

ANNUAL REPORT 2012

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COMPANY INFORMATION

CHIEF EXECUTIVE DIRECTORS

Sardar Mahmood Sadiq
Mr. Shahid Aziz(NIT Nomeeni)
Sardar Ayaz Sadiq
Mr. Fayaz Ahmed Khan
Mr. Iftikhar Ahmed Khan
Mrs. Mona Mahmood
Mrs. Reema Ayaz

Audit Committee

Mr. Iftikhar Ahmed Khan
Mrs. Mona Mahmood
Mrs. Reema Ayaz.

COMPANY SECRETARY

Mr. Niaz Ahmed Chughtai

AUDITORS

Aslam Malik & Company

BANKERS

Allied Bank of Pakistan Ltd.
Askari Bank Ltd.

LEGAL ADVISORS

Mr. Javaid Iqbal Malik, Advocate

HEAD OFFICE/SHARE DEPARTMENT

H # 127/II, Block C, Model Town
Lahore.
Ph: (042) 35851865-67
Fax: (042) 35856489
E-Mail: sarchem@brain.net.pk
Web: www.sardarchem.com

REGISTERED OFFICE/ FACTORY

Plot. NO. 29-B, Road No. 01
Gadoon Amazai, industrial Estate,
Topi, Ganduf Road, Swabi (NWFP)
Ph: (0938) 270792, 270439, 270539
Fax: (0938) 270791

REGISTRAR/TRANSFER AGENT

CorpLink (PVT) Ltd., Wings Arcade,
1-K, Commercial, Model Town, Lahore
Ph: 042-35839182, 35887262
Fax: 042-35869037

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of SARDAR CHEMICAL INDUSTRIES LIMITED will be held at Company's Registered Office Plot No. 29-B, Road No. R-1, Gadoon Amazai Industrial Estate, Gandaf Road, Topi District SWABI KPK on Wednesday 31st October 2012 at 3:30 P.M. to transact the following business:-

1. To confirm the minutes of 22nd Annual General Meeting held on 31st October 2011.
2. To receive, consider and adopt the Audited Accounts for the year ended on June 30, 2012, together with Directors' and Auditors' report thereon.
3. To approve payment of cash dividend @5% as recommended by the Board of Directors of the Company.
4. To appoint Auditors for the year ended June 30, 2013 and fix their remunerations.
5. To transact any other business with the permission of the Chair.

Lahore
Dated 8th October, 2012.

By Order of the Board
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive).
 2. Any individual Beneficial Owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representative of corporate members should bring usual documents required for such purposes.
 3. The members are requested to notify immediately the change in their address if any.
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MISSION STATEMENT
OF
SARDAR CHEMICAL INDUSTRIES LIMITED

Our Mission is to be a quality producer of leather and textile dyes continuously striving for excellence and international standard.

VISION

Dynamic, quality conscious and ever progressive.

CORPORATE STRATEGY

To produce and market high quality products, ensure right usage of company's resources, create employment opportunities, protect the interest of the stockholders and be a part of country's development.

STATEMENT OF ETHICS
AND
BUSINESS PRACTICES

- * **SCIL** resolves to always place the company's interest first;
 - * **SCIL** resolves to excel through resource management namely, human (Professional & technical both), financial and other infrastructural facilities and to ensure reasonable return all the stockholders;
 - * **SCIL** conducts business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objectives and supports unconditionally the Compliance with the Best Practices of Corporate Governance for the betterment of the corporate culture;
 - * **SCIL** expects from its employees full integrity, total honesty, fair and impartial practices in all aspects of its business;
 - * **SCIL** resolves to adopt fair and ethical marketing practices and to prepare itself to face the challenges of open markets under WTO by supplying its customers quality dyes at competitive prices;
 - * **SCIL** resolves not to compromise on principles;
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DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholder(s),

The directors of the Company feel pleasure in presenting the statement of account for the year ended June 30, 2012 and Auditors' report thereon.

OVERVIEW OF THE CURRENT YEAR

There is an increase of about Rs. 12 (M) in the net sales as compared to the last year. The management focused on aggressive sales growth despite the challenging business environments of the country i.e. increase in transportation costs, energy crisis, bad law and order situation, severe floods and increase in prices of imports due to depression of Pakistan Rupee. All these elements creates tremendous pressure on the costs but the management very sensibly control the input costs and achieved about 32% growth in business profit before taxation and sale of assets.

FINANCIAL HIGH LIGHTS

The financial and operational results of the Company as at June 30, 2012 are summarized as under:

	<u>2012</u> (Rs. 000's)	<u>2011</u> (Rs. 000's)
Turnover	158,708	146,759
	=====	=====
Profit/(Loss) before taxation	6,379	4,001
Provision for taxation and WPPF	(1,554)	(3,177)
Profit/(Loss) after taxation	5,303	1,126

The above figures shows an upward trend of the Company.

EARNING PER SHARE

The earning per share as compared to last year has been increased to 0.88 from 0.19 due to increase in profits of the Company.

DIVIDEND

The Board of Directors of the Company has declared a cash dividend @5% which shall be final dividend. The Directors, in the best interest of the Company, have opted to forego the dividend on their personal shareholdings.

BOARD OF DIRECTORS

The Board of directors of the Company comprises of seven directors including one nominee director of NIT. During the year under review four Board meetings were held, to discuss, adopt and approve accounts and other matters of the Company. There was 96.43% attendance of directors was witnessed in the Board Meetings.

AUDIT COMMITTEE

There Is no change in the Audit Committee since last year.

TRANSFER PRICING

The Company will fully comply with the best practice on transfer pricing as contained in the Listing regulation of Stock Exchanges as and when it will be decided by the SECP.

