Contents

Corporate Information

BOARD OF DIRECTORS	Mr. Muhammad Siddique Khatri	Chairman & Chief Executive
	Mr. Abdul Sattar Khatri	Director
	Mr. Abdul Ghafoor Khatri	Director
	Ms. Farhana Abdul Sattar Khatri	Director
	Mr. Fowad Yousaf Khatri	Director
	Ms. Rushda Mustafa	Director
	Mr. Waqas Siddiq Khatri	Director
AUDIT COMMITTEE	Mr. Abdul Ghafoor Khatri	Chairman
	Mr. Abdul Sattar Khatri	Member
	Mr. Fowad Yousaf Khatri	Member
DIRECTOR FINANCE & CFO	Mr. Javed Iqbal	
COMPANY SECRETARY	Mr. Waheed Ashraf	
REGISTERED OFFICE/HEAD OFFICE	39-Empress Road, P.O. Box 1414, Lahore-54000. Tel : 042 - 36306586 - 88 Fax : 042 - 36365697 www.ittehadchemicals.com E-mail: info@ittehadchemicals.com	
PLANT	G.T. Road, Kala Shah Kaku, District Sheikhupura. Ph : 042 - 37950222-25 Fax : 042 - 37950206	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Limited Corporate and Financial Consultants Wings Arcade, 1-K Commercial, Model Town, Lahore. Ph: 042 - 35839182 Fax: 042 - 35869037	
BANKERS TO THE COMPANY	Askari Bank Limited Allied Bank Limited Al-Barka Bank (Pakistan) Limited Burj Bank Limited Citi Bank 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, 2nd 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	

Our Vision

To be sustainable and growth oriented Company who plays a competitive role in industry and adds value to economy through excellence in technological advancement and quality products

Our Mission

The mission of Ittehad is to be

A Company built on sound financial footings and achieves excellent operating results through superior efficiency and cost control

A Company that consistently benefits its stakeholders through enhanced profitability

A Company that achieves a high level of customer care service by providing quality products and positive feedback

A Company that provides excellent working environment to its employees that assists in enhancing their strengths and abilities, create a culture that fosters motivation and promotes individual growth and care

A Company that contributes towards a good corporate citizenship and sets highest standards in serving the society

Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Ittehad Chemicals Limited will be held at the Registered Office of the Company, 39-Empress Road, Lahore on Wednesday, 10th October 2012 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on October 31, 2011.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2012.
3. To approve the final cash dividend of Rs. 1.50 per share i.e. 15% for the year ended June 30, 2012 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2012-13 and to fix their remuneration. (Messrs. BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment).
5. To transact any other business of the Company with the permission of the Chair.

By Order of the Board

Lahore
September 18, 2012

WAHEED ASHRAF
COMPANY SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 03, 2012 to October 10, 2012 (both days inclusive). Transfers received in order by our Share Registrars, M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K commercial, Model Town, Lahore by the close of business on Tuesday, October 02, 2012 will be considered in time for entitlement of dividend on the ordinary shares.

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/ her proxy to attend and vote in place of him/her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting.

3. Shareholders, who have deposited their shares into Central Depository Company of Pakistan, must bring their participant's ID numbers and account/ sub account numbers along with original Computerized National Identity Cards or original Passports at the time of attending the meeting in order to facilitate identification of respective shareholders.

4. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

5. Members are advised to immediately notify the change in their addresses, if any to our Share Registrars M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K commercial, Model Town, Lahore (Ph: 042-35916714, 042-35839182, Fax: 042-35869037).

6. SECP has directed vide SRO No. 779(1)2011 dated August 18, 2011 to issue dividend warrant only crossed as “A/c Payee only” and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrars M/s. Corplink (Pvt.) Limited.

Directors’ Report to Shareholders

The Directors of the Company are pleased to present the Annual Report along with audited financial statements for the year ended June 30, 2012.

Financial Performance

By the grace of Almighty Allah, we have succeeded in improving performance by continuing the growth momentum that delivered 19% turnover increase over last year. Despite the challenges, the Company's operating profit increased by 15% to Rs. 379.948 million versus Rs. 330.997 million of the previous year. Profit before tax has increased by 58% to Rs. 192.019 million. The profit after tax of Rs. 128.637 was earned for the year as compared to Rs. 118.763 of the previous year, reflecting an increase of 8%. The increase in profitability during the current year as compared to the previous year is mainly attributable to impact of revision in selling prices of the products and better availability of gas supply during the last quarter. Correspondingly, earnings per share (EPS) rose to Rs. 3.57 versus Rs. 3.30 of the preceding year.

A brief financial analysis is presented as under:

Financial Highlights

	Year ended June 30		Increase %age
	2012	2011	
	------Rupees in Million-----		
Net Sales	**3,751.801**	**3,144.319**	19%
Gross Profit	**669.514**	**630.318**	6%
Operating Profit	**379.948**	**330.997**	15%
Profit before Tax	**192.019**	**121.260**	58%
Profit after Tax	**128.637**	**118.763**	8%
Earning Per Share (Rupees)	**3.57**	**3.30**	8%

Profit and Appropriations

	Rupees in thousand
Profit after tax for the year	128,637
Add: Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land	642
Un-appropriated profit brought forward	699,696
Profit available for appropriation	828,975
Appropriations:	
- Final cash dividend paid @ 5% for the financial year 2010-11	(18,000)
Un-appropriated profit carried forward	810,975

Based on the performance of the Company, the Board is pleased to recommend a final cash dividend of Rs. 1.50 per share in respect of the financial year ended June 30, 2012. This final dividend will be subject to the approval of shareholders in their meeting scheduled to be held on October 10, 2012.

Status of Coal Gasifier Plant

By the grace of Almighty Allah commissioning of coal gasifier plant has been completed and the plant has now become operational. Installation of this coal gasifier plant will help us to overcome steam production constraints during the gas load-shedding period and will consequently improve the Company's profitability.

Chemi Chloride Industries Limited

Chemi Chloride Industries Limited (CCIL) is a wholly owned subsidiary Company of Ittehad Chemicals Limited (ICL). The shareholders of the Company in their meeting held on October 31, 2011 had approved the draft Scheme of Arrangement pertaining to the merger of Chemi Chloride Industries Limited (CCIL), the wholly owned subsidiary Company with and into Ittehad Chemicals Limited (ICL), the holding Company.

As far as the current status of the merger of CCIL with and into ICL is concerned, the Merger petition has been filed in the Lahore High Court. The last hearing was to take place on June 27, 2012. However no hearing took place on that date. Moreover the court has not yet fixed the next date of hearing.

The financial statements of Chemi Chloride Industries Limited (CCIL), the wholly owned subsidiary Company, have been consolidated with the financial statements of ICL in line with the requirements of International Financial Reporting Standards (IAS-27) “Consolidated and Separate Financial Statements” and as per the requirements of section 237 of the Companies Ordinance, 1984, these consolidated financial statements are also being presented to the shareholders.

Signing of SAP ERP Implementation

Your Company has decided to upgrade its existing ERP system by implementing SAP Tier One ERP System (SAP-All-in-one). This up gradation will enhance the Company's ability to address day to day business challenges in a more efficient and effective manner and will ultimately improve the operational efficiency of the organization. ICL has signed an implementation agreement with Siemens Pakistan, SAP's partner in Pakistan.

Signing ceremony between Ittehad Chemicals Limited and Siemens Pakistan for SAP ERP Implementation

JCR-VIS Credit Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained the medium to long-term entity rating of Ittehad Chemicals Limited (ICL) at 'A-' (Single A Minus) and short-term rating at 'A-2' (A-Two).

Board and Audit Committee Meetings and Attendance

During the year, six Board meetings and four Audit Committee meetings were held. The attendance of Board and Audit Committee members is as follows: .

Name of Director	No. of Board Meetings attended	No. of Audit Committee Meetings attended
Mr. Muhammad Siddique Khatri	6	N/A
Mr. Abdul Sattar Khatri	6	4
Mr. Abdul Ghafoor Khatri	5	4
Mr. Fowad Yousaf Khatri	6	2
Ms.Farhana Abdul Sattar Khatri	6	N/A
Ms.Rushda Mustafa	3	N/A
Mr. Mansoor Ahmed Khatri (Resigned)	3	2
Mr. Waqas Siddiq Khatri (Appointed)	2	N/A

Leave of absence was granted to the Directors who could not attend the Board and Audit Committee meetings.

Changes in the Board

The Directors wish to report the following changes in the Board of Directors:

Mr. Mansoor Ahmed Khatri resigned from the Board of the Company effective 2^{nd} February 2012. The casual vacancy created by his resignation was filled in by Mr. Waqas Siddiq Khatri effective 13^{th} February 2012. The Board wishes to place on record its deep appreciation for the valuable contribution and guidance provided by the outgoing Director during his association with the Company. The Board also extends a warm welcome to Mr. Waqas Siddiq Khatri.

Audit Committee

The Board of Directors has re-constituted the Audit Committee in compliance with the Code of Corporate Governance with the following members:

1. Mr. Abdul Ghafoor Khatri	Chairman	Non-Executive Director
2. Mr. Abdul Sattar Khatri	Member	Executive Director
3. Mr. Fowad Yousaf Khatri	Member	Non-Executive Director

The Audit Committee reviewed the quarterly, half yearly and annual financial statements before their submission to the Board and their publication. The CFO, Head of Internal Audit and a representative of external auditors attended the meetings where issues relating to accounts and audit were discussed. The Audit Committee also reviewed internal audit findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance. Related Parties Transactions were also placed before the Audit Committee prior to their approval by the Board.

Human Resource and Remuneration (HR&R) Committee

During the year, the Board of Directors, in compliance with the Code of Corporate Governance has established HR&R Committee consisting of the following members:

1. Mr. Fowad Yousaf Khatri — Chairman — Non-Executive Director
2. Mr. Abdul Ghafoor Khatri — Member — Non-Executive Director
3. Mr. Muhammad Siddique Khatri — Member — Executive Director

The HR&R Committee is mainly responsible for:

1. Recommending human resource management policies to the Board;
2. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
3. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
4. Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

Directors' Training Programs

The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities. Further, the Board has arranged for certification offered by the Pakistan Institute of Corporate Governance (PICG) for Mr. Waqas Siddiq Khatri, Director of the Company. He has successfully completed this Corporate Governance Leadership Skills (CGLS) Director Certification program of PICG.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance - 2012 set out by the Karachi Stock Exchange in their listing regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

Corporate and Financial Reporting Framework

Following are the statements on Corporate and Financial Reporting Framework:

I. The financial statements together with notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.

v. The system of internal control is sound in design and has been effectively implemented and monitored.

vi. There are no significant doubts upon the Company's ability to continue as a going concern.

vii. The key operating and financial data for the last six years is annexed.

viii. Information about outstanding taxes and levies is given in Notes to the Accounts.

ix. The value of investments of the Provident Fund based on its audited accounts as on June 30, 2012 was Rs. 2.527 million.

Health, Safety and Environment

Health and Safety of employees, contractors and visitors along with protection of Environment associated with Company's activities remains the top priority at ICL. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for ISO 9001:2008 - Quality Management System and ISO 14001:2004 - Environmental Management System by Moody International Certification Limited.

Corporate Social Responsibility

ICL is a socially responsible corporate entity and is working diligently for the welfare of communities where we operate and the society in general. Your Company is actively involved in the various social responsibility initiatives in the field of education and heath care. ICL continued to provide financial support to various organizations operating in the fields of Education, Health and Social uplift.

Computer lab in Ornate School donated by ICL

Students at stitching & embroidery unit managed by ICL

Auditors

The present auditors M/s. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment for the year 2012-13. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the ensuing year subject to approval of the members in the forthcoming Annual General Meeting. The external auditors have been given a satisfactory rating under the Quality Control Review by the Institute of Chartered Accountants of Pakistan.

Pattern of Shareholding

A statement of the pattern of shareholding of the Company as at 30 June, 2012 of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives (CEO, COO, CFO, Head of Internal Audit, Company Secretary and any other employee of the Company who is above the cadre of General Manager / Head of Department, as threshold set by the Board of Directors) and their spouses and minor children during the year is shown on page 110 of the Annual Report.

Economic Outlook

Economic conditions globally and locally continue to worsen. Conditions in Pakistan are aggravated by various domestic challenges including energy shortages, high fiscal deficit whose financing has become difficult; political disturbances, build-up of domestic debt, depreciation of Pak Rupee and concerns about macroeconomic stability. Looking forward, these challenges could lead to adverse implications for the business environment.

Future Outlook

Despite the challenges being faced in the country, the management of the Company continues to have a long term optimistic outlook for our business. We are hopeful that economic prospects of the country will improve in future and the Company shall be able to sustain its profitability. In consideration of the current economic situation, rising electricity tariff and curtailment of gas supply, the management will continue its focus to improve shareholder's value through price rationalization, product and process optimization, reduction of operating costs and efficient working capital management.

Acknowledgement

Your Board would like to take this opportunity to express its appreciation and gratitude to all its customers, suppliers, bankers, shareholders and all stakeholders for their continued valuable support in managing the business. The Board also acknowledges and thank the management team and employees of the Company for their hard work and dedication shown throughout the year in the face of the prevalent unfavorable economic conditions.

