by the IASB and out of these, the following four IFRSs have been adopted by the Securities Exchange Commission of Pakistan vide SRO 1228 (1) /2006 dated December 06, 2007 effective for the date of relevant notification.

IFRS - 2	Share based Payments
IFRS - 3	Business Combinations
IFRS - 5	Non-Current Assets held for Sale and Discontinued Operations
IFRS - 6	Exploration for and Evaluation of Mineral

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified by fair value adjustment in investment properties, investments and exchange differences as referred to in notes 2.8, 2.9, and 2.23 respectively.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amount, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 42.

2.4 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Company.

2.5 Property plant and equipment

a) Owned assets

These are stated at cost / revalued amount less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost. Cost comprises of actual cost including, interest and charges and trial run operational results.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 3. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the profit and loss account.

b) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance charges allocated to further periods are shown as liability. Finance costs under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 3 . Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which asset is disposed off.

c) Capital work in progress

Capital work-in-progress represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work-in-progress is stated at cost.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.7 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

2.8 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition these are stated at fair value. The fair value is determined annually by an independent approved valuer. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 2.26.

When an item of property, plant and equipment is transferred to investment property following a change in its use and differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

2.9 Investments

Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee company and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as “available for sale”.

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

Available for sale investments

These are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, fair value is determined considering break up value of securities.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction

Changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

2.10 Deferred cost

Expenses incurred on issue of Term Finance Certificates (TFCs) are amortized over a period of five years from the date of issue of TFCs. No further deferred cost has been included in these financial statements in pursuance of the Securities and Exchange Commission of Pakistan circular number 01 of 2005 dated January 19, 2005.

2.11 Stores, spares and loose tools

These are valued at moving average cost except for items in transit, which are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for slow moving and obsolete items.

2.12 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw and packing materials	-	Weighted average cost
Raw and packing materials in transit	-	Invoice value plus other expenses incurred thereon
Work in process	-	Cost of material as above plus proportionate production overheads
Finished goods	-	Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

2.13 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of amount to be received, less an estimate made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provision is made against those having no activity during the last three years and is considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

2.14 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

2.15 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis.

2.16 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2.17 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.18 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

2.19 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved.

2.20 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

2.21 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to profit and loss account currently.

2.22 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.23 Foreign currency transactions and translation

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in profit and loss account currently.

2.24 Staff retirement benefits

The Company operates an un-funded gratuity scheme for its permanent employees. Provision is based on actuarial valuation of the scheme carried out as at June 30, 2008 in accordance with IAS-19 "Employee Benefits" and the resulting vested portion of past service cost has been charged to income in the current year.

Contribution is made to this scheme on the basis of actuarial recommendations. Actuarial gains and losses at each valuation date are charged to profit and loss account. Gratuity is payable to staff on completion of prescribed qualifying period of service under the scheme.

A recognized provident fund scheme is also in operation, which covers all permanent employees. The Company and the employees make equal contributions to the fund.

2.25 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

2.26 Revenue recognition

Sales are recognized on dispatch of goods to customers.

Interest income is recognized on accrual basis.

Dividend on equity investments is recognized as income when the right to receive payment is established.

Rental income is recognized on accrual basis.

2.27 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. The prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

2.28 Borrowing costs

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

2.29 Recoating expenses of DSA Plant

Provision has been made in these financial statements for the erosion of coating on the anodes during the year based on best estimates available. Anodes once recoated are used for a period of three years.

3 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on freehold land	Railway sidings	Plant and machinery	Other equipments	Furniture and fixtures	Office and other equipments	Vehicles	Total	Assets subject to finance lease	Grand total
	(Rupees in thousands)										
Net carrying value basis year ended June 30, 2008											
Opening net book value (NBV)	615,058	74,447	2,143	1,624,508	5,511	3,301	5,479	27,931	2,358,378	1,371	2,359,749
Additions (at cost)/revaluation	73,035	33,052	3,318	230,108	3,988	619	6,932	5,840	356,892	33	356,925
Disposals / transfers (NBV)	-	-	-	-	-	-	-	(281)	(281)	-	(281)
Depreciation charge	-	(8,590)	(352)	(173,379)	(1,218)	(362)	(1,559)	(6,753)	(192,213)	(281)	(192,494)
Closing net book value	**688,093**	**98,909**	**5,109**	**1,681,237**	**8,281**	**3,558**	**10,852**	**26,737**	**2,522,776**	**1,123**	**2,523,899**
Gross carrying value basis year ended June 30, 2008											
Cost	688,093	148,165	7,274	2,429,531	37,590	5,946	20,255	58,840	3,395,694	1,404	3,397,098
Accumulated depreciation	-	(49,256)	(2,165)	(748,294)	(29,309)	(2,388)	(9,403)	(32,103)	(872,918)	(281)	(873,199)
Net book value	**688,093**	**98,909**	**5,109**	**1,681,237**	**8,281**	**3,558**	**10,852**	**26,737**	**2,522,776**	**1,123**	**2,523,899**
Net carrying value basis year ended June 30, 2007											
Opening net book value (NBV)	639,060	82,561	283	1,742,765	6324	2,059	5,137	31,982	2,510,171	-	2,510,171
Additions (at cost)	4,798	121	2,005	58,160	139	1,490	1,557	3,647	71,917	1,371	73,288
Disposals / transfers (NBV)	(28,800)	-	-	-	-	-	-	(209)	(29,009)	-	(29,009)
Depreciation charge	-	(8,235)	(145)	(176,417)	(952)	(248)	(1,215)	(7,489)	(194,701)	-	(194,701)
Closing net book value	**615,058**	**74,447**	**2,143**	**1,624,508**	**5,511**	**3,301**	**5,479**	**27,931**	**2,358,378**	**1,371**	**2,359,749**
Gross carrying value basis year ended June 30, 2007											
Cost	615,058	115,113	3,956	2,199,423	33,602	5,327	13,323	54,281	3,040,083	1,371	3,041,454
Accumulated depreciation/Impairment	-	(40,666)	(1,813)	(574,915)	(28,091)	(2,026)	(7,844)	(26,350)	(681,705)	-	(681,705)
Net book value	**615,058**	**74,447**	**2,143**	**1,624,508**	**5,511**	**3,301**	**5,479**	**27,931**	**2,358,378**	**1,371**	**2,359,749**
Depreciation rate % per annum	**-**	**5 to 10**	**10**	**10**	**15**	**10**	**15 to 30**	**20 to 25**		**20**	