FUTURE OUTLOOK

The management of the Company keeps trying to increase in the sales to increase the profitability of the Company and started cost cutting measures by all possible means.

POST BALANCE SHEET EVENT

There has been no event subsequent to the balance sheet data that would require as appropriate disclosure or adjustment to the financial statements referred herein.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of the last eight year is annexed with this annual report.

VALUE OF INVESTMENTS OF PROVIDENT FUND

The balance of investment in provident fund account was Rs. 13,102,095/- As on 30th June, 2012.

AUDITORS

The present Auditors M/S Aslam Malik & Co., Chartered Accountants retire and offer themselves for re-appointment. Upon recommendations of the Audit Committee for the re-appointment of M/S Aslam Malik & Co., Chartered Accountants as auditors of the Company have been finalized for the year ending June 30, 2013 at mutually agreed fee.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as on 30-06-2012 is annexed. The Directors, Company Secretary and their spouse and minor children have made no transactions in Company's shares during the year except one of the directors Mrs. Reema Ayaz has purchased 37,000 shares from the market for which necessary intimation in the shape of form-32 has duly been sent to the Registrar of Companies and SECP with in due date.

PRODUCTION

Our production volume is regulated with the demand of our customers. The management of the company keeps strict control over volume of production to avoid unnecessary blockage of funds in stocks.

CODE OF CONDUCT

The Board had adopted the Code of Conduct. All employees are informed of this Code and are required to observed these rules of conduct in relation to customers, suppliers and regulators.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The Financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Company's ability to continue as going concern.
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the efforts of all its employees in taking the Company forward.

On behalf of the Board



SARDAR MAHMOOD SADIQ
Chief Executive

October 8, 2012.
Place: Lahore.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations 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 Code 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 three executive directors and four non-executive directors.
 2. The Directors have confirmed that none of them is serving as director in more than ten listed companies, including this company.
 3. All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of stock exchange, has been declared as a defaulter by that stock exchange, or none of them or their spouse is engaged in the business of Stock Brokerage.
 4. The company has a policy to fill up any casual vacancy occurring in the Board within 30 days.
 5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by the Directors and employees of the company.
 6. The Board has approved 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 and other executive directors, have been taken by the Board.
 8. The meetings of the Board were presided over by the Chief Executive and, in his absence, by one of the directors present 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 meeting. The minutes of the meeting were appropriately recorded and circulated.
 9. No orientation course has been arranged during the year.
 10. No new appointment of CFO, Company Secretary or Head of Internal Audit has been made after the application of the Code of Corporate Governance.
 11. The director's report for this year has been prepared in compliance with the requirements of the Code 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.
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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 share holding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The audit committee is continued and it comprises 3 members, all members are the 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and it is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed of the Institute of Chartered Accountants of Pakistan, 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 guidance on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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 guidance in this regard.
20. We confirm that all other material principles contained in the Code have been substantially complied with.



Dated: October 8, 2012.

Place: Lahore.

SARDAR MAHMOOD SADIQ

Chief Executive

**STATEMENT OF COMPLIANCE WITH THE BEST
PRACTICES ON TRANSFER PRICING
FOR THE YEAR ENDED JUNE 30, 2012**

The Company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of the Stock Exchange.



Dated: October 8, 2012.

Place: Lahore.

SARDAR MAHMOOD SADIQ

Chief Executive

Key operating

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 (the Statement) contained in the Code of Corporate Governance (Code) for the year ended June 30, 2012 prepared by the Board of Directors of **Sardar Chemical Industries Limited** (the Company) to comply with the Listing Regulations No.35 of the Karachi and Lahore Stock Exchanges respectively where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code 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 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, Listing Regulation of the Karachi Stock Exchange (Guarantee) Limited and Lahore 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 procedure 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 does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended June 30, 2012.

Dated: October 08, 2012
Place: Lahore

ASLAM MALIK & COMPANY
CHARTERED ACCOUNTANTS
Mohammad Aslam Malik

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sardar Chemical Industries 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 purpose 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 the 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 account 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 account 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, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980).

Dated: October 8, 2012

Place: Lahore.

ASLAM MALIK & COMPANY

CHARTERED ACCOUNTANTS

Mohammad Aslam Malik

BALANCE SHEET

	NOTE	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized:			
10,000,000 (2011:10,000,000) Ordinary Shares of Rs. 10/- each.		<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed and Paid-up:			
6,000,000 (2011:6,000,000) Ordinary shares of Rs.10/-each fully paid in cash		60,000,000	60,000,000
Share premium		30,000,000	30,000,000
Un-appropriated Profit / (Loss)		9,223,669	4,919,879
		<u>99,223,669</u>	<u>94,919,879</u>
NON- CURRENT LIABILITIES			
Obligation under Finance Lease	4	3,247,023	2,565,933
Deferred Taxation	5	255,061	1,231,015
CURRENT LIABILITIES			
Current maturity of long term obligation	6	988,119	552,094
Short term finance	7	37,326,134	41,570,912
Creditors, accrued and other liabilities	8	9,227,172	7,945,567
Provision for taxation	9	10,415,694	8,364,188
Markup Accrued	10	1,008,251	1,487,022
		<u>58,965,370</u>	<u>59,919,783</u>
CONTINGENCIES & COMMITMENTS	11		
		<u>161,691,123</u>	<u>158,636,610</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