For and on behalf of the Board

Muhammad Siddique Khatri
Chairman and Chief Executive

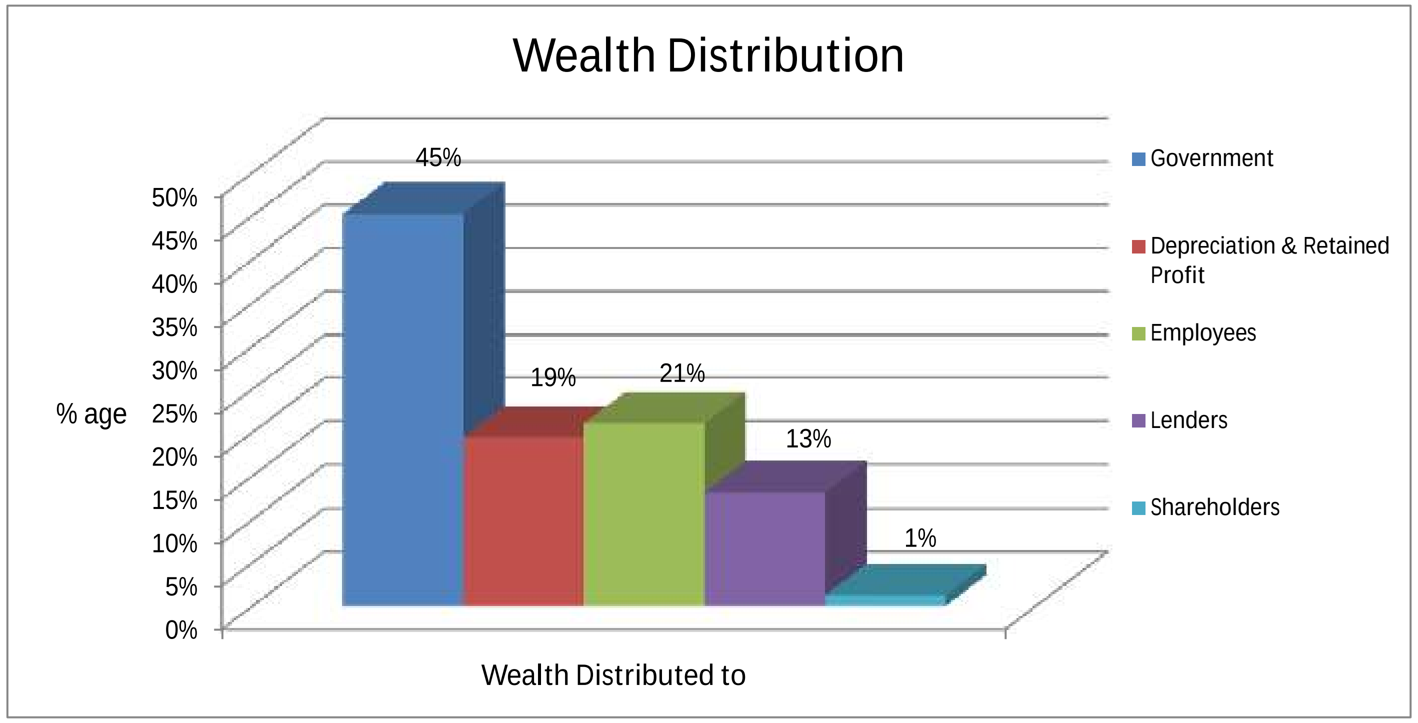
Lahore
September 10, 2012

Operating and Financial Highlights

	Unit	2006	2007	2008	2009	2010	2011	2012
PROFIT AND LOSS								
Sales	Rs. in mln	2,158	2,534	2,685	3,568	3,081	3,144	3,752
Gross Profit	Rs. in mln	465	622	548	820	611	630	670
Operating Profit	Rs. in mln	309	438	342	508	333	331	380
Profit before tax	Rs. in mln	167	235	129	277	132	121	192
Profit after tax	Rs. in mln	120	137	66	169	141	119	129
EBITDA	Rs. in mln	460	633	525	698	522	511	559
Number of outstanding shares at year end	No. in mln	30	36	36	36	36	36	36
Earning per share - Basic and Diluted	Rs.	3.98	3.81	1.82	4.70	3.91	3.30	3.57
BALANCE SHEET								
Operating Fixed assets (NBV)	Rs. in mln	2,510	2,360	2,316	2,423	2,299	2,342	2,371
Current Assets	Rs. in mln	1,008	962	918	1,169	1,208	1,330	1,336
Current Liabilities	Rs. in mln	1,041	1,076	627	934	928	1,237	1,391
Long Term Liabilities	Rs. in mln	1,254	1,049	1,445	1,232	1,100	910	638
Share capital	Rs. in mln	300	360	360	360	360	360	360
Shareholders' Equity	Rs. in mln	627	764	776	891	977	1,060	1,171
INVESTOR INFORMATION								
Gross Profit Margin	%	21.55	24.55	20.40	22.99	19.84	20.05	17.85
Net Profit Margin	%	5.54	5.41	2.44	4.74	4.57	3.78	3.43
Return On Equity	%	21.08	19.69	8.52	20.31	15.08	11.66	11.52
Price Earning Ratio		8.41	8.28	19.21	8.09	8.39	8.92	6.55
Net Asset per share	Rs.	20.89	21.24	21.55	24.74	27.14	29.44	32.53
Long -Term Debt to Equity Ratio		2.30	1.56	1.55	1.29	1.09	0.88	0.52
Current Ratio		0.97	0.89	1.47	1.25	1.30	1.08	0.96
Quick Ratio		0.54	0.53	0.73	0.77	0.66	0.58	0.59
Interest Coverage Ratio		2.18	2.11	1.61	2.12	1.63	1.54	1.97
Debtor Turnover	No. of Times	12.51	6.65	10.61	7.32	7.56	8.02	7.75
Inventory Turnover	No. of Times	3.82	4.87	4.65	6.14	4.12	4.12	5.94

Statement of Value Added

	Year ended 30 June, 2012	2011
	(Rs. In Million)	
Wealth Generated:		
Total revenue net of discount and allownces	4,423	3,725
Bought-in-material and services	2,952	2,438
	1,471	**1,287**
Wealth Distributed:		
To Employees		
Salries, benefits and other costs	309	256
To Government		
Income tax, sales tax, special excise duty & WWF	665	523
To Providers of capital		
Dividend to shareholders	18	18
Mark up/interest expenses on borrowed funds	193	215
Retained for Reinvestment and Growth		
Depreciation and retained profits	286	275
	1,471	**1,287**



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance (CCG) 2012 setout in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Executive Directors	Mr. Muhammad Siddique Khatri Mr. Abdul Sattar Khatri Mr. Waqas Siddiq Khatri
Non-Executive Directors	Mr. Abdul Ghafoor Khatri Mr. Fowad Yousaf Khatri Ms. Farhana Abdul Sattar Khatri Ms. Rushda Mustafa

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancy occurred in the Board of Directors on February 02, 2012 was filled up by the Directors within 90 days thereof.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision & mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities. Further, the Board has arranged for certification offered by the Pakistan Institute of Corporate Governance for Mr. Waqas Siddiq Khatri, director of the Company. He has successfully attained this certification.

10. There was no change in the position of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

18. The Board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Muhammad Siddique Khatri
Chairman and Chief Executive

Lahore
September 10, 2012

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ITTEHAD CHEMICALS LIMITED to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

BDO Ebrahim & Co.

Karachi
Dated: September 10, 2012

BDO Ebrahim & Co
Chartered Accountants
Engagement Partner: Zulfikar Ali Causer

CONTENTS

OF FINANCIAL STATEMENTS

Auditors' Report to the Members

We have audited the annexed balance sheet of ITTEHAD CHEMICALS LIMITED ("the Company") as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these 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 above 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

  ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat fund established under Section 7 of that Ordinance.

BDO Ebrahim & Co.

Karachi

Dated: September 10, 2012

BDO Ebrahim & Co

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer

Balance Sheet
As at june 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	2,371,349	2,342,327
Capital work in progress	6	42,942	82,944
		2,414,291	2,425,271
Intangible assets	7	121	253
Investment property	8	92,400	87,800
Long term investments	9	90,850	90,850
Long term deposits	10	26,284	21,444
		2,623,946	2,625,618
CURRENT ASSETS			
Stores, spares and loose tools	11	375,749	410,787
Stock in trade	12	143,286	198,831
Trade debts	13	564,750	461,057
Loans and advances	14	48,002	68,449
Trade deposits and short term prepayments	15	4,521	9,106
Other receivables	16	10,969	3,853
Tax refunds due from Government	17	48,195	-
Taxation- net	18	11,759	64,569
Cash and bank balances	19	128,920	113,745
		1,336,151	1,330,397
TOTAL ASSETS		3,960,097	3,956,015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	20.1	750,000	750,000
Issued, subscribed and paid up capital	20.2	360,000	360,000
Unappropriated profit		810,975	699,696
		1,170,975	1,059,696
SURPLUS ON REVALUATION OF FIXED ASSETS	21	760,019	749,059
NON CURRENT LIABILITIES			
Long term financing	22	158,334	234,028
Long term diminishing musharaka	23	83,333	250,000
Long term murabaha	24	38,889	116,666
Deferred liabilities	25	357,819	309,327
		638,375	910,021
CURRENT LIABILITIES			
Trade and other payables	26	617,980	342,362
Markup accrued	27	35,801	56,457
Short term borrowings	28	410,558	505,781
Current portion of long term liabilities	29	326,389	332,639
		1,390,728	1,237,239
CONTINGENCIES AND COMMITMENTS	30		
TOTAL EQUITY AND LIABILITIES		3,960,097	3,956,015

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account
For the year ended june 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	31	3,751,801	3,144,319
Cost of sales	32	(3,082,287)	(2,514,001)
Gross profit		669,514	630,318
Selling and distribution expenses	33	(171,812)	(208,303)
General and administrative expenses	34	(121,509)	(108,280)
Other operating expenses	35	(17,452)	(9,306)
Other operating income	36	21,207	26,568
		(289,566)	(299,321)
Operating profit		379,948	330,997
Financial charges	37	(192,529)	(215,287)
Fair value gain on investment property	8	4,600	5,550
Profit before taxation		192,019	121,260
Taxation	38	(63,382)	(2,497)
Profit after taxation		128,637	118,763
Earnings per share - basic and diluted (Rupees)	40	3.57	3.30

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

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
Profit after taxation for the year	128,637	118,763
Other comprehensive income / (loss)	-	-
Total comprehensive income for the year	128,637	118,763

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Profit before tax		192,019	121,260
Adjustments for items not involving movement of funds:			
Depreciation		179,371	178,409
Amortization of intangible assets		132	1,456
Provision for gratuity		11,089	5,079
Loss / (gain) on sale of fixed assets		3,067	(2,148)
Gain on revaluation of investment property		(4,600)	(5,550)
Foreign exchange gain		(288)	(930)
Provision for doubtful debts		5,920	3,482
Bad debts written off		2,926	5,710
Financial charges		192,529	215,287
Net cash flow before working capital changes		582,165	522,055
(Increase) / decrease in current assets			
Stores, spares and loose tools		35,038	26,546
Stock in trade		55,545	(37,246)
Trade debts		(112,251)	4,264
Loans and advances		20,447	(19,533)
Trade deposits and short term prepayments		4,585	(4,494)
Other receivables		(7,116)	12,687
(Decrease) / increase in current liabilities		(3,752)	(17,776)
Trade and other payables		276,371	19,545
Cash generated from operations		854,784	523,824
Taxes paid		(20,686)	(27,599)
Gratuity paid		(1,428)	(332)
Financial charges paid		(214,589)	(222,521)
Net cash inflow from operating activities		618,081	273,372
Cash flows from investing activities			
Additions to operating fixed assets		(17,591)	(10,460)
Additions to intangible assets		-	(247)
Additions to capital work in progress		(193,741)	(238,539)
Proceeds from sale of fixed assets		52,881	6,025
Long term investments		-	(3,450)
Long term deposits		(4,840)	5
Net cash outflow from investing activities		(163,291)	(246,666)
Cash flows from financing activities			
Proceeds from long term financing		-	150,000
Repayment of long term financing		(81,944)	(40,972)
Repayment of long term diminishing musharaka		(166,667)	(166,666)
Repayment of long term murabaha		(77,777)	(77,778)
Dividend paid		(18,004)	(35,992)
Short term borrowings		(95,223)	243,315
Net cash (outflow) /inflow from financing activities		(439,615)	71,907
Net increase in cash and cash equivalents		15,175	98,613
Cash and cash equivalents at the beginning of the year		113,745	15,132
Cash and cash equivalents at the end of the year	19	128,920	113,745

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Changes In Equity
For the year ended June 30, 2012

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	(Rupees in thousand)		
Balance as at July 01, 2010	360,000	616,933	976,933
Comprehensive income for the year	-	118,763	118,763
Final dividend for the year ended June 30, 2010 @ Re. 0.50 per share	-	(18,000)	(18,000)
Interim dividend for the year ended June 30, 2011 @ Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2011	360,000	699,696	1,059,696
Comprehensive income for the year	-	128,637	128,637
Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land (note 21)	-	642	642
Final dividend for the year ended June 30, 2011 @ Re. 0.50 per share	-	(18,000)	(18,000)
Balance as at June 30, 2012	360,000	810,975	1,170,975

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Notes to the Financial Statements
For the year ended June 30, 2012

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.

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

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

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

2 BASIS OF PREPARATION

2.1 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.

These financial statements represent the separate stand alone financial statements of Ittehad Chemicals Limited. The consolidated financial statements of the Company and its subsidiary company are presented separately.

The SECP has issued directive (Vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statement by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said Standard.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified for fair value adjustment in investment property, freehold land, investments and exchange differences as referred to in notes 4.3, 4.4, and 4.18 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 amounts, 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 39.

2.3 Functional and presentation currency

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting	September 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2010

IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	July 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013

		Effective date (annual periods beginning on or after)
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 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 expense and trial run operational results.

Notes to the Financial Statements
For the year ended June 30, 2012

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 5. 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 future periods are shown as liability. Finance costs under lease agreements are allocated to the period 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 5 . 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.

4.2 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 life.

4.3 Investment property

Investment property is property which are held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value 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 4.21.

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.

4.4 Investments

Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies 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.

Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

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 cost.

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.

Notes to the Financial Statements
For the year ended June 30, 2012

4.5 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the balance sheet date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company's requirements, adequate provision is made for any excess book value over estimated realisable value.

4.6 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.

4.7 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. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.8 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 provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited to the profit and loss account, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

4.9 Borrowings

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

4.10 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.

4.11 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.

4.12 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating lease / Ijarah

Operating lease / ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak 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 Pak 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.

4.19 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, 2012 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.

4.20 Compensated absences

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

4.21 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.

4.22 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.

4.23 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.

4.24 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.

5 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
	(Rupees in thousand)								
Net carrying value basis year ended June 30, 2012									
Opening net book value (NBV)	776,380	63,292	3,723	1,457,614	6,235	2,964	10,663	21,456	2,342,327
Additions (at cost) / revaluation	11,602	-	-	235,942	6,750	194	5,173	4,680	264,341
Disposals / transfers (NBV)	(12,000)	-	-	(43,329)	-	-	-	(619)	(55,948)
Depreciation charge	-	(6,329)	(372)	(163,789)	(1,388)	(302)	(2,662)	(4,529)	(179,371)
Closing net book value	**775,982**	**56,963**	**3,351**	**1,486,438**	**11,597**	**2,856**	**13,174**	**20,988**	**2,371,349**
Gross carrying value basis year ended June 30, 2012									
Cost	775,982	134,619	7,274	2,883,200	45,506	6,576	34,175	68,478	3,955,810
Accumulated depreciation	-	(77,656)	(3,923)	(1,396,762)	(33,909)	(3,720)	(21,001)	(47,490)	(1,584,461)
Net book value	**775,982**	**56,963**	**3,351**	**1,486,438**	**11,597**	**2,856**	**13,174**	**20,988**	**2,371,349**
Net carrying value basis year ended June 30, 2011									
Opening net book value (NBV)	776,380	70,324	4,137	1,397,514	6,851	3,128	11,484	29,393	2,299,211
Additions (at cost)	-	-	-	220,936	444	162	1,895	1,965	225,402
Disposals / transfers (NBV)	-	-	-	-	-	-	-	(3,877)	(3,877)
Depreciation charge	-	(7,032)	(414)	(160,836)	(1,060)	(326)	(2,716)	(6,025)	(178,409)
Closing net book value	**776,380**	**63,292**	**3,723**	**1,457,614**	**6,235**	**2,964**	**10,663**	**21,456**	**2,342,327**
Gross carrying value basis year ended June 30, 2011									
Cost	776,380	134,619	7,274	2,690,587	38,756	6,382	29,002	65,856	3,748,856
Accumulated depreciation	-	(71,327)	(3,551)	(1,232,973)	(32,521)	(3,418)	(18,339)	(44,400)	(1,406,529)
Net book value	**776,380**	**63,292**	**3,723**	**1,457,614**	**6,235**	**2,964**	**10,663**	**21,456**	**2,342,327**
Depreciation rate % per annum	**-**	**10**	**10**	**10**	**15**	**10**	**15 to 30**	**20**	

5.1 Free hold land was lastly revalued by an independent valuer M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012 on the basis of market value. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 731.238 million (2011: Rs. 720.278 million).