3.1 Free hold land was revalued by an independent valuer M/s. Harvestor Services (Private) Limited as at May 25, 2006 on the basis of market value. Had there been no revaluation on that date, the value of operating fixed assets would have been lower by Rs. 614.591 million (2007: 614.591 million)

3.2 **The depreciation charge for the year has been allocated as follows:**

	Note	2008	2007
		(Rupees in thousands)	
Cost of sales	35	189,218	191,882
Selling and distribution expenses	36	640	558
General and administrative expenses	37	2,636	2,261
		192,494	194,701

3.3 **The following operating fixed assets were disposed off during the year:**

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees in thousands)					
Vehicle						
LRA-4165 Fiat UNO Car 2002	680	531	149	78	Negotiated	Muhammad Tariq
LRA-5427 Kia Classic Car 2002	603	471	132	150	Negotiated	Mirza Imran
Total - 2008	1,283	1,002	281	228		
Total - 2007	1,403	1,194	209	570		

3.4 TRIAL OPERATIONS ACCOUNT

	From October 01, 2007 to December 31, 2007 (Rupees)
SALES	
Sales	1,406,659
Less: Sales tax	83,087
Special excise duty	12,638
	95,725
	1,310,934
COST OF SALES	
Raw materials consumed	
Opening stock	-
Purchases	3,779,380
	3,779,380
Closing stock	(2,619,891)
Raw materials consumed	1,159,489
Packing materials consumed	747,400
Salaries, wages and other benefits	1,803,093
Fuel and power	1,943,755
Rent, rates and taxes	5,158,100
Others	493,422
	11,305,259
Finished goods	
Opening	-
Closing	(7,800,058)
	(7,800,058)
	3,505,201
GROSS PROFIT /(LOSS)	(2,194,267)
Selling expenses	(36,700)
LOSS ON TRIAL OPERATIONS TRANSFERRED TO OPERATING FIXED ASSETS	(2,230,967)

		Note	2008	2007
			(Rupees in thousands)	
4	**CAPITAL WORK IN PROGRESS**			
	This comprises of:			
	Plant and machinery		103,611	47,679
	Building		766	-
			104,377	47,679

An amount of Rs.24.422 million (2007: Rs.36.414 million) has been transferred to operating fixed assets.

		Note	2008	2007
5	**INTANGIBLE ASSETS**			
	Software-ERP (SAP Business One)	5.1	4,141	1,538
5.1	Net carrying value basis			
	Opening balance as on July 01, 2007		1,538	-
	Additions during the year		3,258	1,705
	Amortization charge	37	(655)	(167)
	Closing net book value		4,141	1,538
	Amortization % per annum		33.33%	33.33%
6	**GOODWILL**			
	Balance as at July 01		-	-
	Acquisition of subsidiary	50	6,445	-
	Balance as at June 30		6,445	-
7	**INVESTMENT PROPERTIES**			
	Free hold land (Commercial property)	7.1	52,950	53,340
	Free hold land (Industrial property)		-	28,800
			52,950	82,140
7.1	Opening balance		53,340	-
	Value of real estate earlier shown under "stock in trade"		-	48,399
	Fair value gain/(loss) on revaluation shown in "income statement"		(390)	4,941
			52,950	53,340

This comprises commercial property that is free hold land held for capital appreciation. The carrying value of investment property is the fair value of the property as at June 30, 2008 as determined by approved independent valuer M/s Sakina Enterprises. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

	Note	2008	2007
		(Rupees in thousands)	
8 LONG TERM INVESTMENTS			
Available for sale			
Investment in subsidiary company- unquoted			
Chemi Chloride Industries Limited			
Advance against issue of shares		-	64,400
Relevant information:			
Percentage of investment in equity held 93.33% (2007: Nil)			
(Chief Executive: Mr. Muhammad Siddique Khatri)			
Investment in related parties - unquoted			
Chemi Visco Fiber Limited			
5,625,000 (2007: 5,625,000) fully paid ordinary shares of Rs.10/- each		56,250	56,250
Less: Provision for diminution in value of investment	8.1	(56,250)	(56,250)
		-	-
Relevant information:			
Percentage of investment in equity held 7.91% (2007: 7.91%)			
(Chief Executive : Mr. Usman Ghani Khatri)			
Investment in others - quoted			
National Bank of Pakistan Limited			
4,792 ordinary shares (2007: 4,357) ordinary shares including 4,009 bonus shares of Rs. 10/- each		8	8
Add: Fair value gain		699	1,134
		707	1,142
		707	65,542

8.1 This provision was made in earlier years as a matter of prudence since the project of the investee company is not operating and there is some uncertainty regarding future earnings and related cash flows.

		Note	2008	2007
			(Rupees in thousands)	
9	**DEFERRED COST**			
	Balance as at July 01, 2007		901	1,751
	Less: Amortization for the year		901	850
			-	901
10	**LONG TERM DEPOSITS**			
	Long term deposit	10.1	12,339	14,205

10.1 This includes lease deposit money amounting Rs. 0.137 million (2007: Rs. 0.137 million)

			2008	2007
11	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		120,594	104,395
	Spares:			
	in hand		207,862	200,389
	in transit		10,848	7,353
			218,710	207,742
	Loose tools		319	301
			339,623	312,438
	Less: Provision for obsolete stores and spares		22,432	22,432
			317,191	290,006

11.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase.