SARDAR MAHMOOD SADIQ
Chief Executive

AS AT JUNE 30, 2012

	NOTE	2012 Rupees	2011 Rupees
ASSETS			
NON- CURRENT ASSETS			
Property, Plant and Equipment	12	25,041,033	24,995,722
Long Term Deposits	13	<u>1,823,400</u> 26,864,433	<u>2,515,200</u> 27,510,922
CURRENT ASSETS			
Stores, spares & loose tools	14	711,212	445,165
Stock in trade	15	32,128,882	36,022,510
Trade debts	16	73,617,485	65,776,399
Advances, deposits, prepayments & other receivables	17	2,159,341	2,406,272
Tax Due from Government	18	21,275,319	17,191,809
Cash & bank balances	19	4,934,451	9,283,533
		<u>134,826,690</u>	<u>131,125,688</u>
		<u>161,691,123</u>	<u>158,636,610</u>



FAYYAZ AHMED KHAN
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

	NOTE	2012 Rupees	2011 Rupees
SALES- NET	20	158,707,975	146,759,521
COST OF SALES	21	<u>124,814,235</u>	<u>117,958,999</u>
GROSS PROFIT		33,893,740	28,800,522
Administrative	22	<u>15,744,177</u>	<u>13,274,297</u>
Selling and distribution	23	8,232,189	7,086,390
Other Operating Expenses	24	1,299,935	1,083,120
Other Operating Income	25	<u>1,101,650</u>	<u>--</u>
		<u>24,174,651</u>	<u>21,443,807</u>
Operating Profit/ (Loss) For the Year		9,719,089	7,356,715
Finance Costs	26	<u>3,339,747</u>	<u>3,355,241</u>
Profit/ (Loss) before Taxation		6,379,342	4,001,474
Taxation	27		
Current		<u>(2,051,506)</u>	<u>(1,463,241)</u>
Deferred		975,954	(1,413,155)
		(1,075,552)	(2,876,396)
Profit / (loss) for the year		<u>5,303,790</u>	<u>1,125,078</u>
Basic Earning / (loss) per share	31	0.88	0.19

The annexed notes from 1 to 36 form an integral part of these financial statements.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 Rupees	2011 Rupees
Profit for the year after tax	5,303,790	1,125,078
Other comprehensive income – net of taxation		--
Total comprehensive income for the year – net of tax	<u>5,303,790</u>	<u>1,125,078</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

		2012 Rupees	2011 Rupees
Cash flow from operating activities:			
Cash generated from operation	28	6,753,130	12,627,401
Financial charges paid		(3,818,518)	(3,677,355)
Workers profit participation fund paid		(215,280)	(153,451)
Tax paid		(2,114,551)	(1,353,457)
		<u>(6,148,349)</u>	<u>(5,184,263)</u>
Net cash inflow/ (outflow) from operating activities		604,781	7,443,138
Cash flow from investing activities:			
Long term deposits		691,800	--
Sale proceeds of assets disposed off		1,304,000	--
Net Cash inflow/ (outflow) from investing activities		<u>1,995,800</u>	<u>--</u>
		2,600,581	7,443,138
Cash flow from financing activities			
(Repayment)/proceeds of lease obligation		(2,704,885)	(1,061,123)
(Repayment)/proceeds of short term finances		(4,244,778)	(6,460,830)
Net cash (out flow)/inflow from financing activities		<u>(6,949,663)</u>	<u>(7,521,953)</u>
Net increase/ (Decrease) In cash and cash equivalents		(4,349,082)	(78,815)
Cash and cash equivalents at beginning of the year		9,283,533	9,362,348
Cash and cash equivalents at end of the year		<u>4,934,451</u>	<u>9,283,533</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

SARDAR CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Share Premium	Un-appropriated Profit/ (Accumulated Loss)	Rupees
Balance at 30 th June, 2009.	60,000,000	30,000,000	2,039,915	92,039,915
Profit/ (Loss) for The year.	<u>--</u>	<u>--</u>	<u>1,754,886</u>	<u>1,754,886</u>
Balance at 30 th June, 2010.	60,000,000	30,000,000	3,794,801	93,794,801
Profit/ (Loss) for the year.	<u>--</u>	<u>--</u>	<u>1,125,078</u>	<u>1,125,078</u>
Balance at 30 th June, 2011.	60,000,000	30,000,000	4,919,879	94,919,879
Profit/ (Loss) for the year.	<u>--</u>	<u>--</u>	<u>5,303,790</u>	<u>5,303,790</u>
Profit/ (Loss) available for appropriation.	<u>--</u>	<u>--</u>	10,223,669	10,223,669
Cash Dividend for the year.	<u>--</u>	<u>--</u>	<u>1,000,000</u>	<u>1,000,000</u>
Balance at 30 th June, 2012.	<u>60,000,000</u>	<u>30,000,000</u>	<u>9,223,669</u>	<u>99,223,669</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

1. STATUS AND OPERATIONS

Sardar Chemical Industries Limited (the Company) was incorporated in Pakistan on October 3, 1989 as a Private Limited Company under the Companies Ordinance, 1984. It was converted into the Public Limited Company on December 30, 1993.

The registered office of the Company is located at Plot No. 29-B, Road No. 01 Gadoon Amazai, Industrial Estate, Topi, Ganduf Road, Swabi (KPK). The principal business of the Company is to manufacture and sale of dyestuffs, chemicals for the leather, textile and paper industries. The Company is listed on all the Stock Exchanges in Pakistan.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 Standards, amendments to publish approved accounting standards and interpretations becoming effective in the year ended June 30, 2012

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the company's accounting period beginning on July 1, 2011.

(i) IAS 7 Statement of Cash Flows - Amendments [effective January 1, 2010]

The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

Standards, amendments to publish approved accounting standards and interpretations becoming effective in the year ended June 30, 2012, but not relevant:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company.