5.2 Borrowing cost capitalised during the year amounted to Rs. 1.404 million (2011: Rs. 4.967) at an average rate of 15.73% per annum (2011: 15.49% per annum).

5.3 The carrying value of idle assets amounted to Rs. 13.106 million (2011:Rs. 17.436 million) as at the balance sheet date.

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

	Note	2012	2011
		(Rupees in thousand)	
Cost of sales	32	175,487	173,401
Selling and distribution expenses	33	544	637
General and administrative expenses	34	3,340	4,371
		179,371	178,409

5.5 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 thousand)					
Vehicle						
LXH-9157 - Suzuki Mehran	285	285	-	160	Negotiated	Mr. M. Bilal
FSB-5957 - Motor Cycle	62	51	11	-	Theft of Vehicle	
LZM-6566 - Suzuki Cultus	586	457	129	550	Negotiated	Mr. Tahir Nadeem
LEC-5760 - Suzuki Alto	531	316	215	531	Negotiated	Ibrahim Ijaz
LEF-3418 - Suzuki Alto	594	330	264	585	Negotiated	Latif Malik
Plant and Machinery						
Coal Gasifire	43,329	-	43,329	40,700	Negotiated	UBL (Ameen)
Freehold land						
10533.64 SQM plotsituated at Sundar Industrial Estate, Sundar - Raiwind road, Lahore	12,000	-	12,000	10,355	Cancellation of allotment in default of execution of agreement to sell	
Total - 2012	57,387	1,439	55,948	52,881		
Total - 2011	8,171	4,294	3,877	6,025		

	Note	2012	2011
		(Rupees in thousand)	
6 CAPITAL WORK IN PROGRESS			
This comprises of:			
Plant and machinery		39,442	82,944
Intangible assets		3,500	-
		42,942	82,944

6.1 An amount of Rs. 235.148 million (2011: Rs. 214.942 million) has been transferred to operating fixed assets during the year.

7 INTANGIBLE ASSETS

	Note	2012	2011
Software and licenses			
Net carrying value as at 1 July			
Opening balance as on July 01		253	1,462
Additions during the year		-	247
Amortization charge	7.1	(132)	(1,456)
Net book value as at 30 June		121	253
Gross carrying value as at 30 June			
Cost		6,352	6,352
Accumulated amortization		(6,231)	(6,099)
Net book value		121	253
Amortization % per annum		33.33%	33.33%

7.1 The amortization charge for the year has been allocated as follows:

	Note	2012	2011
Administrative expenses	34	132	1,456

8 INVESTMENT PROPERTY

	Note	2012	2011
Free hold land (commercial property)	8.1	71,100	67,800
Free hold land (industrial property)	8.2	21,300	20,000
		92,400	87,800

8.1 The movement in this account is as follows:

	2012	2011
Opening balance	67,800	64,500
Fair value gain on revaluation recorded in "Profit and loss account"	3,300	3,300
	71,100	67,800

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, 2012 as determined by approved independent valuer M/S. Engineering Pakistan International (Private) Limited. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

	Note	2012	2011
		(Rupees in thousand)	
8.2 The movement in this account is as follows:			
Opening balance		20,000	17,750
Fair value gain on revaluation recorded in "Profit and loss account"		1,300	2,250
		21,300	20,000

This relates to land that has been rented out to Chemi Chloride Industries Limited, subsidiary company and shown under the head "Investment properties". The carrying value of investment property is the fair value of the property as at June 30, 2012 as determined by approved independent valuer M/S. Engineering Pakistan International (Private) Limited. Fair value was determined regard to recent market transactions for similar properties in the same location and condition.

9 LONG TERM INVESTMENTS

	Note	2012	2011
Available for sale			
Investment in subsidiary company- unquoted			
Chemi Chloride Industries Limited			
9,200,000 (2011: 9,200,000) fully paid ordinary shares		90,850	90,850
Relevant information:			
Percentage of investment in equity held 100% (2011: 100%)			
(Chief Executive: Mr. Abdul Sattar Khatri)			
Investment in related party - unquoted			
Chemi Visco Fiber Limited			
5,625,000 (2011: 5,625,000) fully paid ordinary shares of Rs.10/- each		56,250	56,250
Less: Provision for diminution in value of investment	9.1	(56,250)	(56,250)
		-	-
Relevant information:			
Percentage of investment in equity held 7.91% (2011: 7.91%)			
(Chief Executive : Mr. Usman Ghani Khatri)			
		90,850	90,850

9.1 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	2012	2011
		(Rupees in thousand)	
10 LONG TERM DEPOSITS			
Long term deposits		26,284	21,444
11 STORES, SPARES AND LOOSE TOOLS			
Stores	11.1	142,648	152,418
Spares:			
in hand	11.1	240,476	253,244
in transit		9,082	22,175
		249,558	275,419
Loose tools		217	194
		392,423	428,031
Less: Provision for obsolete stores and spares	11.2	16,674	17,244
		375,749	410,787

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

11.2 Movement of provision for store and spares is as follows:

		2012	2011
Opening balance		17,244	17,244
Adjustment on account of write off during the year		(570)	-
		16,674	17,244

12 STOCK IN TRADE

	Note	2012	2011
Raw materials:			
in hand	32	51,545	49,662
in transit		1,490	11,198
		53,035	60,860
Packing materials		2,062	3,546
Work in process	32	10,746	10,077
Finished goods	12.1 & 32	77,443	124,348
		143,286	198,831

12.1 This includes provision for write down of finished goods inventory to net realisable value amounting to Rs. 4.254 million (2011: Rs. 3.576 million).

		Note	2012 (Rupees in thousand)	2011
13	**TRADE DEBTS**			
	Secured			
	Considered good	13.1	57,205	77,191
	Unsecured			
	Considered good		507,545	383,866
	Considered doubtful		19,300	13,796
			526,845	397,662
			584,050	474,853
	Less: Provision for doubtful debts	13.2	19,300	13,796
			564,750	461,057

13.1 This include balances due from related parties aggregating to Rs. 46.338 million (2011: Rs. 42.604 million) comprising of the following:

	2012	2011
Chemi Chloride industries Limited - subsidiary company	46,296	42,521
Chemi Dyestuff Industries (Private) Limited - associated company	42	83
	46,338	42,604

13.2 Movement of provision for doubtful debts is as follows:

	2012	2011
Opening balance	13,796	20,381
Adjustment on account of:		
Doubtful debts written off	-	(9,159)
Recovery of doubtful debts	(416)	(908)
Provision for doubtful debts for the year	5,920	3,482
Net adjustment	5,504	(6,585)
Closing balance	19,300	13,796

		Note	2012	2011
14	**LOANS AND ADVANCES**			
	Advances - (considered good)			
	Against purchase of land		1,639	1,639
	To employees		3,705	3,377
	For supplies and services	14.1	24,300	34,223
	Against import		311	262
	Related party	14.2	18,047	28,948
			48,002	68,449
	Considered doubtful			
	To employees		-	104
			48,002	68,553
	Less: Provision for doubtful advances		-	104
			48,002	68,449

14.1 These include a balance due to Chemi Chloride industries Limited, a subsidiary company, amounting to Rs. 2.451 million (2011: Nil).

14.2 This represents advance to Chemi Chloride Industries Limited, a subsidiary company. The entire balance of advance including mark up thereon shall be repaid in full within 60 days from the closing of the financial year of the Company. The advance carries mark up at the weighted average borrowing cost of the Company prevailing on the first day of the quarter of financial year to which the advance relates.

		Note	2012 (Rupees in thousand)	2011
15	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		3,516	8,502
	Prepayments		1,005	604
			4,521	9,106
16	**OTHER RECEIVABLES**			
	(Considered good)			
	Related party	16.1	614	3,853
	Against land	16.2	10,355	-
			10,969	3,853

16.1 This comprises of amount receivable from Chemi Chloride Industries Limited, a wholly owned subsidiary company.

16.2 During the year, the Company has received a conclusive letter from Punjab Industrial Estates, communicating the cancellation of the allotment of plot in Sundar Industrial Estate. Earlier, the company had been in correspondence for reinstatement of the plot, however, in their correspondence dated May 29, 2012, PIE has informed the Company that the request for reinstatement cannot be acceded to and that the refund is ready for collection. Consequently, the amounts have been presented as "Other receivable" as at the balance sheet date.

		Note	2012	2011
17	**TAX REFUNDS DUE FROM GOVERNMENT**			
	(Considered good)			
	Income tax		48,195	-
18	**TAXATION - NET**			
	Advance income tax		55,037	97,031
	Less: Provision for taxation		43,278	32,462
			11,759	64,569
19	**CASH AND BANK BALANCES**			
	Cash in hand		789	227
	Cheques in hand		51,839	98,473
	Cash at banks			
	Current accounts		32,239	14,007
	Saving accounts	19.1	44,053	1,038
			128,920	113,745

19.1 The balance in saving accounts carries mark up which ranges from 5.86% to 6.11% per annum (2011: 5% to 6%)

			Note	2012	2011
				(Rupees in thousand)	

20 SHARE CAPITAL

20.1 Authorized share capital

2012	2011		2012	2011
Number of shares of Rs. 10/- each				
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
75,000,000	75,000,000		750,000	750,000

20.2 Issued, subscribed and paid up capital

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
1,686,240	1,686,240	Shares held by associated companies	4.68%	4.68%

21 SURPLUS ON REVALUATION OF FIXED ASSETS

	2012	2011
Balance as at July 01,	749,059	749,059
Revaluation surplus arising during the year	11,602	-
Transfer to unappropriated profit in respect of disposal of revalued freehold land during the year	(642)	-
	760,019	749,059

This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2012 by an independent valuer M/S. Engineering Pakistan International (Private) Limited on the basis of market value.

	Note	2012	2011
		(Rupees in thousand)	
22 LONG TERM FINANCING			
Secured			
Banking Companies			
The Bank of Punjab-BMR	22.1	68,750	93,750
Other Financial Institutions			
Pakistan Kuwait Investment Company (Private) Limited- Syndicated- II		-	6,250
Pakistan Kuwait Investment Company (Private) Limited- BMR	22.2	50,000	72,222
Pak Brunei Investment Company Limited-BMR	22.3	43,750	50,000
Saudi Pak Industrial & Agricultural Investment Company Limited-BMR	22.4	77,778	100,000
		171,528	228,472
		240,278	322,222
Less: Current portion shown under current liabilities	29	81,944	88,194
		158,334	234,028

22.1 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 2.5% spread with floor of 11% per annum. This loan was disbursed in June 2010 and is repayable in sixteen quarterly equal installments commencing from May 2011.

22.2 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 3% per annum. This loan was disbursed in September 2009 and is repayable in eighteen quarterly equal installments commencing from June 2010.

22.3 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 3% per annum. This loan was disbursed in September 2010 and is repayable in eight semi annual equal instalments commencing from March 2012.

22.4 This finance is secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and carries mark up at three months average KIBOR Ask rate plus 3 % per annum. This loan was disbursed in December 2010 and is repayable in eighteen quarterly equal instalments commencing from September 2011.

	Note	2012	2011
23 LONG TERM DIMINISHING MUSHARAKA			
Secured			
Banking Companies			
Standard Chartered Bank (Pakistan) Limited	23.1	25,000	41,667
Askari Bank Limited	23.1	50,000	83,333
Burj Bank Limited	23.1	16,667	27,778
United Bank Limited - Islamic Banking	23.1	83,333	138,889
Summit Bank Limited	23.1	16,667	27,778
		191,667	319,445

	Note	2012 (Rupees in thousand)	2011
Financial Institutions			
Pak Libya Holding Company (Private) Limited	23.1	50,000	83,333
UBL Fund Managers	23.1	8,333	13,889
		58,333	97,222
		250,000	416,667
Less: Current portion shown under current liabilities	29	166,667	166,667
		83,333	250,000

23.1 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 Ask 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 22, 2009 being the 24th month from the facility date.

24 LONG TERM MURABAHA

	Note	2012	2011
Secured			
Banking Companies			
Faysal Bank Limited	24.1	116,667	194,444
Less: Current portion shown under current liabilities	29	77,778	77,778
		38,889	116,666

24.1 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 22, 2009.

25 DEFERRED LIABILITIES

	Note	2012	2011
Provision for recoating of DSA anodes	25.1	6,375	5,626
Deferred taxation	25.2	326,822	288,740
Provision for gratuity	25.3	24,622	14,961
		357,819	309,327

25.1 Provision for Dimensionally Stable Anodes (DSAs)

	2012	2011
Balance brought forward	12,286	15,072
Payments made against recoating of anodes	(609)	(5,741)
Provision made for recoating	775	2,955
	12,452	12,286
Less: Current portion included in accrued liabilities	(6,077)	(6,660)
	6,375	5,626

25.2 Deferred taxation

	2012 (Rupees in thousand)	2011
Deferred tax liability comprises as follows:		
Taxable temporary differences		
Tax depreciation allowances	342,134	320,906
Deductible temporary differences		
Provision for gratuity	(8,557)	(5,091)
Provision for doubtful debts	(6,755)	(4,829)
Minimum tax adjustment	-	(22,246)
	326,822	288,740

25.3 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 by an independent approved valuer Nauman Associates, as at June 30, 2012 using the Projected Unit Credit method.

b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	13% per annum
Expected rate of increase in salary	12% per annum

c. Reconciliation of payable to defined benefit plan

	2012	2011
Present value of obligation	24,622	14,961
Liability recognized in balance sheet	24,622	14,961

d. Movement of liability recognized in the balance sheet

	2012	2011
Present value of obligation at the start of the year	14,961	10,214
Current service cost	6,718	5,079
Interest cost	1,945	-
Actuarial losses	2,426	-
Contribution paid to outgoing employees	(1,428)	(332)
Closing net liability	24,622	14,961

	Note	2012	2011
		(Rupees in thousand)	
e. Charge for the year			
Current service cost		6,718	5,079
Interest cost		1,945	-
Actuarial losses		2,426	-
Charge for the year		11,089	5,079

f. Historical information of Staff Gratuity Fund.

	2012	2011	2010	2009	2008
	Rupees in thousand				
a) Present value of defined Benefit obligations and fair Value of plan assets					
Present value of defined benefit obligation	24,622	14,961	10,214	1,962	1,600
Fair value of plan assets	-	-	-	-	-
(Deficit)/ Surplus	(24,622)	(14,961)	(10,214)	(1,962)	(1,600)
b) Experience adjustments					
Experience gain/(loss) on obligation	(2,426)	-	(1,205)	-	-
Experience gain/(loss) on plan assets	-	-	-	-	-

g. As per actuarial estimates, the charge in respect of defined benefit plan for the year ending June 30, 2013 would be Rs. 10.563 million.