		Note	2008	2007
12	**STOCK IN TRADE**			
	Raw materials:			
	in hand		98,677	35,087
	in transit		1,320	3,086
			99,997	38,173
	Packing materials		7,236	1,599
	Work in process	35	3,694	3,201
	Finished goods	35	48,756	59,312
			159,683	102,285

		Note	2008	2007
			(Rupees in thousands)	
13	**TRADE DEBTS**			
	Secured			
	Considered good		112,129	191,639
	Unsecured			
	Considered good	13.1	187,637	252,975
	Considered doubtful		24,366	23,215
			212,003	276,190
			324,132	467,829
	Less: Provision for doubtful debts	13.2	24,366	23,215
			299,766	444,614

13.1 These include balances due from related parties and associated companies aggregating to Rs. 0.907 million (2007: Rs. 0.113 million) comprising of the following:

	2008	2007
Chemi Visco Fiber Limited	438	-
Chemi Dyestuff Industries (Private) Limited	469	113
	907	113

13.2 Movement of provision for doubtful debts is as follows:

	2008	2007
Opening balance	23,215	27,226
Adjustment on account of:		
Doubtful debts written off	(110)	(4,768)
Provision for doubtful debts for the year	1,261	757
Net adjustment	1,151	4,011
Closing balance	24,366	23,215

		2008	2007
14	**LOANS AND ADVANCES**		
	Advances - (unsecured - considered good)		
	Against purchase of land	1,287	9,437
	To employees	3,274	2,736
	For supplies and services	12,163	13,702
	Against import	938	288
	Others	463	-
		18,125	26,163
	Considered doubtful		
	For supplies and services	51	51
	To employees	104	104
		155	155
		18,280	26,318
	Less: Provision for doubtful advances	155	155
		18,125	26,163

	2008	2007
	(Rupees in thousands)	

15 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2008	2007
Trade deposits		
Considered good	26,231	6,519
Considered doubtful	504	584
	26,735	7,103
Less: Provision for doubtful deposits	504	584
	26,231	6,519
Prepayments	1,756	1,676
	27,987	8,195

16 OTHER RECEIVABLES

	2008	2007
(Considered good)		
Insurance claims receivable	21	43
Others	-	264
	21	307

17 TAX REFUNDS DUE FROM GOVERNMENT

	2008	2007
(Considered good)		
Income tax	439	439

18 TAXATION - NET

	2008	2007
Advance income tax	81,486	78,380
Less: Provision for taxation	18,589	17,817
	62,897	60,563

19 CASH AND BANK BALANCES

	2008	2007
Cash in hand	1,167	767
Cash at banks - Current accounts	40,903	28,363
	42,070	29,130

		Note	2008	2007
			(Rupees in thousands)	

20 SHARE CAPITAL

20.1 Authorized share capital

2008	2007			
Number of ordinary shares of Rs. 10/- each				
50,000,00	50,000,000	Ordinary shares of Rs. 10 each.	500,000	500,000
25,000,00	25,000,000	Preference shares of Rs. 10 each.	250,000	250,000
75,000,00	75,000,000		750,000	750,000

20.2 Issued, subscribed and paid up capital

2008	2007			
Number of ordinary shares of Rs. 10/- each				
100,000	100,000	Fully paid in cash	1,000	1,000
24,900,000	24,900,000	Issued for consideration other than cash	249,000	249,000
11,000,000	11,000,000	Fully paid bonus shares	110,000	110,000
36,000,000	36,000,000		360,000	360,000
3,664,800	3,664,800	Share held by associated companies	10.18%	10.18%

21 RESERVES

		699	1,134
Fair value reserve		378,424	403,343
Unappropriated profit		379,123	404,477

22 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2008	2007
Surplus arising from revaluation of land included in property plant and equipment	22.1	643,372	638,574
Less: Amount transferred on change in use of land		-	23,983
		643,372	614,591
Surplus arising from revaluation of land included in investment property transferred from property, plant and equipment		-	23,983
Add: Fair value gain during the year		-	4,798
		-	28,781
		643,372	643,372

22.1 This amount represents surplus arising on the revaluation of freehold land carried out on May 25, 2006 by an independent valuer M/s. Harvester Services (Private) Limited on the basis of market value.

	Note	2008	2007
		(Rupees in thousands)	
23 REDEEMABLE CAPITAL			
Term finance certificates (TFCs) - secured	23.1	-	83,266
Less: Current portion shown under current liabilities	32	-	83,266
		-	-

23.1 The TFCs have been issued as fully paid scrips of Rs. 5,000 denomination or exact multiple thereof for general public and Rs. 100,000 denomination or exact multiple thereof for Pre-IPO investors. These were listed on Karachi Stock Exchange (Guarantee) Limited. The certificates were redeemed during the year.

24 LONG TERM FINANCING

	Note	2008	2007
Secured			
Banking companies			
Askari Bank Limited	24.1	-	48,000
United Bank Limited-Syndicated- I	24.2	-	235,474
KASB Bank Limited-Syndicated- I	24.3	18,750	31,250
The Bank of Punjab-Syndicated- I	24.4	18,750	31,250
United Bank Limited-Syndicated- II	24.5	-	150,000
United Bank Limited-LTF (EOP)	24.6	47,500	-
		85,000	495,974
Other Financial Institutions			
Saudi Pak industrial and Agricultural Investment Company Limited.	24.7	-	16,071
Pakistan Industrial Credit and Investment Corporation Limited	24.8	-	55,958
Pak Libya Holding Company (Private) Limited-Syndicated- I	24.9	18,750	31,250
Pak Libya Holding Company (Private) Limite	24.10	-	100,000
Pak Libya Holding Company (Private) Limited-Syndicated- II	24.11	-	50,000
Pakistan Kuwait Investment Company (Private) Limited- Syndicated- II	24.12	43,750	50,000
Saudi Pak industrial and Agricultural Investment Company Limited.	24.13	20,557	-
Saudi Pak industrial and Agricultural Investment Company Limited.-LTF (EOP)	24.6	61,953	-
		145,010	303,279

	Note	2008	2007
		(Rupees in thousands)	
Unsecured			
Directors	24.14	6,650	-
Ittehad Developers	24.14	9,660	-
Others	24.14	7,500	-
		23,810	-
		253,820	799,253
Less: Current portion shown under current liabilities	32	80,703	215,095
		173,117	584,158

24.1 This finance was secured against ranking charge over all present and future fixed assets of the Company and carried mark up at three months average KIBOR Ask rate plus 3.21 % per annum. Loan was repayable in twenty quarterly installments commencing from July 31, 2006. This loan has been swapped before maturity.

24.2 This finance was secured against first pari passu charge on all present and future fixed assets of the Company and carries mark up at three months average KIBOR Ask rate plus 1.50 % per annum. The loan was disbursed in November 2004 and was repayable in sixteen equal quarterly installments commencing from February 2006. This loan has been swapped before maturity.

24.3 These finances are secured against first pari passu charge on all present and future fixed assets of the Company and carry mark up at six months average KIBOR Ask rate plus 1.80 % (with floor of 3% and cap of 9%) per annum. These loans were disbursed in November 2004 and are repayable in sixteen equal quarterly installments commencing from January 2006.