IFRS 1 First-time Adoption of Financial Reporting Standards

IFRS 2 Share-based Payment (Amendments)

IFRS 3 Business combination (Amendments)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendments)

IFRS 8 Operating Segments

IAS 1 Presentation of Financial Statements (Amendments)

IAS 17 Leases (Amendments)

IAS 27 Consolidated and Separate Financial Statements (Amendments)

NOTES TO THE FINANCIAL STATEMENTS

IAS 36 Impairment of Assets (Amendments)
 IAS 39 Financial Instruments: Recognition and Measurement (Amendments)
 IFRIC 14, IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amended)
 IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.2 Standards, amendments to publish approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been issued but are not yet effective for the current financial year:

	Effective for periods Beginning on or after
IFRS 1 First-time Adoption of Financial Reporting Standards (Amendments)	Jan-01 2011
IFRS 7 Financial Instruments: Disclosures (Amended)	Jan-01 2013
IFRS 9 Financial Instruments	Jan-01 2013
IFRS 10 Consolidated Financial Statements	Jan-01 2013
IFRS 11 Joint Arrangements	Jan-01 2013
IFRS 12 Disclosure of Interests in Other Entities	Jan-01 2013
IFRS 13 Fair Value Measurement	Jan-01 2013
IAS 1 Presentation of Financial Statements (Amendments)	Jul-01 2012
IAS 16 Property, Plant and Equipment	Jan-01-2013
IAS 12 Income Taxes (Amendments)	Jan-01-2013
IAS 19 Employee Benefits (Amendments 2011)	Jan-01 2013
IAS 27 Consolidated and Separate Financial Statements (2011)	Jan-01 2013
IAS 32 Financial Instruments (Amendments)	Jan-01 2014
IFRIC 13 Customer Loyalty Programmes	Jan-01 2013
Minimum Funding Requirements and their Interaction (Amended)	

The company expects that the adoption of the above standards, amendments/improvements and interpretations will not have any material effect on the Company's financial statements.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- a) Assumptions and estimates used in determining the residual values and useful lives of property, plant and equipment
- b) Assumptions and estimates used in writing down items of stock in trade to their net realizable value (note # 15)
- c) Assumptions and estimates used in calculating the provision for impairment for trade debts (note # 16)
- d) Assumptions and estimates used in the recognition of taxation (note # 27)
- e) Assumptions and estimates used in the recognition of contingencies (note # 11)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 Accounting Convention:**

These financial statements have been prepared under the historical cost convention.

3.2 Property, Plant & Equipment:**i) Owned Assets**

- j) Operating fixed assets are stated at cost less accumulated depreciation any identified impairment loss except for leasehold land, which is stated at its full capitalized value held equivalent to the total cost of acquiring the lease. Depreciation is provided on the reducing balance method. Depreciation on addition is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off. Rates of depreciation are stated in note 12.

Gains / (Losses) on disposal of operating fixed assets, if any, are included in profit & loss account. Normal maintenance and repairs are charged to profit & loss account as and when incurred. Major renewals and replacements are capitalized.

ii) Assets Subject to Finance Lease

Assets acquired under finance leases are capitalized and are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the leases are accounted for as current and non-current liabilities. Leasing payments are sub-recognized as interest and repayment of liability.

Assets acquired under finance lease are amortized over the useful life of the assets using reducing balance method at the rates given in note 11. Amortization on additions is charged for the month in which an asset is acquired under the finance lease while no amortization is charged for the month in which the asset is disposed off.

3.3 Stocks

Basis of valuation are as under:-

i) Raw Material

At lower of annual average cost or net realizable value.

ii) Work in process

At lower of annual average cost or net realizable value plus manufacturing overheads with reference to degree of completion.

iii) Finished Goods

At lower of annual average cost or net realizable value of material plus manufacturing overhead or net realizable value.

3.4 Stores & Spares

These are valued at lower of weighted average cost and net realizable value, except for items in transit, which are valued at cost comprising invoice value and related expenses.

3.5 Trade Debts and Other Receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts is based on management's assessment taking into consideration the sales of the company. Bad debts are written off when identified.

3.6 Cash and Cash Equivalentents

Cash and cash equivalentents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalentents comprise of cash and banks balances.

3.7 Short Term Borrowings

Short term borrowings are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

3.8 Creditors and Other Liabilities

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and / or services received, whether or not billed to the Company.

3.9 Staff Retirement Benefits

The Company operates an approved funded contributory provident fund scheme for all permanent employees. Equal monthly contributions are made both by the Company and employees @ 10% of the basic pay.

3.10 Provisions

Provision are recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.11 Taxation

i) Current

Provision for current taxation is based on the taxable income at the current rate of taxation after taking into account applicable tax credit available, rebates and exemption available, if any, or minimum tax on turnover whichever is higher and tax paid on final tax receipt.

ii) Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses and unused tax credits can be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred income tax.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

3.12 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the company and the revenue can be measured reliably.

Sales are recorded when goods are dispatched to customers and invoices raised to the customers.

3.13 Foreign Currency Translation

Translations in Foreign currencies are accounted for Pak rupees at the exchange rate prevailing at the date of translation. Monetary assets and liabilities denominated in Foreign Currencies are translated into Pak rupees at the exchange rates prevailing on the balance sheet date except for those covered by forward contracts if any.

Gain and losses arising on retranslation are included in net profit and loss account.

3.14 Impairment of Assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the assets. If the recoverable amount of the assets is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

3.15 Borrowing Cost

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are recorded to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.16 Financial Assets and Liabilities

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently re-measured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the government are not the financial instruments of the company.