26 TRADE AND OTHER PAYABLES

	Note	2012	2011
		(Rupees in thousand)	
Trade creditors	26.1	39,274	25,449
Accrued liabilities	26.2	490,685	258,601
Advances from customers		23,390	27,634
Retention money		1,191	1,163
Sales tax and excise duty payable		48,159	19,360
Income tax deducted at source		534	481
Workers' Profit Participation Fund	26.3	10,842	7,013
Workers' Welfare Fund		3,724	2,475
Other liabilities		181	186
		617,980	342,362

26.1 This includes a balance due to Chemi Chloride Industries limited, a subsidiary company, amounting to Rs. Nil (2011: 0.001 million).

26.2 This includes a balance due to Chemi Multifabrics Limited, an associated company, amounting to Rs. 14.256 million (2011: Rs. 10.890 million).

	Note	2012	2011
		(Rupees in thousand)	
26.3 Workers' profit participation fund balances comprises as follows:			
Balance as at July 01,		7,013	7,729
Less: Amount paid to fund		6,231	6,936
		782	793
Current year's allocation at 5%	35	10,060	6,220
		10,842	7,013

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

27 MARK UP ACCRUED

	Note	2012	2011
Secured			
Long term financing		4,929	7,277
Long term diminishing musharaka		12,308	23,014
Long term murabaha		5,744	10,740
Short term borrowings		12,820	15,426
		35,801	56,457

28 SHORT TERM BORROWINGS

	Note	2012	2011
Secured			
Banking companies			
Running finances			
MCB Bank Limited	28.1	56,562	78,617
Askari Bank Limited	28.2	73,142	101,361
The Bank of Punjab Limited	28.3	862	125,838
KASB Bank Limited	28.4	49,201	23,949
Term finance			
KASB Bank Limited - ERF	28.5	24,828	25,000
The Bank of Punjab Limited - FATR	28.6	14,473	11,016
Faysal Bank Limited	28.7	40,000	40,000
Murabaha finance			
Burj Bank Limited	28.8	100,000	100,000
Al-Baraka Bank (Pakistan) Limited	28.9	51,490	-
		410,558	505,781

28.1 This facility is secured against first pari passu charge over present and future current assets of the Company and hypothecation of stock of chemicals. The facility carries mark-up at three months average KIBOR Ask rate plus 1.9% spread per annum (2011: three months average KIBOR Ask rate plus 1.9% spread per annum). The limit of finance is Rs. 90 million (2011: Rs. 90 million).

28.2 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 1.9 % per annum (2011: three months average KIBOR Ask rate plus 1.9% per annum). The limit of finance is Rs. 200 million (2011: Rs. 200 million).

28.3 This facility is secured against first pari passu charge on all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 2.5 % per annum with floor of 11 % per annum (2011: Three months average KIBOR Ask rate plus 2.5% per annum with floor of 11 %). The limit of finance is Rs. 150 million (2011: Rs. 150 million).

28.4 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 2.75% per annum (2011: Three months average KIBOR Ask rate plus 2.75 % per annum). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

28.5 This export refinance facility is secured against first pari passu charge over all present and future current assets of the company and lien over export LCs / contract / export bills. It carries mark-up at SBP rate plus 1 % (2011: SBP rate plus 1 %). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

28.6 This facility is secured against first pari passu charge on all present and future current assets of the Company and carries mark-up at three months average KIBOR Ask rate plus 2.5 % per annum with floor of 11 % per annum (2011: Three months average KIBOR Ask rate plus 2.5% per annum with floor of 11 %). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

28.7 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 (2011: Six months average KIBOR Ask rate plus 2.25 % per annum). The limit of finance is Rs. 40 million (2011: Rs. 40 million).

28.8 This facility is secured against first pari passu Hypothecation charge over current assets of the Company and carries mark-up at matching KIBOR Ask rate plus 2.5% per annum (2011: matching KIBOR Ask rate plus 2.5% per annum). The limit of finance is Rs. 100 million (2011: 100 million).

28.9 This facility is secured against first joint pari passu charge over present and future current assets including but not limited to book debts and receivables of the Company amounting to Rs. 100 million with 25% margin and carries mark-up at matching KIBOR Ask rate plus 2.5% per annum. The limit of finance is Rs. 75 million (2011: Rs. Nil).

	Note	2012	2011
		(Rupees in thousand)	
29 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	22	81,944	88,194
Long term diminishing musharaka	23	166,667	166,667
Long term murabaha	24	77,778	77,778
		326,389	332,639

30 CONTINGENCIES AND COMMITMENTS

30.1 Contingent liabilities

a) The Company has received an assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the Company have decreased by Rs. 24.849 million (June 30, 2011: Rs. 24.849 million). The Company filed an appeal before Commissioner of Inland revenue (Appeals) Zone-1 against the impugned order who has given certain reliefs to the Company. Both the Company and Income Tax Department has filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in Company's favour and partially remanded to the taxation officer for fresh proceedings. The Company expect a favorable outcome of the proceedings. However, if the proceedings are finalized against the Company, it may result in tax payable of Rs. 3.114 million.

b) The Company has also received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs.12.069 million (June 30, 2011: Rs. 12.069 million). The Company challenged it before Commissioner of Inland Revenue (Appeals) Zone-1 who decided the case in favour of the Company. The department has filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.069 million.

c) The Company 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. 2.882 million (2011: Rs. 3.364 million) against these claims.

30.2 Commitments

Commitments as on June 30, 2012 were as follows:

a) Against letters of credit amounting to Rs. 30.976 million (2011: Rs. 32.262 million).

b) Against purchase of land amounting to Rs. 1.838 million (2011: Rs. 1.838 million).

c) The Company has entered into Ijarah arrangement with Burj Bank Limited and United Bank Limited - Ameen for Plant and Machinery. Commitment of Ijarah rentals under this agreement are as follows:

	Note	2012 (Rupees in thousand)	2011
Not later than one year		38,014	28,020
Later than one year and not later than five years		95,848	77,055
		133,862	105,075

31 SALES

	Note	2012	2011
Sales			
Manufacturing	31.1	4,382,160	3,690,825
Trading		19,219	7,192
		4,401,379	3,698,017
Less: Sales tax		598,096	477,445
Commission to selling agents		51,482	35,802
Special excise duty		-	40,451
		649,578	553,698
		3,751,801	3,144,319

31.1 This amount includes export sales amounting to Rs. 42.907 million (2011: Rs. 87.484 million).

32 COST OF SALES

	Note	2012	2011
Raw materials consumed			
Opening stock		49,662	57,673
Purchases		343,163	289,070
		392,825	346,743
Closing stock	12	(51,545)	(49,662)
		341,280	297,081
Stores, spares and consumables		154,188	138,491
Packing materials consumed		6,125	5,501
Salaries, wages and other benefits	32.1	211,677	169,027
Fuel and power		2,052,562	1,703,200
Repair and maintenance		17,084	21,277
Rent, rates and taxes	32.2	29,594	27,952
Insurance		9,676	9,145
Depreciation	5.4	175,487	173,401
Vehicle running expenses		14,491	12,465
Postage, printing and stationery		652	484
Other expenses		1,273	1,465
		2,672,809	2,262,408
Work in process			
Opening		10,077	8,165
Closing	12	(10,746)	(10,077)
		(669)	(1,912)
Cost of goods manufactured		3,013,420	2,557,577

Notes to the Financial Statements
For the year ended June 30, 2012

	Note	2012 (Rupees in thousand)	2011
Cost of stock traded		21,962	5,314
Finished goods			
Opening		124,348	75,458
Closing	12	(77,443)	(124,348)
		46,905	(48,890)
		3,082,287	2,514,001

32.1 This amount includes Rs.13.229 million (2011: Rs. 2.848 million) in respect of employees' retirement benefits.

32.2 This amount includes Rs. 29.494 million (2011: 27.679 million) in respect of operating lease rentals.

33 SELLING AND DISTRIBUTION EXPENSES

	Note	2012	2011
Salaries and other benefits	33.1	24,125	23,289
Traveling and conveyance		747	476
Vehicle running expenses		1,556	1,286
Advertisement		512	552
Telephone, telex and postage		987	886
Marketing service charges		37,431	31,182
Freight		99,650	141,258
Rent, rates and taxes		3,758	5,775
Printing and stationery		269	471
Fuel and power		1,661	1,626
Repair and maintenance		450	644
Insurance		122	221
Depreciation	5.4	544	637
		171,812	208,303

33.1 This amount includes Rs. 2.155 million (2011: Rs. 0.957 million) in respect of employees' retirement benefits.

34 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and other benefits	34.1	73,788	63,034
Traveling and conveyance		10,169	8,516
Vehicle running expenses		4,272	3,074
Telephone, telex and postage		1,590	1,567
Rent, rates and taxes		2,499	2,507
Printing and stationery		930	784
Fee and subscription		1,708	1,300

	Note	2012	2011
		(Rupees in thousand)	
Legal and professional charges		3,111	2,394
Fuel and power		1,880	1,871
Provision for doubtful debts		5,920	3,482
Repair and maintenance		4,233	3,410
Depreciation	5.4	3,340	4,371
Amortization of intangible assets	7.1	132	1,456
Bad debts written off		2,926	5,710
Donations	34.2	4,625	4,384
Other expenses		386	420
		121,509	108,280

34.1 This amount includes Rs. 3.333 million (2011: Rs. 1.569 million) in respect of employees' retirement benefits.

34.2 Donations

34.2.1 Interest of the Directors or their spouses in the donations made during the year is as follows:

Donation amounting to Rs. 1.9 million (2011: Rs. 1.533 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman and Chief Executive of the Company is the patron of the school.

34.2.2 Donations other than mentioned above were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

35 OTHER OPERATING EXPENSES

	Note	2012	2011
Auditors' remuneration			
Audit fee		450	450
Half yearly review fee		125	125
Tax and certification charges		25	30
Out of pocket expenses		1	6
		601	611
Workers' profit participation fund	26.3	10,060	6,220
Workers welfare fund		3,724	2,475
Loss on sale of fixed assets		3,067	-
		17,452	9,306

36 OTHER OPERATING INCOME

	2012	2011
Income from financial assets		
Return on saving accounts	87	228
Gain on foreign exchange	288	930
	375	1,158

Notes to the Financial Statements
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
Income from non- financial assets		
Gain on sale of fixed assets	-	2,148
Sale of scrap	8,063	7,678
Recovery of doubtful debts	1,306	5,170
	9,369	14,996
Income from related parties		
Interest on advances to subsidiary	4,656	3,607
Service charges	2,007	2,007
Rental income	4,800	4,800
	21,207	26,568

37 FINANCIAL CHARGES

	2012	2011
Markup/interest on:		
Long term financing	43,995	40,961
Long term diminishing musharaka	47,648	72,651
Long term murabaha	22,236	33,904
Short term borrowings	75,564	62,500
	189,443	210,016
Bank charges and commission	3,086	5,271
	192,529	215,287

38 TAXATION

	2012	2011
Current	43,054	31,987
Prior year	(17,753)	(18,380)
Deferred	38,081	(11,110)
	63,382	2,497

38.1 Relationship between tax expense and accounting profit:

	2012	2011
Profit before taxation	192,019	-
Tax at the applicable rate of 35%	67,207	-
Tax effect of inadmissible expenses / losses	73,648	-
Tax effect of admissible expenses	(76,397)	-
Income taxed at different rates	194	-
Prior year adjustment	(17,753)	-
Tax effect of losses and other allowances	(21,597)	-
Others	38,080	-
	63,382	-

38.2 As the tax charge of prior period 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.

39 ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 4. 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 4.8 to these financial statements.

Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 25.3) for valuationof present value of defined benefitobligations.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 valuationperformed by external professional valuers and recommendation of technicalteams 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 June 30, 2012.

40 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2012	2011
Profit after taxation (Rupees in thousand)	128,637	118,763
Weighted average number of ordinary shares (in thousand)	36,000	36,000
Earnings per share (Rupees)	3.57	3.30

41 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 terms of their employment are as follows:

Relation with the Company	Nature of transaction	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Associated company	Marketing service charges	37,431	31,182
Associated company	Sale of vehicle	-	200
Subsidiary/Associated companies	Sale of goods and services	168,454	61,710
Subsidiary company	Purchase of goods	36,396	1,781
Subsidiary company	Rental income	4,800	4,800
Subsidiary company	Loans and advances made	38,295	41,279
Subsidiary company	Investment made	-	3,450
Subsidiary company	Mark up on loans and advances	4,656	3,607
Staff retirement fund	Contribution to staff retirement	244	-
	benefit plans	-	259
Directors and employees	Remuneration to directors and key management personnel	56,847	50,117
Sponsors	Purchase of shares	-	3,450

42 FINANCIAL ASSETS AND LIABILITIES

	Note	Total	2012 Interest/mark up bearing Maturity upto one year	Maturity after one year	Sub-total	Not interest /mark up bearing
		(Rupees in thousand)				
Financial assets						
Long term investments		90,850	-	-	-	90,850
Long-term deposits		26,284	-	-	-	26,284
Trade debts		564,750	-	-	-	564,750
Trade deposits		26,284	-	-	-	26,284
Other receivables		10,969	-	-	-	10,969
Cash and bank balances		128,920	-	-	-	128,920
		848,057	-	-	-	848,057
Financial liabilities						
Long term financing		240,278	81,944	158,334	240,278	-
Long term diminishing musharaka		250,000	166,667	83,333	250,000	-
Long term murabaha		116,667	77,778	38,889	116,667	-
Trade and other payables		617,980	-	-	-	617,980
Short-term borrowings		410,558	410,558	-	410,558	-
		(1,635,483)	(736,947)	(280,556)	(1,017,503)	(617,980)
On balance sheet gap		(787,426)	(736,947)	(280,556)	(1,017,503)	230,077
Off Balance sheet Items						
Financial commitments:						
Letter of credits	30.2	30,976	-	-	-	30,976
Others	30.2	1,838	-	-	-	1,838
		(32,814)	-	-	-	(32,814)
Total Gap		(820,240)	(736,947)	(280,556)	(1,017,503)	197,263

	Note	Total	2011 Interest/mark up bearing Maturity upto one year	Maturity after one year	Sub-total	Not interest /mark up bearing
		(Rupees in thousand)				
Financial assets						
Long term investments		90,850	-	-	-	90,850
Long-term deposits		21,444	-	-	-	21,444
Trade debts		461,057	-	-	-	461,057
Trade deposits		9,106	-	-	-	9,106
Other receivables		3,853	-	-	-	3,853
Cash and bank balances		113,745		-	-	113,745
		700,055	-	-	-	700,055
Financial liabilities						
Long term financing		322,222	88,194	234,028	322,222	-
Long term diminishing musharaka		416,667	166,667	250,000	416,667	-
Long term murabaha		194,444	77,778	116,666	194,444	-
Trade and other payables		342,362	-	-	-	342,362
Short-term borrowings		505,781	505,781	-	505,781	-
		(1,781,476)	(838,420)	(600,694)	(1,439,114)	(342,362)
On balance sheet gap		(1,081,421)	(838,420)	(600,694)	(1,439,114)	357,693
Off Balance sheet Items						
Financial commitments:						
Letter of credits	30.2	32,262	-	-	-	32,262
Others	30.2	1,838	-	-	-	1,838
		(34,100)	-	-	-	(34,100)
Total Gap		(1,115,521)	(838,420)	(600,694)	(1,439,114)	323,593

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

43.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2012	2011
	(Rupees in thousand)	
Long term deposits	26,284	21,444
Trade debts-net of provision	564,750	461,057
Loans and advances-net of provision	48,002	68,449
Trade deposits-net of provision	3,516	8,502
Other receivables	10,969	3,853
Bank balances	128,131	113,518

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2012	2011
	(Rupees in thousand)	
Export	2,765	27,574
Domestic	561,985	433,483
	564,750	461,057

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

Dealers	249,625	155,365
End-user customers	315,125	305,692
	564,750	461,057

The aging of trade receivables at the reporting date is as follows:

Not past due	332,686	224,616
Past due 1-30 days	144,361	97,925
Past due 30-150 days	62,738	91,247
Past due more than 150 days	24,965	47,269
	564,750	461,057

The Company's most significant customers, are dealers with balance amounting to Rs. 219.573 million (2011: Rs. 120.829 million) of the total carrying amount as at June 30, 2012.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

On prudence basis an amount of Rs. 5.920 million (2011: Rs. 3.482 million) has been charged, as provision for doubtful debts, to profit and loss account.

Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Ratings Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
The Bank of Punjab	PACRA	A1+	AA-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Al-Baraka Bank (Pakistan) Limited	PACRA	A2	A
Samba Bank Limited	JCR-VIS	A-1	A+
Citi Bank N.A.	Fitch	F1+	A+

43.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
			(Rupees in thousand)			
2012						
Financial liabilities						
Long term financing	240,278	300,958	55,952	53,306	98,809	92,891
Long term diminishing musharaka	250,000	293,630	101,871	96,358	95,401	-
Long term murabaha	116,667	134,902	48,007	44,967	41,928	-
Trade and other payables	617,980	617,980	617,980	-	-	-
Markup accrued	35,801	35,801	35,801	-	-	-
Short term borrowings	410,558	424,969	424,969	-	-	-
	1,671,284	1,808,240	1,284,580	194,631	236,138	92,891

	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in thousand)					
2011						
Financial liabilities						
Long term financing	322,222	430,007	72,527	62,474	115,035	179,971
Long term diminishing musharaka	416,667	515,107	116,146	109,585	199,480	89,896
Long term murabaha	194,444	240,381	54,201	51,139	93,090	41,951
Trade and other payables	342,362	342,362	342,362	-	-	-
Markup accrued	56,457	56,457	56,457	-	-	-
Short term borrowings	505,781	525,795	525,795	-	-	-
	1,837,933	2,110,109	1,167,488	223,198	407,605	311,818

43.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

43.3.1 Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

	2012	2011
	(Rupees in thousand)	
Trade debts	2,765	27,574
Gross balance sheet exposure	2,765	27,574
Outstanding letters of credit	(30,976)	(32,262)
Net exposure	(28,211)	(4,688)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date rate	
	2012	2011	2012	2011
USD to PKR	88.45	85.83	90.85	86.05

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

	2012	2011
	(Rupees in thousand)	
Effect on profit or loss		
Loss	(277)	(2,757)

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

43.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rate which expose the company to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Company's interest -bearing financial instruments is as follows:

	2012	2011
	Carrying amount (Rupees in thousand)	
Financial liabilities		
Variable rate instruments		
Long term loans	240,278	322,222
Long term diminishing musharaka	250,000	416,667
Long term murabaha	116,667	194,444
Short term borrowings	410,558	505,781
	1,017,503	1,439,114

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities	(10,175)	10,175
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	(14,391)	14,391

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

43.4 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

44 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	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	2,400	2,400	4,267	4,000	54,589	44,330
House rent allowance	1,080	1,080	1,920	1,800	24,565	19,948
Medical expenses	120	120	213	200	2,729	2,216
	3,600	3,600	6,400	6,000	81,883	66,494
Number of persons	1	1	3	2	72	64

44.1 The Company also provides the Chief Executive and some of the Directors and Executives with free use of cars and mobile phones.

45 CAPACITY AND PRODUCTION

	Installed capacity Tons		Actual production Tons		Reason for shortfall
	2012	2011	2012	2011	
Caustic soda	125,550	143,550	67,002	66,916	
Liquid Chlorine	13,200	13,200	8,450	7,618	**Cautious production strategy based on actual demands and shortage in gas affecting available capacity.**
Hydrochloric acid	150,000	150,000	136,556	128,259	
Sodium hypochlorite	49,500	49,500	19,952	22,562	
Bleaching earth	3,300	3,300	1,278	1,121	
Zinc sulphate	600	600	67	81	
Chlorinated parafin wax	3,000	3,000	-	-	
Sulphuric acid	3,300	3,300	497	750	

46 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 monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor 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.

47 NON ADJUSTING EVENTS

The Board of Directors of the Company has recommended a 15% final cash dividend (2011: 5% final cash dividend) in their meeting held on September 10, 2012.

48 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 10, 2012 by the Board of Directors of the Company.

49 GENERAL

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

ii Corresponding figures have been rearranged and reclassified, whenever necessary, for the purpose of comparison, the effect of which is not material.

CHIEF EXECUTIVE **DIRECTOR**

CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

Directors' Report to Shareholders on Consolidated Financial Statements

The Directors of Ittehad Chemicals Limited are pleased to present the Annual Report together with the audited consolidated financial statements of the Company and its wholly owned subsidiary, Chemi Chloride Industries Limited (CCIL), for the year ended June 30, 2012.

The Directors' Report on the performance of Ittehad Chemicals Limited (ICL), for the year ended June 30, 2012 has been presented separately.

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

Alhamdulillah, year 2011-12 has proved to be a flourishing year for CCIL. You would be pleased to know that your Company's financial and operational performance during the year under review has significantly exceeded expectations. This is visible from the robust sales growth of 96% that your Company has achieved during the year. The Company registered total sales of Rs. 426.683 million during the year under review compared to sales of Rs. 217.584 million for the previous year. The total sales comprise 84% export sales and 16% local sales. The Company has earned gross profit of Rs. 126.505 million as compared to gross profit of Rs. 51.576 million for the last financial year, representing an increase of 145%. The profit before tax for the year under review is Rs. 37.103 million as compared to loss before tax of Rs. 9.552 million for the previous year. The profit after tax is recorded at Rs. 32.526 million as against loss after tax of Rs. 11.711 million for the last financial year, reflecting a tremendous increase of 378%. The Company has therefore reported earnings per share (EPS) of Rs. 3.54 for the year under review, whereas group's earnings per share (EPS) is Rs. 4.44.

We take the opportunity of thanking members of the management team, employees and other staff members for their continued commitment to the success of the Company. We also value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

For and on behalf of the Board

Lahore
September 10, 2012

Muhammad Siddique Khatri
Chairman and Chief Executive

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, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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, 2012, and the consolidated results of its operations, its comprehensive income, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

BDO Ebrahim & Co

Karachi

Dated: September 10, 2012

BDO Ebrahim & Co

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer

Consolidated Balance Sheet
As At June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	2,514,774	2,498,639
Capital work in progress	6	42,942	83,634
		2,557,716	2,582,273
Intangible assets	7	121	253
Goodwill	8	6,445	6,445
Investment property	9	71,100	67,800
Long term investments	10	-	-
Long term deposits	11	37,622	32,144
		2,673,004	2,688,915
CURRENT ASSETS			
Stores, spares and loose tools	12	390,733	424,770
Stock in trade	13	171,629	219,946
Trade debts	14	545,363	459,683
Loans and advances	15	28,676	40,536
Trade deposits and short term prepayments	16	6,089	10,701
Other receivables	17	10,355	-
Tax refunds due from Government	18	50,125	7,521
Taxation - net	19	12,776	66,212
Cash and bank balances	20	130,406	117,434
		1,346,152	1,346,803
TOTAL ASSETS		4,019,156	4,035,718
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	21.1	750,000	750,000
Issued, subscribed and paid up capital	21.2	360,000	360,000
Unappropriated profit		793,603	651,100
		1,153,603	1,011,100
SURPLUS ON REVALUATION OF FIXED ASSETS	22	760,819	748,559
NON CURRENT LIABILITIES			
Long term financing	23	165,835	266,082
Long term diminishing musharaka	24	83,333	250,000
Long term murabaha	25	38,889	116,666
Deferred liabilities	26	357,819	309,327
		645,876	942,075
CURRENT LIABILITIES			
Trade and other payables	27	613,433	342,812
Mark up accrued	28	37,911	58,780
Short term borrowings	29	445,758	558,018
Current portion of long term liabilities	30	361,756	374,374
		1,458,858	1,333,984
CONTINGENCIES AND COMMITMENTS	31	-	-
TOTAL EQUITY AND LIABILITIES		4,019,156	4,035,718

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Profit and Loss Account
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Sales	32	4,003,771	3,309,968
Cost of sales	33	(3,201,672)	(2,621,991)
Gross profit		802,099	687,977
Selling and distribution expenses	34	(238,752)	(247,455)
General and administrative expenses	35	(127,007)	(113,165)
Other operating expenses	36	(19,555)	(9,431)
Other operating income	37	13,187	16,614
		(372,127)	(353,437)
Operating profit		429,972	334,540
Financial charges	38	(205,452)	(228,381)
Fair value gain on investment property	9	3,300	3,300
Profit before taxation		227,820	109,459
Taxation	39	(67,959)	(4,657)
Profit after taxation		159,861	104,802
Attributable to:			
Profits attributable to equity holders of holding company		159,861	101,723
Non controlling interest - Share of profit		-	3,079
		159,861	104,802
Earnings per share attributable to equity holders of holding company- basic and diluted (Rupees)	41	4.44	2.83

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

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Statement of Comprehensive Income
For the year ended June 30, 2012

	2012	2011
	(Rupees in thousand)	
Profit after taxation for the year	159,861	104,802
Other comprehensive income/(loss)	-	-
Total comprehensive income for the year	159,861	104,802
Attributable to:		
Equity holders of holding company	159,861	101,723
Non controlling interest	-	3,079
	159,861	104,802

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Cash Flow Statement
For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Profit before tax		227,820	109,459
Adjustments for items not involving movement of funds:			
Depreciation		194,550	195,285
Amortization of intangible assets		132	1,456
Provision for gratuity		11,089	5,079
Loss / (gain) on sale of operating fixed assets		3,067	(2,148)
Gain on revaluation of investment property		(3,300)	(3,300)
Gain on foreign exchange		(3,731)	(1,390)
Provision for doubtful debts		6,584	3,482
Bad debts written off		2,926	6,384
Financial charges		205,452	228,381
Net cash flow before working capital changes		644,589	542,688
(Increase) / decrease in current assets			
Stores, spares and loose tools		34,037	21,477
Stock in trade		48,317	(22,131)
Trade debts		(91,459)	33,653
Loans and advances		11,860	(3,710)
Trade deposits and short term prepayments		4,612	(5,711)
Other receivables		(10,355)	710
Tax refund due from government		6,763	(1,346)
		3,775	22,942
(Decrease) / increase in current liabilities			
Trade and other payables		271,373	13,674
Cash generated from operations		919,737	579,304
Taxes paid		(25,809)	(30,454)
Gratuity paid		(1,428)	(332)
Financial charges paid		(227,725)	(235,308)
Net cash inflow from operating activities		664,775	313,210
Cash flows from investing activities			
Additions to operating fixed assets		(17,892)	(12,102)
Additions to intangible assets		-	(247)
Additions to capital work in progress		(193,741)	(239,230)
Proceeds from sale of fixed assets		52,881	6,025
Purchase of non controlling interest		-	(3,450)
Long term deposits		(5,478)	(10,695)
Net cash outflow from investing activities		(164,230)	(259,699)
Cash flows from financing activities			
Proceeds from long term financing		-	150,000
Repayment of long term financing		(112,865)	(77,397)
Repayment of long term musharaka		(166,667)	(166,666)
Repayment of long term murabaha		(77,777)	(77,778)
Dividend paid		(18,004)	(35,992)
Short term borrowings		(112,260)	256,357
Net cash (outflow) / inflow from financing activities		(487,573)	48,524
Net increase in cash and cash equivalents		12,972	102,035
Cash and cash equivalents at the beginning of the year		117,434	15,399
Cash and cash equivalents at the end of the year	20	130,406	117,434

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Consolidated Statement of Changes in Equity
For the year ended June 30, 2012

	Attributable To The Equity Holders of The Holding Company			Non controlling interest	Grand total
	Issued, subscribed and paid-up capital	Unappropriated profits	Total		
	(Rupees in thousand)				
Balance as at July 01, 2010	360,000	576,008	936,008	9,740	945,748
Total comprehensive income for the year	-	101,723	101,723	3,079	104,802
Final dividend for the year ended June 30, 2010 @ Rs. 0.50 per share	-	(18,000)	(18,000)	-	(18,000)
Interim dividend for the year ended June 30, 2011 @ Rs. 0.50 per share	-	(18,000)	(18,000)	-	(18,000)
Purchase of non controlling interest in subsidiary Company	-	9,369	9,369	(12,819)	(3,450)
Balance as at June 30, 2011	360,000	651,100	1,011,100	-	1,011,100
Comprehensive income for the year	-	159,861	159,861	-	159,861
Transfer from surplus on revaluation of fixed assets on account of disposal of freehold land (note 22)	-	642	642	-	642
Final dividend for the year ended June 30, 2011 @ Re. 0.50 per share	-	(18,000)	(18,000)	-	(18,000)
Balance as at June 30, 2012	360,000	793,603	1,153,603	-	1,153,603

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

1 LEGAL STATUS AND NATURE OF BUSINESS

Ittehad Chemicals Limited (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 privatised 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 of the Holding Company to the general public.

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

Chemi Chloride Industries Limited ("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, P.O. Box 1414, Lahore. The principal activity of the subsidiary is manufacturing and sale of calcium chloride prills.

The group comprises of:

Ittehad Chemicals Limited ("the Holding Company") and;

Chemi Chloride Industries Limited ("the Subsidiary Company")

During the period, pursuant to special resolution passed in Annual General Meetings held on October 31, 2011, the shareholders of the Holding and Subsidiary Company have approved the merger. The Company has submitted a petition in Lahore High Court for amalgamation/merger of the wholly owned subsidiary, with and into the Holding Company. The order for amalgamation is pending finalization as of the date of issuance of these financial statements. If the merger is approved by the Court, the Subsidiary Company shall not continue as a going concern as a separate legal entity. The assets and liabilities of the Subsidiary Company have been stated at book values as these would be merged with and into the Holding Company's books at book values as per the scheme of arrangement to be approved under Court order.

2 BASIS OF PREPARATION

2.1 Basis of Presentation and Consolidation

These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding and subsidiary Company for the year ended June 30, 2012.

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 non controlling 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.

Inter company transactions, balances and unrealized gains on transactions between group companies are eliminated. Details of the subsidiary are given in note 48.