24.4 These finances are secured against first pari passu charge on all present and future fixed assets of the Company and carry mark up at six months average KIBOR Ask rate plus 1.80 % (with floor of 3% and cap of 9%) per annum. These loans were disbursed in November 2004 and are repayable in sixteen equal quarterly installments commencing from January 2006.

24.5 This finance was secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25 % per annum. This loans was disbursed in October 2006 and was repayable in eight semi annual equal installments commencing from October 2007. This loan has been swapped before maturity.

24.6 These finances are sanctioned under LTF-EOP Scheme of the State Bank of Pakistan for a period of five years including grace period of one year and carry markup at State Bank`s declared rate for the Scheme plus 2% per annum. These are secured against first pari paau charge by way of hypothecation over all present and future fixed assets of the Company excluding land and building.

24.7 This finance was secured against first pari passu charge over present and future fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.70 % per annum. The loan was repayable in fourteen quarterly installments commencing from November 11, 2004.

24.8 This finance was secured against first pari passu charge over all assets of the Company except inventories and carries mark up at six months average KIBOR Ask rate plus 3.83 % with floor of 6 % per annum. The loan was repayable in twenty quarterly installments commencing from December 2003. This loan has been swapped before maturity.

24.9 This finance is secured against first pari passu charge on all present and future fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 1.80 % (with floor of 3% and cap of 9%) per annum. This loan was disbursed in November 2004 and is repayable in sixteen equal quarterly installments commencing from January 2006.

24.10 This finance was secured against ranking charge on all present and future fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.50 % per annum. This loan was disbursed in February 2007 and was repayable in eight equal semi annual installments commencing from August 2008. This loan has been swapped before maturity.

24.11 This finance was secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25 % per annum. This loan was disbursed in September 2006 and was repayable in eight semi annual equal installments commencing from September 2007. This loan has been swapped before maturity

24.12 This finance is secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25 % per annum. This loan was disbursed in September 2006 and is repayable in eight semi annual equal installments commencing from September 2007.

24.13 This finance is sanctioned for the period of five years including grace period of one year and carries markup at six months KIBOR plus 3% per annum. This loan is secured against first pari paau charge by way of hypothecation over all present and future fixed assets of the Company excluding land and building.

24.14 These are interest free loans and repayable in a period of 2 years starting from July 2009.

	2008	2007
	(Rupees in thousands)	
25 LONG TERM DIMINISHING MUSHARAKA		
Secured		
Banking Companies		
Standard Chartered Bank	75,000	-
Askari Bank Limited	150,000	-
Dawood Islamic Bank	50,000	-
Atlas Bank Limited	50,000	-
United Bank Limited Ameen	250,000	-
	575,000	-

	Note	2008	2007
		(Rupees in thousands)	
Financial Institutions			
UBL Fund Manager		25,000	-
Pak Libya Holding Company (Private) Limited		150,000	-
		175,000	-
		750,000	-

25.1 The above finances are secured against first pari passu charge on fixed assets of the Company and carry mark up at six months average KIBOR rate plus 200 bps. These finances were disbursed from August 22, 2007 to September 01, 2007 and are repayable in nine semi annual equal installments commencing from August 31, 2009 being the 24th month from the Facility Date.

26 LONG TERM MURABAHA

	Note	2008	2007
Secured			
Banking company			
Faysal Bank Limited	26.1	-	75,000
Faysal Bank Limited	26.2	-	123,688
Faysal Bank Limited - Syndicated- I	26.3	-	62,500
Faysal Bank Limited - Syndicated-II	25.4	-	50,000
Faysal Bank Limited	26.5	350,000	-
		350,000	311,188
Less: Current portion shown under current liabilities	32	-	93,750
		350,000	217,438

26.1 This finance was secured against first pari passu charge over all fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25% per annum. The loan was repayable in eight equal semi annual installments commencing from October 2006. This loan has been swapped before maturity.

26.2 This finance was secured against first pari passu charge over all fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25% per annum. The loan was repayable in sixteen equal quarterly installments commencing from November 2006. This loan has been swapped before maturity.

26.3 This finance was secured against first pari passu charge over all present and future fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 1.80% (with floor of 3% and cap of 9%)per annum. The loan was repayable in sixteen equal quarterly installments commencing from February 2006. This loan has been swapped before maturity.

26.4 This finance was secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 2.25 % per annum. This loan was disbursed in September 2006 and was repayable in eight semi annual equal installments commencing from September 2007. This loan has been swapped before maturity.

26.5 This finance is secured against first pari passu charge on fixed assets of the Company and carries mark up at six months average KIBOR Ask rate plus 200 bps. This loan was disbursed in August 31, 2007 and is repayable in nine semi annual equal installments commencing from August 31, 2009.

	Note	2008	2007
		(Rupees in thousands)	
27 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Secured	27.1	913	1,286
Present value of minimum lease payments	32	422	373
Less: Current portion shown under current liabilities		491	913

27.1 The minimum lease payments have been discounted at an implicit interest rate of 12.57% to arrive at their present value. Rentals are paid in monthly installments .

Taxes, duties, registration costs, charges, levy/ penalties if any applicable and insurance costs are to be born by the Company.

The amount of future payments of the lease and the period in which these payments will become due are as follows :

	Upto one year	one to five years	Total 2008	Total 2007
	(Rupees in thousands)			
Minimum lease payments outstanding	499	511	1,010	1,501
Less: Finance charges not yet due	(77)	(20)	(97)	(215)
Present value of minimum lease payments	422	491	913	1,286
Less: Current portion shown under current	(422)	-	(422)	(373)
	-	491	491	913

	Note	2008	2007
		(Rupees in thousands)	
28 DEFERRED LIABILITIES			
Provision for recoating of DSA anodes	28.1	19,086	20,230
Deferred taxation	28.2	271,379	223,950
Provision for gratuity	28.3	4,060	2,460
		294,525	246,640
28.1 Provision for Dimensionally Stable Anodes (DSAs)			
Balance brought forward		33,085	44,512
Payments made against recoating of anodes		(8,897)	(6,004)
Provision made/ (reversed) during the year for recoating (net)		7,458	(5,423)
		31,646	33,085
Less: Current portion included in accrued liabilities		(12,560)	(12,855)
		19,086	20,230
28.2 Deferred taxation			
Deferred tax liability comprises as follows:			
Taxable temporary differences			
Tax depreciation allowances		325,896	332,028
Deferred cost		-	315
		325,896	332,343
Deductible temporary differences			
Provision for gratuity		(1,421)	(861)
Provision for doubtful debts		(441)	(265)
Unused tax losses		(52,655)	(107,267)
		271,379	223,950

28.3 Defined benefit plan

a. General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out as at June 30, 2008 using the Projected Unit Credit method.