3.17 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.18 Dividend and Appropriation to Reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.19 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupee, which is the company's functional and presentation currency.

3.20 Financial Assets and Financial Instruments

Long term deposits these are stated at cost which represents the fair value of consideration given.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OBLIGATION UNDER FINANCE LEASE	2012	2011
Total commitments outstanding:-	Rupees	Rupees
2011 – 2012	--	2,022,225
2012 – 2013	2,405,442	1,131,870
2013 – 2014	1,273,572	--
2014 – 2015	1,059,993	--
	<u>4,739,007</u>	<u>3,154,095</u>
Less: Financial charges pertaining to the future periods	(503,865)	(36,068)
Present Value of minimum lease payments	4,235,142	3,118,027
	<u>4,235,142</u>	<u>3,118,027</u>
Less: Current maturity of long term obligation	(988,119)	(552,094)
	<u>3,247,023</u>	<u>2,565,933</u>

4.1 Minimum lease payments and their present value are regrouped as below:

	2012		2011	
	MLP (Rupees)	PV of MLP (Rupees)	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	2,405,442	988,119	2,022,225	552,094
Due later than 1 year but Not later then 3 years	<u>2,333,565</u>	<u>3,247,023</u>	<u>1,131,870</u>	<u>2,565,933</u>
	<u>4,739,007</u>	<u>4,235,142</u>	<u>3,154,095</u>	<u>3,118,027</u>

GENERAL TERMS AND CONDITIONS OF LEASE

The Company has acquired vehicles on finance lease from the Orix leasing company Ltd and Faysal bank Ltd. The particulars of these leases are as follows:-

Repayment:

Vehicles 36 equal monthly installments.

Lease terms:-

Vehicles 3 Years latest by September, 2014.

Implicit interest rate: Twelve months KIBOR+3%

Residual value: Rs. 1,823,400/-

Purchase option: At the end of lease term on residual value.

Additional charge on overdue installments: 0.1% to 0.2% per day in case of default.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2012 Rupees	2011 Rupees
5. DEFERRED TAXATION			
Opening deferred tax assets		1,231,015	(182,140)
Deferred tax for the year		(975,954)	1,413,155
	5.1	<u>255,061</u>	<u>1,231,015</u>
5.1 Deferred Taxation Comprises the following			
Deferred tax on Lease		(108,782)	9,534
Accelerated tax depreciation		399,639	1,317,690
Deferred tax on provision for doubtful debts		(35,796)	(96,209)
		<u>255,061</u>	<u>1,231,015</u>
6. CURRENT MATURITY OF LONG TERM OBLIGATION			
This amount represents the principal portion of the obligation under finance lease, which is repayable in the next twelve months.			
Current maturity		<u>988,119</u>	<u>552,094</u>
7. SHORT TERM FINANCE			
Allied Bank of Pakistan Limited	7.1	22,558,843	26,711,110
Askari Bank Limited	7.2	14,767,291	14,859,802
		<u>37,326,134</u>	<u>41,570,912</u>

7.1 Allied Bank of Pakistan Limited

Short term finances obtained from Allied Bank of Pakistan Limited forms part of total sanctioned credit facility of Rs. 39.225 million (2011: Rs. 39.225 million) and carried a markup @ Three months Average Ask Side KIBOR+ 450 Basis Points p.a.

The facility is secured against the following:

- Hypothecation of stocks and stores.
- Lien on import documents/letters of credit.
- First registered/ equitable mortgage of residential property owned by Director of the Company.
- First equitable mortgage on the entire present and future fixed assets of the Company.
- Floating charge on current assets of the Company.
- Personal guarantees of the directors of the Company.

7.2 Askari Bank Limited

Short terms finances obtained from Askari Bank Limited forms part of the total sanctioned credit facility of Rs. 30 million (2011: Rs. 30 million) and carried a markup @ Three months KIBOR+ 4%, Floor 14% p.a.

The facility is secured against the following;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- o 2nd ranking Hypothecation charge on Present & Future Book Debts, outstanding moneys, receivables, claims, bills, contracts, engagements, right & assets for Rs. 70 Million.
- o 2nd ranking Hypothecation charge on Present & Future stocks of raw materials inclusive of finished & semi finished goods/chemicals, stocks & inventories and work in progress for Rs. 70 Million.
- o 2nd ranking Hypothecation charge on Present & future fixed assets of the Co. in the shape of land, building plant & machinery, loose tools, spares & accessories for Rs.70 Million.
- o Pledge of finished goods of dyes colors etc.
- o First equitable mortgage of property owned by an Ex-Director of the Company.
- o Personal guarantee of Directors of the Company

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

		2012 Rupees	2011 Rupees
Creditors for goods		2,716,760	2,759,934
Creditors for expenses		691,893	767,073
Accrued expenses		2,444,625	2,151,583
Advances from Customers		11,900	11,900
Other payable		101,608	101,608
Tax deducted at source		100,880	159,006
Provident Fund Trust		21,649	19,017
Workers profit participation fund	8.1	338,642	210,947
Workers Welfare Fund	8.2	496,260	359,070
Unclaimed dividend	8.3	2,302,954	1,303,404
Sales Tax Payable		--	102,025
		<u>9,227,172</u>	<u>7,945,567</u>

8.1 WORKER'S PROFIT PARTICIPATION FUND

Opening balance	210,947	149,265
Paid during the year	(215,280)	(153,451)
	(4,333)	(4,186)
Contribution for the year	342,975	215,133
	<u>338,642</u>	<u>210,947</u>

8.2 WORKER'S WELFARE FUND

Opening balance	359,070	273,017
Paid during the year	--	--
	359,070	273,017
Contribution for the year	137,190	86,053
	<u>496,260</u>	<u>359,070</u>

8.3 DIVIDEND

Opening balance	1,303,404	1,303,404
Final dividend declared	1,000,000	--
	2,303,404	1,303,404
Paid during the year	(450)	--
	<u>2,302,954</u>	<u>1,303,404</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012 Rupees	2011 Rupees
9. PROVISION FOR TAXATION		
Opening balance	8,364,188	6,900,947
Provision made for the current year	2,051,506	1,463,241
	10,415,694	8,364,188
Less: Paid/ adjusted during the year	--	--
	10,415,694	8,364,188

10. ACCRUED MARKUP

This represents markup accrued on leases and short term finances.