Non controlling interests are that part of the net results of operations and of net assets of the subsidiary attributable to interests which are not owned by the holding Company.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners).

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.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Group has adopted the above said standard.

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except as modified for fair value adjustment in investment property, investments and exchange differences as referred to in notes 4.4, 4.5, and 4.19 respectively.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts, 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 40.

2.4 Functional and presentation currency

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Group

The Group has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting	September 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2010

IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013

		Effective date (annual periods beginning on or after)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 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 5. 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 Group 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 future 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 5. 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.

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

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.

4.2 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.

4.3 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Group 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 life.

4.4 Investment property

Investment property is property which are held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair value is based on market value 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 4.22.

When an item of property, plant and equipment is transferred to investment property following a change in its use 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 is carried at fair value any difference between the fair value of the property at that date and its previous carrying amount is 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.

4.5 Investments

Investment in associates

Investment in associates where the Group 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 Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

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.

4.6 Stores, spares and loose tools

These are valued at lower of moving average cost and net realisable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the balance sheet date. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realisable value.

4.7 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.

4.8 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. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.9 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 provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited to the profit and loss account, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

4.10 Borrowings

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

4.11 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.

4.12 Provisions

Provisions are recognized when the Group 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.

4.13 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating lease / Ijarah

Operating lease / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

4.14 Cash and cash equivalents

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

4.15 Dividend and appropriation to reserve

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

4.16 Impairment

The Group 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.

4.17 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group 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.

4.17 Offsetting of financial assets and financial libilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group 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.

4.19 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak 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 Pak 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.

4.20 Staff retirement benefits

The Holding 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, 2012 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 Holding Company and the employees make equal contributions to the fund.

4.21 Compensated absences

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

4.22 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.

4.23 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Group 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.

4.24 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.

4.25 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.

5 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
	(Rupees in thousand)								
Net carrying value basis year ended June 30, 2012									
Opening net book value (NBV)	793,880	78,910	3,724	1,577,341	7,962	3,007	11,482	22,333	2,498,639
Additions (at cost)	12,902	690	-	235,942	6,805	220	5,393	4,681	266,633
Disposals / transfers (NBV)	(12,000)	-	-	(43,329)	-	-	-	(619)	(55,948)
Depreciation charge	-	(7,896)	(372)	(176,754)	(1,651)	(307)	(2,865)	(4,705)	(194,550)
Closing net book value	**794,782**	**71,704**	**3,352**	**1,593,200**	**13,116**	**2,920**	**14,010**	**21,690**	**2,514,774**
Gross carrying value basis year ended June 30, 2012									
Cost	794,782	157,589	7,274	3,059,454	48,262	6,657	35,634	67,224	4,176,876
Accumulated depreciation	-	(85,885)	(3,922)	(1,466,254)	(35,146)	(3,737)	(21,624)	(45,534)	(1,662,102)
Net book value	**794,782**	**71,704**	**3,352**	**1,593,200**	**13,116**	**2,920**	**14,010**	**21,690**	**2,514,774**
Net carrying value basis year ended June 30, 2011									
Opening net book value (NBV)	793,880	87,677	4,138	1,530,186	8,883	3,161	12,343	30,490	2,470,758
Additions (at cost)	-	-	-	222,389	444	176	2,069	1,965	227,043
Disposals / transfers (NBV)	-	-	-	-	-	-	-	(3,877)	(3,877)
Depreciation charge	-	(8,767)	(414)	(175,234)	(1,365)	(330)	(2,930)	(6,245)	(195,285)
Closing net book value	**793,880**	**78,910**	**3,724**	**1,577,341**	**7,962**	**3,007**	**11,482**	**22,333**	**2,498,639**
Gross carrying value basis year ended June 30, 2011									
Cost	793,880	156,899	7,274	2,866,841	41,457	6,437	30,241	67,456	3,970,485
Accumulated depreciation	-	(77,989)	(3,550)	(1,289,500)	(33,495)	(3,430)	(18,759)	(45,123)	(1,471,846)
Net book value	**793,880**	**78,910**	**3,724**	**1,577,341**	**7,962**	**3,007**	**11,482**	**22,333**	**2,498,639**
Depreciation rate % per annum	**-**	**10**	**10**	**10**	**15**	**10**	**15 to 30**	**20**	

5.1 Free hold land was lastly revalued by an independent valuer M/s. Engineering Pakistan Int'l (Private) Limited as at June 30, 2012 on the basis of market value. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 731.238 million (2011: Rs. 720.278 million).

5.2 Borrowing cost capitalised during the year amounted to Rs. 1.404 million (2011: Rs. 4.967) at an average rate of 15.73% per annum (2011: 15.49% per annum).

5.3 The carrying value of idle assets amounted to Rs. 13.106 million (2011:Rs. 17.436) as at the balance sheet date.

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

	Note	2012	2011
		(Rupees in thousand)	
Cost of sales	33	190,421	189,958
Selling and distribution expenses	34	635	750
General and administrative expenses	35	3,494	4,577
		194,550	195,285

5.5 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 thousand)					
Vehicle						
LXH-9157 - Suzuki Mehran	285	285	-	160	Negotiated	Mr.M.Bilal
FSB-5957 - Motor Cycle	62	51	11	-	Theft of Vehicle	
LZM-6566 - Suzuki Cultus	586	457	129	550	Negotiated	MR.Tahir Nadeem
LEC-5760 - Suzuki Alto	531	316	215	531	Negotiated	Ibrahim Ijaz
LEF-3418 - Suzuki Alto	594	330	264	585	Negotiated	Latif Malik
Plant and Machinery						
Coal Gasifire	43,329	-	43,329	40,700	Negotiated	UBL (Ameen)
Freehold land						
10533.64 SQM plot situated at Sundar Industrial Estate, Sundar - Raiwind road, Lahore	12,000	-	12,000	10,355	Cancellation of allotment in default of execution of agreement to sell	
Total - 2012	57,387	1,439	55,948	52,881		
Total - 2011	8,171	4,294	3,877	6,025		

	Note	2012	2011
		(Rupees in thousand)	
6 CAPITAL WORK IN PROGRESS			
This comprises of:			
Plant and machinery		39,442	82,944
Building		-	690
Intangible Assets		3,500	-
		42,942	83,634

6.1 An amount of Rs. 236.148 million (2011: Rs. 214.942 million) has been transferred to operating fixed assets during the year.

	Note	2012	2011
7 INTANGIBLE ASSETS			
Software and licenses			
Net carrying value as at 1 July			
Opening balance as on July 01,		253	1,462
Additions during the year		-	247
Amortization charge	7.1	(132)	(1,456)
Net book value as at June 30,		121	253
Gross carrying value as at 30 June,			
Cost		6,352	6,352
Accumulated amortization		(6,231)	(6,099)
Net book value		121	253
Amortization % per annum		33.33%	33.33%

7.1 The amortization charge for the year has been allocated as follows:

	Note	2012	2011
Administrative expenses	35	132	1,456
8 GOODWILL			
Balance as at June 30,		6,445	6,445
9 INVESTMENT PROPERTY			
Freehold land (Commercial property)	9.1	71,100	67,800

	Note	2012	2011
		(Rupees in thousand)	
9.1 Opening balance		67,800	64,500
Fair value gain on revaluation shown in "income statement"		3,300	3,300
		71,100	67,800

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, 2012 as determined by approved independent valuer M/S. Engineering Pakistan Int'l (Pvt) Limited. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition.

10 LONG TERM INVESTMENTS

	Note	2012	2011
Available for sale			
Investment in related parties - unquoted			
Chemi Visco Fiber Limited			
5,625,000 (2011: 5,625,000) fully paid ordinary shares of Rs.10/- each		56,250	56,250
Less: Provision for diminution in value of investment	10.1	(56,250)	(56,250)
		-	
Relevant information:			
Percentage of investment in equity held 7.91% (2011: 7.91%) (Chief Executive : Mr. Usman Ghani Khatri)			
		-	-

10.1 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	2012	2011
11 LONG TERM DEPOSITS			
Long term deposits		37,622	32,144

	Note	2012	2011
		(Rupees in thousand)	
12 STORES, SPARES AND LOOSE TOOLS			
Stores			
in hand		151,865	160,751
in transit		1,269	-
		153,134	160,751
Spares:			
in hand		240,476	253,244
in transit		9,082	22,175
		249,558	275,419
Loose tools		4,715	5,844
		407,407	442,014
Less: Provision for obsolete stores and spares	12.2	16,674	17,244
		390,733	424,770

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

12.2 Movement of provision for store and spares is as follows:

		2012	2011
Opening balance		17,244	17,244
Adjustment on account of write off during the year		(570)	-
		16,674	17,244

	Note	2012	2011
13 STOCK IN TRADE			
Raw materials:			
in hand	33	57,777	53,541
in transit		1,490	11,198
		59,267	64,739
Packing materials		6,668	15,263
Work in process	33	12,711	11,449
Finished goods	33 & 13.1	92,983	128,495
		171,629	219,946

13.1 This includes provision for write down of finished goods inventory to net realisable value amounting to Rs. 4.254 million (2011: Rs. 3.576 million).

	Note	2012	2011
14 TRADE DEBTS			
Secured			
Considered good	14.1	35,186	64,268
Unsecured			
Considered good		510,177	395,415
Considered doubtful		19,964	13,796
		530,141	409,211
		565,327	473,479
Less: Provision for doubtful debts	14.2	19,964	13,796
		545,363	459,683

14.1 This include balance due from Chemi Dyestuff Industries (Private) Limited, an associated Company, amounting to Rs. 0.042 million (2011: Rs. 0.083 million).

	Note	2012	2011
		(Rupees in thousand)	
14.2 Movement of provision for doubtful debts is as follows:			
Opening balance		13,796	20,381
Adjustment on account of:			
Doubtful debts written off		-	(9,159)
Recovery of doubtful debts		(416)	(908)
Provision for doubtful debts for the year		6,584	3,482
Net adjustment		6,168	(6,585)
Closing balance		19,964	13,796
15 LOANS AND ADVANCES			
Advances - (Considered good)			
Against purchase of land		1,639	1,639
To employees		3,739	3,411
For supplies and services		22,957	35,218
Against import		341	268
		28,676	40,536
Considered doubtful			
To employees		-	104
		28,676	40,640
Less: Provision for doubtful advances		-	104
		28,676	40,536
16 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - (Considered good)		4,859	9,845
Prepayments		1,230	856
		6,089	10,701
17 OTHER RECEIVABLES			
(Considered good)			
Against land	17.1	10,355	-

17.1 During the year, the Holding Company has received a conclusive letter from Punjab Industrial Estates, communicating the cancellation of the allotment of plot in Sundar Industrial Estate. Earlier, the Holding Company had been in correspondence for reinstatement of the plot, however, in their correspondence dated May 29, 2012, PIE has informed the Holding Company that the request for reinstatement cannot be acceded to and that the refund is ready for collection. Consequently, the amounts have been presented as "Other receivable" as at the balance sheet date.

		2012	2011
		(Rupees in thousand)	
18	**TAX REFUNDS DUE FROM GOVERNMENT**		
	(Considered good)		
	Income tax	50,125	758
	Sales tax and special excise duty	-	6,763
		50,125	7,521
19	**TAXATION - NET**		
	Advance income tax	56,922	98,897
	Less: Provision for taxation	44,146	32,685
		12,776	66,212
20	**CASH AND BANK BALANCES**		
	Cash in hand	938	253
	Cheques in hand	76,292	98,473
	Cash at banks		
	Current accounts	44,053	1,038
	Saving accounts	9,123	17,670
		130,406	117,434

The balance in saving accounts carries mark up which ranges from 5.86% to 6.11% per annum (2011: 5% to 6%).

21 SHARE CAPITAL

21.1 Authorized share capital

2012	2011		2012	2011
Number of shares of Rs. 10/- each				
50,000,000	50,000,000	Ordinary shares of Rs. 10/- each	500,000	500,000
25,000,000	25,000,000	Preference shares of Rs. 10/- each	250,000	250,000
75,000,000	75,000,000		750,000	750,000

21.2 Issued, subscribed and paid up capital

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
1,686,240	1,686,240	Shares held by associated companies	4.68%	4.68%

		Note	2012	2011
			(Rupees in thousand)	
22	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Balance as at July 01,		748,559	748,559
	Revaluation surplus arising during the year		11,618	-
	Transfer to unappropriated profit in respect of disposal of freehold land during the year		642	-
			760,819	748,559

This amount represents surplus arising on the revaluation of freehold land carried out on June 30, 2012 by an independent valuer M/S. Engineering Pakistan Int'l (Private) Limited on the basis of market value.

		Note	2012	2011
23	**LONG TERM FINANCING**			
	Secured			
	Banking companies			
	The Bank of Punjab-BMR	23.1	68,750	93,750
	United Bank Limited-LTF	23.2	17,500	27,500
			86,250	121,250
	Other Financial Institutions			
	Pak Kuwait Investment Company (Private) Limited- Syndicated- II		-	6,250
	Saudi Pak industrial and Agricultural Investment Company Limited.-LTF (EOP)	23.2	12,391	28,912
	Saudi Pak industrial and Agricultural Investment Company Limited.	23.3	2,167	6,567
	Pak Kuwait Investment Company (Private) Limited- BMR	23.4	50,000	72,222
	Saudi Pak industrial and Agricultural Investment Company Limited- BMR	23.5	77,778	100,000
	Pak Brunei Investment Co. Ltd- BMR	23.6	43,750	50,000
			186,086	263,951
	Unsecured			
	Ittehad Developers - related party	23.7	6,660	6,660
	Others	23.7	4,150	4,150
			10,810	10,810
			283,146	396,011
	Less: Current portion shown under current liabilities	30	117,311	129,929
			165,835	266,082

23.1 This finance is secured against first pari passu charge on all present and future fixed assets of the Holding Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 2.5% spread with floor of 11% per annum. This loan was disbursed in June 2010 and is repayable in sixteen quarterly equal installments commencing from June 2011.

23.2 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 mark-up at State Bank of Pakistan's declared rate for the scheme plus 2% per annum. These are secured against first pari passu charge by way of hypothecation over all present and future fixed assets of the Subsidiary Company excluding land and building.

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

23.4 This finance is secured against first pari passu charge on all present and future fixed assets of the Holding Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 3% per annum. This loan was disbursed in September 2009 and is repayable in eighteen quarterly equal installments commencing from June 2010.

23.5 This finance is secured against first pari passu charge on all present and future fixed assets of the Holding Company with 25% margin and carries mark up at three months average KIBOR Ask rate plus 3% per annum. This loan was disbursed in December 2010 and is repayable in eighteen quarterly equal installments commencing from September 2011.

23.6 This finance is secured against first pari passu charge on all present and future fixed assets of the Holding Company with 25% margin and carries mark up at six months average KIBOR Ask rate plus 3% per annum. This loan was disbursed in September 2010 and is repayable in eight semi annually equal installments commencing from March 2012.