	Note	2008	2007
		(Rupees in thousands)	

b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	12% per annum	10% per annum
Expected rate of increase in salary	11% per annum	9% per annum

c. Reconciliation of payable to defined benefit plan

	2008	2007
Present value of obligation	4,060	2,460
Liability recognized in balance sheet	4,060	2,460

d. Movement of liability recognized in the balance sheet

	2008	2007
Present value of obligation at the start of the year	2,460	2,169
Current service cost	1,345	328
Interest cost	255	195
Contribution paid to outgoing employees	-	(232)
Closing net liability	4,060	2,460

e. Charge for the year

	2008	2007
Current service cost	1,345	328
Interest cost	255	195
Charge for the year	1,600	523

29 TRADE AND OTHER PAYABLES

	Note	2008	2007
Trade creditors		47,337	24,636
Accrued liabilities	29.1	137,547	111,317
Advances from customers		30,818	23,238
Retention money		632	579
Sales tax payable		3,392	16,125
Income tax deducted at source		2,556	878
Excise duty payable		4,583	-
Workers welfare fund		2,646	-
Other liabilities		581	587
Workers' Profit Participation Fund	29.2	7,625	12,678
		237,717	190,038

29.1 These include a balance due to Chemi Multifabrics Limited, an associated company, amounting to Rs. 4.711 million (2007: Rs.10.594 million).

	Note	2008	2007
		(Rupees in thousands)	
29.2 Workers' profit participation fund balances comprises as follows:			
Balance as at July 01,		12,678	9,029
Interest at prescribed rate		-	-
		12,678	9,029
Less: Amount paid to fund		12,015	8,448
		663	581
Current year's allocation at 5%	38	6,962	12,097
		7,625	12,678

The Company retains the allocation of this fund for its business operations till the amounts are paid.

30 MARK UP ACCRUED

		2008	2007
Accrued mark up / interest			
Secured			
Long term financing		38,696	29,068
Redeemable capital		-	139
Long term murabaha		15,166	7,941
Short term borrowings		9,801	13,858
		63,663	51,006

31 SHORT TERM BORROWINGS

	Note	2008	2007
Secured			
Banking companies			
Running finances			
MCB Bank Limited	31.1	88,954	86,115
Askari Commercial Bank Limited	31.2	88,162	132,639
The Bank of Punjab Limited	31.3	49,679	149,679
KASB Bank Limited	31.4	68,174	49,497
Murabaha finance			
Faysal Bank Limited	31.5	-	25,000
		294,969	442,930

31.1 This facility is secured against first pari passu charge over present and future fixed and current assets of the Company and hypothecation of stock of chemicals. The facility carries mark-up at three months average KIBOR Ask rate plus 1.5% spread (with floor of 10 %) per annum (2007: 1.5% with floor of 10%). The limit of finance is Rs. 90 million (2007: Rs. 90 million).

31.2 This facility is secured against first pari passu charge over all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 1.5 % per annum(2007: Six months average KIBOR Ask rate plus 1.71% per annum). The limit of finance is Rs. 200 million (2007: Rs. 150 million).

31.3 This facility is secured against first pari passu charge upto the limit of Rs. 150 million on all present and future current assets of the Company and carries mark-up at six months average KIBOR Ask rate plus 2.5 % per annum (with floor of 12 %) per annum(2007: Six months average KIBOR Ask rate plus 2.5% per annum with floor of 12 %). The limit of finance is Rs. 150 million (2007: Rs. 150 million).

31.4 This facility is secured against ranking charge over all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 2 % per annum(2007: six months average KIBOR Ask rate plus 2 % per annum). The limit of finance is Rs. 135 million (2007: Rs. 50 million)

31.5 This facility is secured against first pari passu charge over present and future current assets of the Company and carries mark-up at six months average KIBOR Ask rate plus 2.25 % per annum(2007: Six months average KIBOR Ask rate plus 2.25 % per annum). The limit of finance is Rs. 40 million (2007: Rs. 25 million).

	Note	2008	2007
		(Rupees in thousands)	
32 CURRENT PORTION OF LONG TERM LIABILITIES			
Redeemable capital	23	-	83,266
Long term financing	24	80,703	215,095
Long term murabaha	26	-	93,750
Liabilities against assets subject to finance lease	27	422	373
		81,125	392,484

33 CONTINGENCIES AND COMMITMENTS

33.1 Contingent liabilities

a) Demand for Rs. 56.437 million 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) for reason of non deduction of tax on these payments was 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. The matter had been remanded back to IAC by ITAT.

In order to avoid further delay in the subject case, management filed an application to the Federal Board of Revenue (FBR) for appointment of the Alternative Dispute Resolution Committee (ADRC) in October 2007. ADRC had agreed with the Company's viewpoint and recommended that the tax demand should not be more than Rs. 5.50 million. FBR had considered the recommendations of ADRC and vide its order under section 134A dated May 8, 2008 had directed the Commissioner of Income Tax to take necessary action for implementing the said order.

Deputy Commissioner (LTU) has sought advice from FBR Islamabad as the case is 13 years old. Member legal FBR is expected to send comments and a favorable result is expected in this regard.

b) 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. 4.680 (2007: Rs. 5.086 million) against these claims.

c) Letters of guarantee outstanding as at June 30, 2008 were Rs. 207.997 million (2007: Rs.202.887 million).

33.2 Commitments

Commitments as on June 30, 2008 were as follows:

Against letters of credit amounting to Rs. 73.086 million (2007: Rs.69.016 million).

Against purchase of land amounting to Rs. 1.838 million (2007: Rs 5.047 million).