11. CONTINGENCIES & COMMITMENTS

11.1 CONTINGENCIES

The company has pending cases against the following customers in lieu of sale recoveries.

Name of Party	Claimed Amount	Since
1. Malik Arij Dyes, Sialkot	Rs. 2,596,293	June 19, 2001
2. Standard Dyes, Lahore	Rs. 300,000	December 24, 2001
3. Piracha Leather, Karachi	Rs. 1,306,846	January 03, 2001
4. Colour Lines, Lahore	Rs. 11,624,607	January 03, 2001
5. Bashir Tannery, Lahore	Rs. 2,286,178	February 17, 2001

The management is confident, based on the legal advice, that the matters will be decided in the favor of the Company and the Company will not be exposed to any loss on account of these claims and consequently no provision has been made by the Company in respect of these matters.

11.2 COMMITMENTS

The Company has commitments against letters of credit issued in the normal course of business amounting to Rs. 7.45 million (2011: Rs. 4.11 million) in favor of foreign suppliers for raw material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OPERATING FIXED ASSETS JUNE 2012

Owned Assets	C O S T				D E P R E C I A T I O N					Written down values as at 30 th June 2012 Rs.
	As at Ist. July 2011 Rs.	Addition/ (Deletion) Rs.	Transfer/ Adjustment Rs.	As at 30 th June 2012 Rs.	Rate %	As at 1 st July 2011 Rs.	Transfer/ Adjust- ment Rs.	For the Year Rs.	As at 30 th June 2012 Rs.	
Lease hold land	1,222,152	--	--	1,222,152	--	--	--	--	--	1,222,152
Factory building										
(Lease hold land)	27,208,559	--	--	27,208,559	10	22,944,756	--	426,380	23,371,136	3,837,423
Plant & machinery	63,919,466	--	--	63,919,466	10	51,101,550	--	1,281,792	52,383,342	11,536,124
Electric installation	1,388,455	--	--	1,388,455	10	1,131,567	--	25,689	1,157,256	231,199
Furniture & fixture	1,233,875	--	--	1,233,875	10	1,010,929	--	22,295	1,033,224	200,651
Tools & equipment	2,723,849	(41,000)	--	2,682,849	10	2,049,878	(13,851)	64,682	2,100,709	582,140
Vehicles	11,501,290	--	4,126,000	13,992,790	20	9,348,911	2,192,937	725,849	10,858,147	3,134,643
		(1,634,500)					(1,409,550)			
Electric & gas appliances	268,350	--	--	268,350	10	215,769	--	5,258	221,027	47,323
Laboratory equipment	2,368,869	--	--	2,368,869	25	2,181,050	--	46,955	2,228,005	140,864
	111,834,865	(1,675,500)	4,126,000	114,285,365		89,984,410	2,192,937	2,598,900	93,352,845	20,932,520
							(1,423,401)			
Leased assets										
Vehicles	5,929,000	3,822,000	(4,126,000)	5,625,000	20	2,783,734	(2,192,937)	925,691	1,516,487	4,108,513
June 30, 2012	117,763,865	3,822,000	4,126,000	119,910,365		92,768,144	2,192,937	3,524,591	94,869,332	25,041,033
		(1,675,500)	(4,126,000)				(3,558,526)			

12.1	The charge of depreciation has been allocated as under:	2012	2011	
		Rupees	Rupees	
		Cost of Sales	1,755,127	1,960,576
		Administrative expenses	1,769,464	1,458,454
		<u>3,524,591</u>	<u>3,419,030</u>	

12.2 CHARGE ON FIXED ASSETS

There is a charge of Rs. 17 (M) over land building and machinery of the company provided against running finance facility of Allied Bank and a charge of 70 (M) over present and future fixed assets of the company in the shape of land, building, plant and machinery provided against running finance facility of Askari Bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Disposal of fixed assets:-

Particulars	Cost Rs.	Accumulated Depreciation Rs.	Book value Rs.	Sale proceeds Rs.	Profit/ (Loss) Rs.	Mode of disposal	Buyer's name and address
Suzuki Khyber LXJ 9918	398,500	378,052	20,448	150,000	129,552	Negotiation	Mr. Jawad Akbar. House # 50, Block H, Model Town Lahore.
M. Bike Pak Hero LWA 6257	36,000	25,907	10,093	11,000	907	Negotiation	Mr. Tauseef ul Hassan Mirza House# 153, Block 2, Sector C-1, Town Ship Lahore.
Suzuki Mehran LZW 3101	315,000	254,445	60,555	200,000	139,445	Negotiation	Mr. Samad Mukhtar House# 43, Block O, Railway Scheme# 7, Rawalpindi.
Suzuki Mehran LZW 3102	315,000	256,647	58,353	365,000	306,647	Negotiation	Mr. Tariq Khan. Shalmani ,P.O Sukkai, Dist. Mardan K.P.K
Suzuki Mehran FDV 5400	255,000	235,650	19,350	225,000	205,650	Negotiation	Mr. Tariq Khan. Shalmani ,P.O Sukkai, Dist. Mardan K.P.K
Suzuki Mehran LZW 3103	315,000	258,849	56,151	335,000	278,849	Negotiation	Mr. Shiraz Muhammad. Marhati Banda, P.O Mesri Banda, Dist. Nowshera, K.P.K
Genrator Gesco	41,000	13,851	27,149	18,000	(9,149)	Negotiation	Mr. Shezad, Town Ship Lahore.
Total	1,675,500	1,423,401	252,099	1,304,000	1,051,901		