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

	Note	2012	2011
		(Rupees in thousand)	
24 LONG TERM DIMINISHING MUSHARAKA			
Secured			
Banking Companies			
Standard Chartered Bank (Pakistan) limited	24.1	25,000	41,667
Askari Bank Limited	24.1	50,000	83,333
Burj Bank Limited	24.1	16,667	27,778
United Bank Limited - Islamic Banking	24.1	83,333	138,889
Summit Bank Limited	24.1	16,667	27,778
		191,667	319,445

	Note	2012	2011
		(Rupees in thousand)	
Financial Institutions			
Pak Libya Holding Company (Private) Limited	24.1	50,000	83,333
UBL Fund Managers	24.1	8,333	13,889
		58,333	97,222
		250,000	416,667
Less: Current portion shown under current liabilities	30	166,667	166,667
		83,333	250,000

24.1 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 22, 2009 being the 24th month from the facility date.

25 LONG TERM MURABAHA

	Note	2012	2011
Secured			
Banking Company			
Faysal Bank Limited	25.1	116,667	194,444
Less: Current portion shown under current liabilities	30	77,778	77,778
		38,889	116,666

25.1 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 22, 2009.

26 DEFERRED LIABILITIES

	Note	2012	2011
Provision for recoating of DSA anodes	26.1	6,375	5,626
Deferred taxation	26.2	326,822	288,740
Provision for gratuity	26.3	24,622	14,961
		357,819	309,327

26.1 Provision for Dimensionally Stable Anodes (DSAs)

	2012	2011
Balance brought forward	12,286	15,072
Payments made against recoating of anodes	(609)	(5,741)
Provision made for recoating (net)	775	2,955
	12,452	12,286
Less: Current portion included in accrued liabilities	(6,077)	(6,660)
	6,375	5,626

	2012	2011
	(Rupees in thousand)	
26.2 Deferred taxation		
Deferred tax liability comprises as follows:		
Taxable temporary differences		
Tax depreciation allowances	342,134	320,906
Deductible temporary differences		
Provision for gratuity	(8,557)	(5,091)
Provision for doubtful debts	(6,755)	(4,829)
Minimum tax adjustment	-	(22,246)
	326,822	288,740

26.3 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/her 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 by an independent approved valuer M/S Nauman Associates as at June 30, 2012 using the Projected Unit Credit method.

b. Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

Discount rate	13% per annum
Expected rate of increase in salary	12% per annum

c. Reconciliation of payable to defined benefit plan

	2012	2011
Present value of obligation	24,622	14,961
Liability recognized in balance sheet	24,622	14,961

d. Movement of liability recognized in the balance sheet

	2012	2011
Present value of obligation at the start of the year	14,961	10,214
Current service cost	6,718	5,079
Interest cost	1,945	-
Actuarial loss	2,426	-
Contribution paid to outgoing employees	(1,428)	(332)
Closing net liability	24,622	14,961

e. Charge for the year

	2012	2011
	(Rupees in thousand)	
Current service cost	6,718	5,079
Interest cost	1,945	-
Actuarial loss	2,426	-
Charge for the year	11,089	5,079

f. Historical information of Staff Gratuity Fund.

	2012	2011	2010	2009	2008
	Rupees in thousand				
a) Present value of defined Benefit obligations and fair Value of plan assets					
Present value of defined benefit obligation	24,622	14,961	10,214	1,962	1,600
Fair value of plan assets	-	-	-	-	-
(Deficit)	(24,622)	(14,961)	(10,214)	(1,962)	(1,600)
b) Experience adjustments					
Experience gain/(loss) on obligation	(2,426)	-	(1,205)	-	-
Experience gain/(loss) on plan assets	-	-	-	-	-

g. As per actuarial estimates, the charge in respect of defined benefit plan for the year ending June 30, 2013 would be Rs. 10.563 million.

	Note	2012	2011
		(Rupees in thousand)	
27 TRADE AND OTHER PAYABLES			
Trade creditors		46,121	31,115
Accrued liabilities	27.1	507,653	272,607
Advances from customers		25,865	27,670
Retention money		1,199	1,170
Income tax deducted at source		623	576
Other liabilities		181	186
Workers' Profit Participation Fund	27.2	12,795	7,013
Workers' Welfare Fund		3,724	2,475
Sales tax payable		15,272	-
		163,433	342,812

27.1 This includes a balance due to Chemi Multifabrics Limited, an associated company, amounting to Rs. 14.256 million (2011: Rs. 10.890 million).

	Note	2012	2011
		(Rupees in thousand)	
27.2 Workers' profit participation fund balances comprise as follows:			
Balance as at July 01,		7,013	8,743
Less: Amount paid to fund		6,231	7,950
		782	793
Current year's allocation at 5%	36	12,013	6,220
		12,795	7,013

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

28 MARK UP ACCRUED

		2012	2011
Accrued mark up / interest			
Secured			
Long term financing		5,392	8,107
Long term diminishing musharaka		12,308	23,014
Long term murabaha		5,744	10,740
Short term borrowings		14,467	16,919
		37,911	58,780

29 SHORT TERM BORROWINGS

	Note	2012	2011
Secured			
Banking companies			
Running finances			
MCB Bank Limited	29.1	56,562	78,617
Askari Bank Limited	29.2	73,142	101,361
Askari Bank Limited	29.3	22,001	32,237
The Bank of Punjab Limited	29.4	862	125,838
KASB Bank Limited	29.5	49,201	23,949
Term finance			
KASB Bank Limited - ERF I	29.6	24,828	25,000
KASB Bank Limited - ERF II	29.7	13,199	20,000
The Bank of Punjab Limited - FATR	29.8	14,473	11,016
Faysal Bank Limited	29.9	40,000	40,000
Murabaha finance			
Burj Bank Limited	29.10	100,000	100,000
Al-Baraka Bank (Pakistan) Limited	29.11	51,490	-
		445,758	558,018

29.1 This facility is secured against first pari passu charge over present and future current assets of the Holding Company and hypothecation of stock of chemicals. The facility carries mark-up at three months average KIBOR Ask rate plus 1.9% spread per annum (2011: three months average KIBOR Ask rate plus 1.9% spread per annum). The limit of finance is Rs. 90 million (2011: Rs. 90 million).

29.2 This facility is secured against first pari passu charge over all present and future current assets of the Holding Company and carries mark-up at three months average KIBOR Ask rate plus 1.9 % per annum (2011: three months average KIBOR Ask rate plus 1.9% per annum). The limit of finance is Rs. 200 million (2011: Rs. 200 million).

29.3 This facility is secured against first pari passu charge over all present and future current assets of the Subsidiary Company and carries mark-up at three months average KIBOR Ask rate plus a spread of 1.9% per annum (2011: Three months average KIBOR Ask rate plus 1.9% per annum). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

29.4 This facility is secured against first pari passu charge on all present and future current assets of the Holding Company and carries mark-up at three months average KIBOR Ask rate plus 2.5 % per annum with floor of 11 % per annum (2011: Three months average KIBOR Ask rate plus 2.5% per annum with floor of 11 %). The limit of finance is Rs. 150 million (2011: Rs. 150 million).

29.5 This facility is secured against first pari passu charge over all present and future current assets of the Holding Company and carries mark-up at three months average KIBOR Ask rate plus 2.75% per annum (2011: Three months average KIBOR Ask rate plus 2.75 % per annum). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

29.6 This export refinance facility is secured against first pari passu charge over all present and future current assets of the Holding Company and lien over export LCs / contract / export bills. It carries mark-up @ SBP rate plus 1 % (2011: SBP rate plus 1 %). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

29.7 This export refinance facility is secured against first pari passu charge over all present and future current assets of the Subsidiary Company and lien over export LCs / contract / export bills. It carries mark-up at SBP rate plus 1 % and the limit is Rs. 25 million (2011: Rs. 25 million) for the term of six months.

29.8 This facility is secured against first pari passu charge on all present and future current assets of the Holding Company and carries mark-up at three months average KIBOR Ask rate plus 2.5 % per annum with floor of 11 % per annum (2011: Three months average KIBOR Ask rate plus 2.5% per annum with floor of 11 %). The limit of finance is Rs. 50 million (2011: Rs. 50 million).

29.9 This facility is secured against first pari passu charge over present and future current assets of the Holding Company and carries mark-up at six months average KIBOR Ask rate plus 2.25% per annum (2011: Six months average KIBOR Ask rate plus 2.25 % per annum). The limit of finance is Rs. 40 million (2011: Rs. 40 million).

29.10 This facility is secured against first pari passu Hypothecation charge over current assets of the Holding Company and carries mark-up at matching KIBOR Ask rate plus 2.5% per annum (2011: matching KIBOR Ask rate plus 2.5% per annum). The limit of finance is Rs. 100 million (2011: 100 million).

29.11 This facility is secured against first joint pari passu charge over present and future current assets including but not limited to book debts and receivables of the Holding Company amounting to Rs. 100 million with 25% margin and carries mark-up at matching KIBOR Ask rate plus 2.5% per annum. The limit of finance is Rs. 75 million (2011: Rs. Nil).

	Note	2012	2011
		(Rupees in thousand)	
30 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	23	117,311	129,929
Long term diminishing musharaka	24	166,667	166,667
Long term murabaha	25	77,778	77,778
		361,756	374,374

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingent liabilities

a) The Holding Company has received an assessment order under section 122(5) of the Income Tax Ordinance, 2001 for tax year 2004 as a result of which brought forward losses of the Holding Company have decreased by Rs. 24.849 million (2011: 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 Holding Company. Both the Holding Company and Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has partially decided the case in the Holding Company's favour and partially remanded to the Taxation Officer for fresh proceedings. The Holding Company expect a favorable outcome of the proceedings. However, if the proceedings are finalized against the Holding Company, it may result in tax payable of Rs. 3.114 million.

b) The Holding Company has also received an order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2004 creating demand of Rs. 12.069 million (June 30, 2011: Rs. 12.069 million). The 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. The Hon'ble ATIR (Appellate Tribunal Inland Revenue) has remanded the case back to the taxation officer for fresh proceedings. However, if the case is decided against the Holding Company, it may result in tax payable of Rs. 12.069 million.

c) 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. 2.882 million (2011: Rs. 3.364 million) against these claims.

b) Letters of guarantee outstanding as at June 30, 2012 were Rs. 208.92 million (2011: Rs. 203.248 million) and corporate guarantees on behalf of the Subsidiary Company, amounted to Rs. 263 million (2011: Rs. 203 million).

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

31.2 Commitments

Commitments as on June 30, 2012 were as follows:

a) Against letters of credit amounting to Rs. 38.241 million (2011: Rs. 32.807 million).

b) Against purchase of land amounting to Rs. 1.838 million (2011: Rs. 1.838 million).

c) The Holding Company has entered into Ijarah arrangement with Burj Bank Limited and United Bank limited - Ameen for Plant and Machinery. Commitment of Ijarah rentals under this agreement are as follows:

	Note	2012	2011
		(Rupees in thousand)	
Not later than one year		38,014	28,020
Later than one year and not later than five years.		95,848	77,055
		133,862	105,075

	Note	2012	2011
32 SALES			
Sales			
Manufacturing	32.1	4,621,658	3,855,042
Trading		16,647	3,271
		4,638,305	3,858,313
Less: Sales tax		582,074	471,852
Commission to selling agents		52,460	36,180
Special Excise Duty		-	40,313
		634,534	548,345
		4,003,771	3,309,968

32.1 This amount includes export sales amounting to Rs. 399.828 million (2011: Rs. 286.523 million).

	Note	2012	2011
33 COST OF SALES			
Raw materials consumed			
Opening stock		53,541	61,404
Purchases		317,862	290,220
		371,403	351,624
Closing stock	13	(57,777)	(53,541)
		313,626	298,083
Stores, spares and consumables		170,034	144,948
Packing materials consumed		30,774	16,175
Salaries, wages and other benefits	33.1	227,760	181,699
Fuel and power		2,130,648	1,737,804
Repair and maintenance		20,235	26,273
Rent, rates and taxes	33.2	29,760	28,474
Insurance		10,240	9,778

	Note	2012	2011
		(Rupees in thousand)	
Depreciation	5.4	190,421	189,958
Vehicle running expenses		14,896	12,610
Postage, printing and stationery		658	492
Other expenses		1,276	1,486
		2,826,702	2,349,697
Opening		11,449	8,822
Closing	13	(12,711)	(11,449)
		(1,262)	(2,627)
Cost of goods manufactured		3,139,066	2,645,153
Cost of stock		27,094	5,858
Finished goods			
Opening		128,495	99,475
Closing	13	(92,983)	(128,495)
		35,512	(29,020)
		3,201,672	2,621,991

33.1 This amount includes Rs. 13.229 million (2011: Rs. 2.848 million) in respect of employees' retirement benefits.

33.2 This amount includes Rs. 29.494 million (2011: 27.679 million) in respect of operating lease rentals.

34 SELLING AND DISTRIBUTION EXPENSES

	Note	2012	2011
Salaries and other benefits	34.1	24,125	23,289
Travelling and conveyance		970	764
Vehicle running expenses		1,679	1,368
Advertisement and export expenses		622	552
Telephone, telex and postage		993	887
Marketing service charges		37,431	31,182
Freight		166,028	179,922
Rent, rates and taxes		3,758	5,775
Printing and stationery		276	475
Fuel and power		1,661	1,626
Repair and maintenance		451	644
Insurance		123	221
Depreciation	5.4	635	750
		238,752	247,455

34.1 This amount includes Rs. 2.155 million (2011: Rs. 0.957 million) in respect of employees' retirement benefits.

35 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees in thousand)	
Salaries and other benefits	35.1	77,142	66,350
Travelling and conveyance		10,583	8,682
Vehicle running expenses		4,272	3,074
Telephone, telex and postage		1,592	1,567
Rent, rates and taxes		2,549	2,559
Printing and stationery		930	784
Fee and subscription		1,725	1,342
Legal and professional charges		3,848	2,609
Fuel and power		1,880	1,871
Provision for doubtful debts		6,584	3,482
Repair and maintenance		4,339	3,621
Depreciation	5.4	3,494	4,577
Amortization of intangible assets	7.1	132	1,456
Bad debts written off		2,926	6,384
Donations	35.2	4,625	4,387
Others		386	420
		127,007	113,165

35.1 This amount includes Rs. 3.333 million (2011: Rs. 1.569 million) in respect of employees' retirement benefits.

35.2 Donations

35.2.1 Interest of the Directors of Holding, Subsidiary Company or their spouses in the donations made during the year is as follows:

Donation amounting to Rs. 1.9 million (2011: Rs. 1.533 million) paid to Kiran Ibtadai School. Ms. Sabina Khatri w/o Mr. Muhammad Siddique Khatri, Chairman and Chief Executive of the Holding Company is the patron of the school.

35.2.2 Donations other than that mentioned above were not made to any donee in which any Director of the Holding, Subsidiary Company or his / her spouse had any interest at any time during the year.