Against purchase of End User Licenses of SAP Business One (ERP system) amounting to Rs. nil (2007: Rs. 2.05 million)

		Note	2008	2007
			(Rupees in thousands)	
34	**SALES**			
	Sales			
	Manufacturing	34.1	3,168,303	2,954,744
	Trading		2,686	3,811
			3,170,989	2,958,555
	Less: Sales tax		401,799	382,864
	Commission to selling agents		44,315	42,088
	Special Excise duty		26,839	-
			472,953	424,952
			2,698,036	2,533,603

34.1 This amount includes export sales amounting to Rs. 44.081 million (2007: Rs. 18.685 million).

		Note	2008	2007
35	**COST OF SALES**			
	Raw materials consumed			
	Opening stock		37,706	60,325
	Purchases		424,426	273,460
			462,132	333,785
	Closing stock		(98,677)	(35,087)
			363,455	298,698
	Stores, spares and consumables		201,211	139,492
	Packing materials consumed		10,518	5,618
	Salaries, wages and other benefits	35.1	115,087	91,677
	Fuel and power		1,222,373	1,167,241
	Repair and maintenance		19,115	19,915
	Insurance		8,183	9,692
	Depreciation	3.2	189,218	191,882
	Vehicle running expenses		8,784	7,266
	Postage, printing and stationery		2,366	1,835
	Other expenses		2,771	2,661
			1,779,626	1,637,279
	Work in process			
	Opening		3,201	3,322
	Closing	12	(3,694)	(3,201)
			(493)	121
	Cost of goods manufactured		2,142,588	1,936,098

	Note	2008	2007
		(Rupees in thousands)	
Cost of stores traded		2,289	3,249
Finished goods			
Opening		67,112	31,600
Closing	12	(48,756)	(59,312)
		18,356	(27,712)
		2,163,233	1,911,635

35.1 This amount includes Rs. 0.945 million (2007: Rs.0.348 million) in respect of employees' retirement benefits.

36 SELLING AND DISTRIBUTION EXPENSES

	Note	2008	2007
Salaries and other benefits	36.1	13,354	8,592
Traveling and conveyance		1,705	1,000
Vehicle running expenses		1,761	1,084
Advertisement and export expenses		3,646	1,614
Telephone, telex and postage		1,194	943
Marketing service charges		26,994	25,477
Freight		89,041	77,213
Rent, rates and taxes		2,350	854
Printing and stationery		280	204
Fuel and power		748	626
Repair and maintenance		408	356
Depreciation	3.2	640	558
		142,121	118,521

36.1 This amount includes Rs. 0.302 million (2007: Rs. 0.047 million) in respect of employees' retirement benefits.

37 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2008	2007
Salaries and other benefits	37.1	39,710	30,912
Traveling and conveyance		9,684	9,061
Vehicle running expenses		2,215	2,158
Telephone, telex and postage		1,496	1,288
Rent, rates and taxes		1,974	1,340
Printing and stationery		630	468

	Note	2008	2007
		(Rupees in thousands)	
Fee and subscription		3,039	3,280
Legal and professional charges		1,349	1,995
Fuel and power		804	762
Provision for doubtful debts for the year		1,261	757
Repair and maintenance		1,360	2,355
Depreciation	3.2	2,636	2,261
Amortization of intangible assets		655	167
Amortization of deferred cost		964	850
Bad debts written off		2,051	-
Loss on foreign exchange		1,510	
Donations	37.2	2,994	2,480
Others		4	-
		74,336	60,134

37.1 This amount includes Rs.0.490 million (2007: Rs. 0.274 million) in respect of employees' retirement benefits.

37.2 Recipients of donations do not include any donee in whom any director of the Company or his spouse has any interest.

38 OTHER OPERATING EXPENSES

	Note	2008	2007
Auditors' remuneration			
Audit fee		425	200
Half yearly review fee		100	80
Tax and certification charges		100	135
Out of pocket expenses		35	35
		660	450
Loss on sale of fixed assets		53	-
Workers welfare fund		2,646	-
Workers' profit participation fund	29.2	6,962	12,097
		10,321	12,547

39 OTHER OPERATING INCOME

	Note	2008	2007
Income from financial assets			
Dividend income		33	15
Gain on foreign exchange		-	47

	Note	2008	2007
		(Rupees in thousands)	
Income from non- financial assets			
Gain on sale of fixed assets		-	361
Sale of scrap		2,187	2,523
		2,187	2,884
Income from related parties			
Interest on advances to CCIL		-	138
Service charges		-	858
Rental Income		-	2,616
Late payment charges on overdue invoices		-	321
		2,220	6,879

40 FINANCIAL CHARGES

	Note	2008	2007
Markup/interest on:			
Long term financing		108,025	92,738
Long term morabaha		41,777	44,426
Redeemable capital		6,994	16,968
Finance lease		126	40
Short term borrowings		49,739	49,127
		206,661	203,299
Bank charges and commission		11,395	4,492
		218,056	207,791

41 TAXATION

	Note	2008	2007
For the year:			
Current	41.1	14,411	12,900
Prior year charge		1,893	287
Deferred tax		47,429	84,295
		63,733	97,482

41.1 In view of the tax loss for the year, provision for current year taxation includes minimum tax payable under Section 113 of the Income Tax Ordinance, 2001.

41.2 As the tax charge represents minimum tax under the Income Tax Ordinance, 2001 numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented.

42 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 2. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

Income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 2.14 to these financial statements.

Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 26.3) for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 21 to these financial statements, the Company has revalued its free hold land as on May 25, 2006 resulting in a revaluation surplus of Rs. 638.574 million.

43 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2008	2007
	Number of shares in thousands	
Weighted average number of ordinary shares (in thousands)	36,000	36,000
Profit after taxation	29,081	137,313
Earnings per share (Rupees)	0.81	3.81

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

44 NON ADJUSTING EVENTS

The Board of Directors in their meeting held on September 20, 2008 has recomended 15% final dividend (2007: interim dividend at the rate of 15%).