OPERATING FIXED ASSETS JUNE 2011

Owned Assets	C O S T				D E P R E C I A T I O N					Written down values as at 30 th June 2011 Rs.
	As at Ist. July 2010 Rs.	Addition/ (Deletion) Rs.	Transfer/ Adjustment Rs.	As at 30 th June 2011 Rs.	Rate %	As at 1 st July 2010 Rs.	Transfer/ Adjust-ment Rs.	For the Year Rs.	As at 30 th June 2011 Rs.	
Lease hold land	1,222,152	--	--	1,222,152	--	--	--	--	--	1,222,152
Factory building										
(Lease hold land)	27,208,559	--	--	27,208,559	10	22,471,000	--	473,756	22,944,756	4,263,803
Plant & machinery	63,919,466	--	--	63,919,466	10	49,677,337	--	1,424,213	51,101,550	12,817,916
Electric installation	1,388,455	--	--	1,388,455	10	1,103,024	--	28,543	1,131,567	256,888
Furniture & fixture	1,233,875	--	--	1,233,875	10	986,157	--	24,772	1,010,929	222,946
Tools & equipment	2,723,849	--	--	2,723,849	10	1,974,992	--	74,886	2,049,878	673,971
Vehicles	11,501,290	--	--	11,501,290	20	8,810,816	--	538,095	9,348,911	2,152,379
Electric & gas appliances	268,350	--	--	268,350	10	209,927	--	5,842	215,769	52,581
Laboratory equipment	2,368,869	--	--	2,368,869	25	2,118,443	--	62,607	2,181,050	187,820
	111,834,865	--	--	111,834,865		87,351,696	--	2,632,714	89,984,409	21,850,456
Leased assets										
Vehicles	5,929,000	--	--	5,929,000	20	1,997,417	--	786,317	2,783,734	3,145,266
June 30, 2011	117,763,865	--	--	117,763,865		89,349,113	--	3,419,030	92,768,143	24,995,722

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012 Rupees	2011 Rupees
13. LONG TERM DEPOSITS		
Habib Bank Limited.	--	59,000
Orix Leasing Pakistan Ltd.	1,081,800	2,456,200
Faysal Bank Limited	741,600	--
	<u>1,823,400</u>	<u>2,515,200</u>
14. STORES, SPARES & LOOSE TOOLS		
Stores	460,140	265,126
Spares	150,160	101,260
Loose tools	100,912	78,779
	<u>711,212</u>	<u>445,165</u>
15. STOCK IN TRADE		
Raw material	20,168,402	18,077,707
Work in process	766,613	5,847,006
Finished goods	11,193,867	12,097,797
	<u>32,128,882</u>	<u>36,022,510</u>
16. TRADE DEBTORS-UNSECURED		
Debtors	73,719,758	66,051,281
Less: Provision for doubtful debts (NOTE:16.1)	102,273	274,882
	<u>73,617,485</u>	<u>65,776,399</u>
16.1 MOVEMENT OF PROVISION FOR DOUBTFUL DEBTS		
Opening Balance	274,882	936,862
Provision for the year	783,891	726,981
	<u>1,058,773</u>	<u>1,663,843</u>
Written off during the year	(956,500)	(1,388,961)
	<u>102,273</u>	<u>274,882</u>
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances against material – Considered good	1,505	1,505
Advances against expenses - Considered good	446,590	900,182
Advances to employees	78,902	37,905
Deposits & prepayments (NOTE: 17.1)	285,084	260,084
Deposits against letters of credit/guarantees	805,455	664,791
Other receivables-considered good	541,805	541,805
	<u>2,159,341</u>	<u>2,406,272</u>
17.1 These are classified as:		
Security deposits	23,260	23,260
Deposits with statutory authorities	261,824	236,824
	<u>285,084</u>	<u>260,084</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2012 Rupees	2011 Rupees
18. TAX DUE FROM GOVERNMENT			
Advance tax		1,858,812	1,858,812
Tax deducted at source		15,115,006	13,058,581
Sales tax receivables		4,301,501	2,274,416
		<u>21,275,319</u>	<u>17,191,809</u>
19. CASH AND BANK BALANCES			
Cash in hand		35,153	20,325
Cash at bank:			
Current accounts		4,899,298	9,263,208
		<u>4,934,451</u>	<u>9,283,533</u>
20. SALES			
Local Sales		156,778,189	145,396,172
Export Sales		2,503,050	1,722,525
	GROSS SALES	<u>159,281,239</u>	<u>147,118,697</u>
Sales Tax		340,032	102,025
Expenses on exports		233,232	257,151
		573,264	359,176
		<u>158,707,975</u>	<u>146,759,521</u>
21. COST OF SALES			
Raw material consumed	(NOTE: 21.1)	90,144,936	94,215,641
Packing material		3,129,288	3,511,120
Salaries and wages		7,874,671	7,221,986
Insurance		191,890	212,950
Carriage inward		2,982,152	2,800,853
Stores and spares consumed	(NOTE: 21.2)	134,002	68,195
Fuel and power consumed	(NOTE: 21.3)	10,784,731	9,761,655
Repair and maintenance		1,803,502	1,408,541
Other production expenses		29,613	118,944
Depreciation	(NOTE: 12.1)	1,755,127	1,960,575
		<u>118,829,912</u>	<u>121,280,460</u>
Work in process			
Opening		5,847,006	5,287,940
Closing		(766,613)	(5,847,006)
		<u>5,080,393</u>	<u>(559,066)</u>
		<u>123,910,305</u>	<u>120,721,394</u>
Finished goods			
Opening		12,097,797	9,335,402
Closing		(11,193,867)	(12,097,797)
		903,930	(2,762,395)
		<u>124,814,235</u>	<u>117,958,999</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012	2011
	Rupees	Rupees
21.1 Raw Material Consumed		
Opening stock	18,077,707	12,757,858
Purchases during the year	95,356,225	101,381,721
Sales tax	(3,120,594)	(1,846,231)
	<u>92,235,631</u>	<u>99,535,490</u>
	110,313,338	112,293,348
Closing stock	(20,168,402)	(18,077,707)
	<u>90,144,936</u>	<u>94,215,641</u>
21.2 Stores, Spares & Loose Tools Consumed		
Opening stock	445,165	335,170
Purchases during the year	400,049	178,190
	<u>845,214</u>	<u>513,360</u>
Closing stock	(711,212)	(445,165)
	<u>134,002</u>	<u>68,195</u>
21.3 Fuel and Power Consumed		
Fuel and power	10,784,731	9,761,655
	<u>10,784,731</u>	<u>9,761,655</u>
22. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits (NOTE:22.1)	5,056,791	4,440,067
Director's remuneration (NOTE: 28)	1,260,000	1,110,000
Electricity, Gas & Water	405,166	348,733
Traveling & Conveyance	1,297,457	838,547
Repair and maintenance	1,123,934	498,136
Telephone, telex & postage	885,599	881,813
Rent, rates and taxes	1,690,124	1,600,396
Legal and professional charges	137,951	106,378
Auditor's remuneration Audit fee	200,000	165,000
Printing & stationery	458,305	409,313
Advertisement	48,670	31,875
Entertainment	446,008	378,428
Insurance	440,570	421,368
Medical	1,812	24,673
Fee & Subscription	254,895	198,516
Donation (NOTE: 22.2)	48,036	20,425
News papers & periodicals	61,065	58,005
Flood Surcharge	--	40,661
Depreciation (NOTE: 12.1)	1,769,464	1,458,454
Miscellaneous	158,330	243,509
	<u>15,744,177</u>	<u>13,274,297</u>