36 OTHER OPERATING EXPENSES

	Note	2012	2011
Auditors' remuneration			
Audit fee		600	575
Half yearly review fee		125	125
Tax and certification charges		25	30
Out of pocket expenses		1	6
		751	736
Workers' profit participation fund	27.2	12,013	6,220
Workers' welfare fund		3,724	2,475
Loss on sale of fixed assets		3,067	-
		19,555	9,431

	2012	2011
	(Rupees in thousand)	
37 OTHER OPERATING INCOME		
Income from financial assets		
Return on saving accounts	87	228
Gain on foreign exchange	3,731	1,390
	3,818	1,618
Income from non- financial assets		
Gain on sale of fixed assets	-	2,148
Sale of scrap	8,063	7,678
Recovery of doubtful debts	1,306	5,170
	9,369	14,996
	13,187	16,614
38 FINANCIAL CHARGES		
Markup/interest on:		
Long term financing	47,820	47,413
Long term diminishing musharaka	47,648	72,651
Long term murabaha	22,236	33,904
Short term borrowings	81,988	67,639
	199,692	221,607
Bank charges and commission	5,760	6,774
	205,452	228,381
39 TAXATION		
For the year:		
Current	47,621	34,157
Prior year	(17,743)	(18,390)
Deferred	38,081	(11,110)
	67,959	4,657

40 ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's main accounting policies affecting its result of operations and financial conditions are set out in Note 4. Judgments and assumptions have been required by the management in applying the Group'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 Group takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 4.9 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. 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 Holding Company. Further, the Group 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 22 to these financial statements, the Holding Company has revalued its free hold land as on June 30, 2012.

41 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutiveeffect on the basic earningsper share of the Group, which is based on:

	2012	2011
Weighted average number of ordinary shares (in thousand)	36,000	36,000
Profit after taxation (Rupees in thousand)	159,861	101,723
Earnings per share (Rupees)	4.44	2.83

42 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 terms of their employment are as follows:

		2012	2011
		(Rupees in thousand)	
Relation with the Group	**Nature of transaction**		
Associated Company	Marketing service charges	37,431	31,182
Associated companies	Sale of goods	178	246
Associated Company	Sale of vehicle	-	200
Staff retirement fund	Contribution to staff retirement benefit plans	244	259
Directors and employees	Remuneration to directors and key management personnel	62,753	55,761
Sponsors	Purchase of shares	-	3,450

43 FINANCIAL ASSETS AND LIABILITIES

		2012				
			Interest/mark up bearing			
	Note	Total	Maturity upto one year	Maturity after one year	Sub-total	Not interest / mark up bearing
		(Rupees in thousand)				
Financial assets						
Long-term deposits		37,622	-	-	-	37,622
Trade debts		545,363	-	-	-	545,363
Trade deposits		6,089	-	-	-	6,089
Other receivables		10,355	-	-	-	10,355
Cash and bank balances		130,406	-	-	-	130,406
		729,835	-	-	-	729,835
Financial liabilities						
Long term financing		283,146	117,311	165,835	283,146	-
Long term diminishing musharaka		250,000	166,667	83,333	250,000	-
Long term murabaha		116,667	77,778	38,889	116,667	-
Trade and other payables		613,433	-	-	-	613,433
Short-term borrowings		445,758	445,758	-	445,758	-
		(1,709,004)	(807,514)	(288,057)	(1,095,571)	(613,433)
On balance sheet gap		(979,169)	(807,514)	(288,057)	(1,095,571)	116,402
Off Balance sheet Items						
Financial commitments:						
Letter of credits	31.2	38,241	-	-	-	38,241
Others	31.2	1,838	-	-	-	1,838
		(40,079)	-	-	-	(40,079)
Total Gap		(1,019,248)	(807,514)	(288,057)	(1,095,571)	76,323

		2011				
			Interest/mark up bearing			
	Note	Total	Maturity upto one year	Maturity after one year	Sub-total	Not interest / mark up bearing
		(Rupees in thousand)				
Financial assets						
Long-term deposits		32,144	-	-	-	32,144
Trade debts		459,683	-	-	-	459,683
Trade deposits		10,701	-	-	-	10,701
Cash and bank balances		117,434	-	-	-	117,434
		619,962	-	-	-	619,962
Financial liabilities						
Long term financing		396,011	129,929	266,082	396,011	-
Long term diminishing musharaka		416,667	166,667	250,000	416,667	-
Long term murabaha		194,444	77,778	116,666	194,444	-
Trade and other payables		342,812	-	-	-	342,812
Short-term borrowings		558,018	558,018	-	558,018	-
		(1,907,952)	(932,392)	(632,748)	(1,565,140)	(342,812)
On balance sheet gap		(1,287,990)	(932,392)	(632,748)	(1,565,140)	277,150
Off Balance sheet Items						
Letter of credits	31.2	32,807	-	-	-	32,807
Others	31.2	1,838	-	-	-	1,838
		(34,645)	-	-	-	(34,645)
Total Gap		(1,322,635)	(932,392)	(632,748)	(1,565,140)	242,505

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

44.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fails completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2012	2011
	(Rupees in thousand)	
Long term deposits	37,622	32,144
Trade debts-net of provision	545,363	459,683
Loans and advances-net of provision	28,676	40,536
Trade deposits	4,859	9,845
Other receivables	10,355	-
Bank balances	129,468	117,181

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Export	27,042	57,274
Domestic	518,321	402,409
	545,363	459,683

	2012	2011
	(Rupees in thousand)	

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2012	2011
Dealers	249,625	155,365
End-user customers	295,738	304,318
	545,363	459,683

The aging of trade receivable at the reporting date is:

	2012	2011
Not past due	307,295	207,768
Past due 1-30 days	145,348	111,087
Past due 30-150 days	67,574	91,634
Past due more than 150 days	25,146	49,194
	545,363	459,683

The Group's most significant customers are dealers from whom the receivable was Rs. 219.573 million (2011: Rs. 120.829 million) and foreign debtors amounting to Rs. 24.277 million (2011: 29.7 million) of the total carrying amount as at June 30, 2012.

Based on the past experience, consideration of financial position, past track records and recoveries, the Group believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable ground to believe that the amounts will be recovered in short course of time.

On the prudence basis an amount of Rs. 6.584 million (2011: Rs. 3.482 million) has been charged, as provision for doubtful debts, to profit and loss account.

Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Ratings Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA
The Bank of Punjab	PACRA	A1+	AA-
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Al-Baraka Bank (Pakistan) Limited	PACRA	A2	A
Samba Bank Limited	JCR-VIS	A-1	A+
Citi Bank N.A.	Fitch	F1+	A+

44.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

2012	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
	----------------------(Rupees in thousand)----------------------					
Financial liabilities						
Long term financing	283,146	345,757	82,595	63,699	106,572	92,891
Long term diminishing musharaka	250,000	293,630	101,871	96,358	95,401	-
Long term morabaha	116,667	134,902	48,007	44,967	41,928	-
Trade and other payables	613,433	613,433	613,433	-	-	-
Markup accrued	37,911	37,911	37,911	-	-	-
Short term borrowings	445,758	479,763	479,763	-	-	-
	1,746,915	**1,905,396**	**1,363,580**	**205,024**	**243,901**	**92,891**

2011	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years
	----------------------(Rupees in thousand)----------------------					
Financial liabilities						
Long term financing	396,011	509,695	101,414	79,373	141,174	187,734
Long term diminishing musharaka	416,667	515,107	116,146	109,585	199,480	89,896
Long term morabaha	194,444	240,381	54,201	51,139	93,090	41,951
Trade and other payables	342,812	342,812	342,812	-	-	-
Markup accrued	58,780	58,780	58,780	-	-	-
Short term borrowings	558,018	580,088	580,088	-	-	-
	1,966,732	**2,246,863**	**1,253,441**	**240,097**	**433,744**	**319,581**

44.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of in changes market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Group is exposed to currency risk and interest rate risk only.

44.3.1 Currency risk

The Group is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Group, primarily in U.S. dollar. The Group's exposure to foreign currency risk is as follows:

	2012	2011
	(Rupees in thousand)	
Trade debts	27,042	57,274
Gross balance sheet exposure	27,042	57,274
Outstanding letters of credit	(38,241)	(32,807)
Net exposure	(11,199)	24,467

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2012	2011	2012	2011
USD to PKR	88.45	85.83	90.85	86.05

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

	2012	2011
	(Rupees in thousand)	
Effect on profit or loss		
Loss	(2,704)	(5,727)

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

44.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest -bearing financial instruments is as follows:

Notes to the Consolidated Financial Statements
For the year ended June 30, 2012

	2012	2011
	Carrying amount (Rupees in thousand)	
Financial liabilities		
Variable rate instruments:		
Long term loans	283,146	396,011
Long term diminishing musharaka	250,000	416,667
Long term murabaha	116,667	194,444
Short term borrowings	445,758	558,018
	1,095,571	1,565,140

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities	(10,956)	10,956
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	(15,651)	15,651

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Group.

44.4 Fair value of financial instruments

The carrying value of all the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

45 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 monitor the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

46 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 Holding Company are as follows:

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	2,400	2,400	4,267	4,000	54,589	44,330
House rent allowance	1,080	1,080	1,920	1,800	24,565	19,948
Medical expenses	120	120	213	200	2,729	2,216
	3,600	3,600	6,400	6,000	81,883	66,494
Number of persons	1	1	3	2	72	64

46.1 The Holding Company also provides the Chief Executive and some of the Directors and Executives with free use of cars and mobile phones.

47 CAPACITY AND PRODUCTION

	Tons		Tons		Reason for shortfall
	2012	2011	2012	2012	
Caustic soda	125,550	143,550	67,002	66,916	
Liquid chlorine	13,200	13,200	8,450	7,618	
Hydrochloric acid	150,000	150,000	136,556	128,259	Cautious production strategy
Sodium Hypochlorite	49,500	49,500	19,952	22,562	based on actual demands.
Bleaching earth	3,300	3,300	1,278	1,121	
Zinc sulphate	600	600	67	81	
Chlorinated parafin wax	3,000	3,000	-	-	
Sulphuric acid	3,300	3,300	497	750	Interruption due to utility
Calcium Chloride Prills	20,000	20,000	15,055	7,922	shortages.

48 DETAIL OF SUBSIDIARY

Name of subsidiary	Accounting year end	Percentage of holding	Country of Incorporation
Chemi Chloride Industries Limited	30-Jun-12	100%	Pakistan

49 NON ADJUSTING EVENTS

The Board of Directors of the Holding Company has recommended a 10% final cash dividend (2011: 5% final cash dividend) in their meeting held on September 10, 2012.

50 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 10, 2012 by the Board of Directors of the Holding Company.

51 GENERAL

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

ii Corresponding figures have been rearranged and reclassified, whenever necessary, for the purpose of comparison, the effect of which is not material.

CHIEF EXECUTIVE **DIRECTOR**

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
70	1	100	1,073
15	101	500	4,715
58	501	1,000	42,740
115	1,001	5,000	401,859
158	5,001	10,000	1,134,240
2	10,001	15,000	21,776
4	15,001	20,000	75,055
1	20,001	25,000	20,280
2	25,001	30,000	55,597
4	35,001	40,000	144,000
1	40,001	45,000	44,000
1	45,001	50,000	49,500
1	55,001	60,000	55,200
1	70,001	75,000	72,000
1	95,001	100,000	100,000
1	135,001	140,000	135,344
2	140,001	145,000	288,000
1	155,001	160,000	157,680
1	175,001	180,000	176,000
1	190,001	195,000	194,400
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
2	345,001	350,000	698,432
4	350,001	355,000	1,411,200
2	355,001	360,000	715,680
1	370,001	375,000	374,400
1	390,001	395,000	394,960
1	395,001	400,000	396,000
1	400,001	405,000	400,010
2	405,001	410,000	812,960
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	735,001	740,000	737,322
1	745,001	750,000	750,000
1	845,001	850,000	846,670
1	935,001	940,000	936,000
1	995,001	1,000,000	1,000,000
1	1,005,001	1,010,000	1,010,000
1	1,685,001	1,690,000	1,686,240
1	1,700,001	1,705,000	1,704,827
1	1,975,001	1,980,000	1,978,560
1	2,155,001	2,160,000	2,155,680
1	2,430,001	2,435,000	2,432,160
1	2,755,001	2,760,000	2,757,600
1	4,750,001	4,755,000	4,754,880
481			**36,000,000**

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Associated Companies, undertakings and related parties	1	1,686,240	4.6840
NIT and ICP	-	-	-
Directors, CEO and their spouse and minor children	9	8,872,017	24.6445
Banks, Development Financial Institutions, Non Banking Financial Institutions	-	-	-
Insurance Companies	-	-	-
Modarabas and Mutual Funds	-	-	-
Shareholders Holding 10% or more	1	4,854,880	13.4858
General Public - Local	463	18,552,417	51.5345
Others:			
Joint Stock Companies	7	2,034,446	5.6512
	481	36,000,000	100.0000

Pattern of Shareholding
As At June 30, 2012

Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, undertakings and related parties		
Jhelum Silk Mills (Private) Limited	1	1,686,240
Mutual Funds	-	-
Directors and their spouses and minor children		
Mr. Muhammad Siddique Khatri	1	4,854,880
Mr. Abdul Sattar Khatri	1	2,155,680
Mr. Abdul Ghafoor Khatri	1	460,800
Mr. Fowad Yousaf Khatri	1	399,997
Mr. Waqas Siddiq Khatri	1	44,000
Ms. Farhana Abdul Sattar Khatri	1	319,680
Ms. Rushda Mustafa	1	500
Mrs. Sabina (Spouse of Mr. Muhammad Siddique Khatri)	1	352,800
Mrs. Fareeda (Spouse of Mr. Abdul Ghafoor Khatri)	1	283,680
Executives	3	3,769,920
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	-	-
Shareholders holding 5% or more voting rights		
Mr. Muhammad Siddique Khatri		4,854,880
Mr. Usman Ghani		2,878,560
Mr. Shahzad Yousuf		2,775,997
Mr. Abdul Sattar		2,607,029
Mr. Abdul Sattar Khatri		2,155,680
Mr. Abdul Aziz Khatri		2,154,960
M/s Chemitex Industries Limited		1,978,560

Trade in shares of the Company by Directors, Executives and their spouses and minor children

Mr. Muhammad Siddique Khatri gifted 44,000 shares of the Company to his son Mr. Waqas Siddiq Khatri on January 20, 2012

Form of Proxy

I/We ______________________________

of ______________ being a member of ITTEHAD CHEMICALS LIMITED

and holder of ______________________ Ordinary Shares as per
(Number of Shares)

Shares Register Folio No. ______________________ and / or CDC

Participant I.D. No. ______________ and Sub Account No. ______________,

hereby appoint ______________ of ______________ or failing him / her

______________ of ______________ as my proxy to

vote for me and on my behalf at the 21st Annual General Meeting of the Company to be held on Wednesday, October 10, 2012 at 11:00 a.m. at the Registered Office at 39 - Empress Road, Lahore and at any adjournment thereof.

Signed this ______________ day of ______________ 2012

WITNESSES:

1. Signature : ______________
   Name : ______________
   Address : ______________
   CNIC or
   Passport No. : ______________

Signature

Please affix
Rupees five
revenue stamp

(Signature should agree with the specimen signature registered with the Company)

2. Signature : ______________
   Name : ______________
   Address : ______________
   CNIC or
   Passport No. : ______________

Note : Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy must be a member of the Company

CDC Shareholders and their proxies are requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.