45 TRANSACTIONS WITH RELATED PARTIES INCLUDING ASSOCIATED UNDERTAKINGS

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the term of their employment are as follows:

Relation with the Company	Nature of transaction	2008	2007
		(Rupees in thousands)	
Associated company	Marketing service charges	26,994	25,477
Associated companies	Sale of goods	2,947	5,416
Associated company	Rental income	-	2,616
Associated company	Loans and advances made	-	8,525
Associated company	Mark up on loans and advances	-	138
Associated company	Late payment charges	-	321
Associated company	Advance against issue of shares	-	63,400
Associated company	Loan received	9,660	-
Staff retirement fund	Contribution to staff retirement benefit plans	136	137
Directors and employees	Remuneration to directors and key management personnel	33,040	25,000
	Loan received from directors	5,000	-
Others	Loan received from others	7,500	-

46 FINANCIAL INSTRUMENTS RELATED DISCLOSURES

46.1 Liquidity risk

Liquidity risk is the risk that Company will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

46.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and liabilities as at June 30, 2008 can be evaluated from following schedule:

	2008						
	Interest / markup bearing			Non - interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in Thousands)						
Financial assets							
Long term Investments	-	-	-	-	707	707	707
Long term deposits	-	-	-	-	12,339	12,339	12,339
Trade debts	-	-	-	299,766	-	299,766	299,766
Loans and advances	-	-	-	18,125	-	18,125	18,125
Trade deposits	-	-	-	26,231	-	26,231	26,231
Other receivables	-	-	-	21	-	21	21
Tax refunds due from Government	-	-	-	439	-	439	439
Cash and bank balances	-	-	-	42,070	-	42,070	42,070
	-	-	-	386,652	13,046	399,698	399,698
Financial liabilities							
Redeemable capital	-	-	-	-	-	-	-
Long term borrowings	80,703	173,117	253,820	-	-	-	253,820
Long term diminishing musharaka	-	750,000	750,000	-	-	-	750,000
Long term murabaha	-	350,000	350,000	-	-	-	350,000
Liabilities against assets subject to finance lease	422	491	913				913
Deferred liabilities	-	-	-	-	4,060	4,060	4,060
Trade and other liabilities	-	-	-	237,717	-	237,717	237,717
Mark up accrued	63,663	-	63,663	-	-	-	63,663
Short term borrowings	294,969	-	294,969	-	-	-	294,969
	439,757	1,273,608	1,713,365	237,717	4,060	241,777	1,955,142
On balance sheet gap:	(439,757)	(1,273,608)	(1,713,365)	148,935	8,986	157,921	(1,555,444)
Unrecognized financial assets and liabilities							
Commitments	-	-	-	1,838	-	1,838	1,838
Letters of credit	-	-	-	73,086	-	73,086	73,086
Off balance sheet gap:	-	-	-	74,924	-	74,924	74,924
Net financial assets /(liabilities)	(439,757)	(1,273,608)	(1,713,365)	74,011	8,986	82,997	(1,630,368)

Effective interest rates are mentioned in the respective notes to the financial statements.

46.3 Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and liabilities as at June 30, 2007 can be evaluated from following schedule:

	2007						
	Interest / markup bearing			Non - interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
	(Rupees in "000")						
Financial Assets							
Long term investments	-	-	-	-	1,142	1,142	1,142
Long term deposits	-	-	-	-	14,205	14,205	14,205
Trade debts	113	-	113	444,501	-	444,501	444,614
Loans and advances	-	-	-	26,163	-	26,163	26,163
Trade deposits	-	-	-	6,519	-	6,519	6,519
Other receivables	-	-	-	307	-	307	307
Tax refunds due from Government	-	-	-	439	-	439	439
Cash and bank balances	-	-	-	29,130	-	29,130	29,130
	113	-	113	507,059	15,347	522,406	522,519
Financial Liabilities							
Redeemable capital	83,266	-	83,266	-	-	-	83,266
Long term borrowings	215,095	584,158	799,253	-	-	-	799,253
Long term murabaha	93,750	217,438	311,188	-		-	311,188
Liabilities against assets subject to finance lease	373	913	1,286			-	1,286
Deferred liabilities	-	-	-	-	2,460	2,460	2,460
Trade and other liabilities	-	-	-	190,038	-	190,038	190,038
Mark up accrued	51,006	-	51,006	-	-	-	51,006
Short term borrowings	442,930	-	442,930	-	-	-	442,930
	886,420	802,509	1,688,929	190,038	2,460	192,498	1,881,427
On balance sheet gap:	(886,307)	(802,509)	(1,688,816)	317,021	12,887	329,908	(1,358,908)
Unrecognized financial assets and liabilities							
Commitments	-	-	-	7,097	-	7,097	7,097
Letters of credit	-	-	-	69,016	-	69,016	69,016
Off balance sheet gap:	-	-	-	76,113	-	76,113	76,113
Net financial assets /(liabilities)	(886,307)	(802,509)	(1,688,816)	240,908	12,887	253,795	(1,435,021)

Effective interest rates are mentioned in the respective notes to the financial statements.

46.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in the foreign exchange rates. The Company's exposure to currency risk in respect of financial liabilities in the United States dollars is Rs. 84.512 million (2007: Rs. 69.016 million).

46.5 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties fail completely to perform as contracted.

46.6 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities are estimated to approximate their fair values.

47 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the chief executive, directors and executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in thousands)					
Managerial remuneration	1,500	1,200	2,079	1,600	18,452	13,867
House rent allowance	675	540	930	720	8,303	6,240
Medical expenses	75	60	103	80	923	693
	2,250	1,800	3,112	2,400	27,678	20,800
Number of persons	1	1	2	2	37	28

48.1 The Company also provides the chief executive and some of the directors and executives with free use of cars and mobile phones.

49 CAPACITY AND PRODUCTION

	Installed capacity Tons		Actual production Tons		Reason for shortfall
	2008	2007	2008	2007	
Caustic soda	143,550	143,550	93,313	99,442	
Liquid chlorine	13,200	13,200	8,886	8,219	
Hydrochloric acid	123,750	123,750	100,361	101,865	
Sodium Hypochlorite	49,500	49,500	37,979	41,037	Cautious production strategy based on actual demands.
Bleaching earth	3,300	3,300	2,532	1,937	
Zinc sulphate	600	600	-	16	
Sulphuric acid	3,300	3,300	599	1,648	
Chlorinated paraffin wax	3,000	-	196	-	
Calcium Chloride Prills	20,000	-	1,238	-	Interruption due to utility shortage and technical issues

50 BUSINESS COMBINATION

On December 27, 2007, 64,400,000 shares representing 93.33% shares in Chemi Chloride Industries Limited (CCIL) were acquired by Ittehad Chemicals Limited resulting in formation of Ittehad Chemicals Group. Details of net assets acquired and goodwill are as follows:

	Rupees in thousands
Purchase consideration	64,400
Fair value of net assets acquired	62,095
Less: Minority interest	4,140
	57,955
Goodwill	6,445

The goodwill is attributable to the high anticipated profitability of the acquired business.

The assets and liabilities arising from acquisition are as follows:

Property, plant and equipment	209,775
Long term deposits	865
Preliminary expenses	65
Stores, spares and loose tools	1,476
Stock in trade	10,598
Trade debts	817

	Rupees in thousands
Loans and advances	5,020
Prepayments and other receivables	6,473
Cash and bank balances	1,150
Advance against future issue of shares	(1,811)
Long term loans	(102,564)
Short term finances	(18,894)
Current portion of long term liabilities	(21,580)
Creditors, accrued and other liabilities	(26,191)
Markup accrued	(3,104)
Net assets	62,095

The carrying value of assets and liabilities acquired approximate their fair values.

51 DETAIL OF SUBSIDIARY

Name of subsidiary	Accounting year end	Percentage of holding	Country of Incorporation
Chemi Chloride Industries Limited	June 30, 2008	93.33%	Pakistan

52 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 20, 2008 by the Board of Directors of the Company.

53 CORRESPONDING FIGURES

- Previous year's figures have been re-arranged and re-classified wherever necessary for the purpose of comparison, the effect of which is not material.

54 GENERAL

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

Muhammad Siddique Khatri
Chief Executive

Abdul Sattar Khatri
Director

Shareholding Pattern:

The shareholding pattern of the equity share capital of the company as at June 30, 2008 is as follows:

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
12	1	100	694
25	1,01	500	8,840
64	5,01	1,000	48,016
127	1001	5,000	428,636
168	5,001	10,000	1,205,340
9	10,001	15,000	104,296
5	15,001	20,000	90,973
2	20,001	25,000	43,280
2	25,001	30,000	53,597
4	35,001	40,000	144,000
1	45,001	50,000	49,500
1	55,001	60,000	55,200
2	70,001	75,000	144,000
1	75,001	80,000	79,200
1	85,001	90,000	86,400
3	140,001	145,000	432,000
3	155,001	160,000	473,040
1	175,001	180,000	180,000
1	190,001	195,000	194,400
1	215,001	220,000	216,000
3	250,001	255,000	756,000
2	280,001	285,000	567,360
3	315,001	320,000	959,040
1	320,001	325,000	324,000

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
2	345,001	350,000	698,432
4	350,001	355,000	1,411,200
2	355,001	360,000	715,680
1	365,001	370,000	367,200
2	370,001	375,000	747,064
1	395,001	400,000	396,000
1	405,001	410,000	406,080
1	410,001	415,000	413,280
1	445,001	450,000	446,400
1	460,001	465,000	460,800
1	465,001	470,000	468,000
1	475,001	480,000	478,080
1	540,001	545,000	541,860
1	790,001	795,000	792,000
1	845,001	850,000	846,670
1	935,001	940,000	936,000
1	1,230,001	1,235,000	1,231,500
1	1,685,001	1,690,000	1,686,240
1	1,975,001	1,980,000	1,978,560
1	2,155,001	2,160,000	2,155,680
1	2,230,001	2,235,000	2,234,822
1	2,430,001	2,435,000	2,432160
1	2,755,001	2,760,000	2,757,600
1	4,750,001	4,755,000	4,754,880
472			36,000,000

Information as required under the code of Corporate Governance.

No. of Shareholders		Particulars	Holding	% age
2	**ASSOCIATED COMPANIES**			
	1	Chemitex Industries Ltd.	1,978,560	5.4960%
	2	Jhelum Silk Mills (Pvt.) Ltd.	1,686,240	4.6840%
			3,664,800	**10.1800%**
10	**DIRECTORS, CEO THEIR SPOUSES AND MINOR CHILDERN**			
	1	Mr. Abdul Ghafoor	460,800	1.2800%
	2	Mr. Abdul Sattar Khatri	2,155,680	5.9880%
	3	Mr. Mansoor Ahmad	324,000	0.9000%
	4	Mrs. Farhana	319,680	0.8880%
	5	Mr. Muhammad Siddiq	144,000	0.4000%
		Mr. Muhammad Siddiq (CDC)	4,754,880	13.2080%
	6	Mst. Noor-ul-Huda (CDC)	55,200	0.1533%
	7	Mr. Fawad Yousaf	374,400	1.0400%
		Mr. Fawad Yousaf (CDC)	25,597	0.0711%
	8	Mrs. Mah-e-Darakhshan w/o Mansoor Ahmed	144,000	0.4000%
	9	Mrs. Sabina w/o Muhammad Siddiq	352,800	0.9800%
	10	Mrs. Fareeda w/o Abdul Ghafoor	283,680	0.7880%
			9,394,717	**26.0964%**
6	**PUBLIC SECTOR COMPANIES & CORPORATIONS**			
	1	National Fertilizer Corp. of Pakistan	11,110	0.0309%
	2	Adeel & Nadeem Securities (Pvt.) Ltd. (CDC)	2,136	0.0059%
	3	N. H. Securities (Pvt.) Ltd. (CDC)	1,440	0.0040%
	4	Networth Securities (Pvt.) Ltd. (CDC)	7,200	0.0200%
	5	Sitara Chemical Industries Ltd. (CDC)	36,000	0.1000%
	6	RS Holding (Private) Ltd (CDC)	9,500	0.0264%
			67,386	**0.1872%**
0	**FINANCIAL INSTITUTION**		-	0.0000%
				0.0000%
454	**SHARES HELD BY THE GENERAL PUBLIC**		22,873,097	63.5364%
472				
		Total:	**36,000,000**	**100.0000%**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

Mr. Muhammad Siddiq	**4,898,880**	**13.6080%**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

NIL

FORM OF PROXY

I/We ____ of ____________________________ a member/members of ITTEHAD CHEMICALS LIMITED, hereby appoint ____________________________________ of ____________ ____________ or failing him/her ____________________________________ of ________________________ to act as my/ our proxy and to vote for me/us and on my/our behalf at the 17th Annual General Meeting of the company to be held on Wednesday, October 15, 2008 at 11:00 a.m. at the Registered Office at 39, Empress Road, Lahore - and at any adjournment thereof.

Signed by me/us this ________________ day of __________ 2008

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Share Held

Signature over Revenue Stamp

Witness 1:

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

Witness 2:

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

Important:

1. The proxy must be a member of the company.

2. The signature must tally with the specimen signature/s registered with the company.

3. If a proxy is granted by a member who has deposited his/ her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number along with attested photocopies of Computerized National Identity Card or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for the purpose.

4. The instrument of proxy properly completed should be deposited at the Registered Office of the Company not less that 48 hours before the time of the meeting.