22.1 Salaries, wages and benefits does not include any amount in respect of staff retirement benefits.

22.2 The directors or spouse had not any interest in the donee's fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012 Rupees	2011 Rupees
23. SELLING & DISTRIBUTION		
Staff salaries and benefits	4,553,831	4,247,612
Electricity, gas, water	35,271	61,810
Traveling & conveyance	989,900	776,182
Repair & maintenance	355,123	243,087
Rent, rates & taxes	716,500	634,330
Printing & stationery	1,250	1,462
Gift And Prizes	7,500	--
Entertainment	11,478	13,673
Laboratory testing expenses	11,166	5,000
Telephone, telex & postage	119,325	98,999
Carriage & cartage	1,430,845	1,004,235
	<u>8,232,189</u>	<u>7,086,390</u>
24. OTHER OPERATING EXPENSES		
Provision for doubtful debts	783,891	726,981
Workers profit participation fund	342,975	215,133
Workers welfare fund	137,190	86,053
Loss on Exchange rate	26,730	54,953
Loss on Assets Disposed off	9,149	--
	<u>1,299,935</u>	<u>1,083,120</u>
25. OTHER OPERATING INCOME		
Sale of Scrap	40,600	--
Profit sale of fixed assets	1,061,050	--
	<u>1,101,650</u>	<u>--</u>
26. FINANCE COST		
Bank charges	212,925	383,469
Markup on loans	2,785,903	2,788,102
Leasing charges	340,919	183,670
	<u>3,339,747</u>	<u>3,355,241</u>
27. TAXATION		
Current for the Year	(2,051,506)	(1,463,241)
Deferred for the Year	975,954	(1,413,155)
	<u>(1,075,552)</u>	<u>(2,876,396)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2012 Rupees	2011 Rupees
28. CASH GENERATED FROM OPERATION		
Profit/(Loss) before taxation	6,379,342	4,001,474
Add/(Less) adjustment of non-Cash items.		
Depreciation	3,524,590	3,419,030
Financial Charges	3,339,747	3,355,241
(Profit)/ Loss on sale of fixed assets	(1,051,901)	--
Provision for doubtful debts	783,891	726,981
Workers profit participation fund	342,975	215,133
Workers welfare fund	137,190	86,053
	<u>7,076,492</u>	<u>7,802,438</u>
Profit before working capital changes	13,455,834	11,803,912
Effect of cash flow due to working capital changes		
(Increase) /Decrease in store, spare and loose tools	(266,047)	(109,995)
(Increase) /Decrease in stock in trade	3,893,628	(8,641,310)
(Increase) /Decrease in trade debts	(8,624,677)	9,681,675
(Increase)/ Decrease in advances, deposit and prepayments	(1,780,154)	233,811
Increase/(Decrease) in creditors accrued and other liabilities	74,846	(340,692)
	<u>(6,702,704)</u>	<u>823,489</u>
	<u>6,753,130</u>	<u>12,627,401</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE

	2012 (Rupees)		2011 (Rupees)	
	Directors	Chief Executive	Directors	Chief Executive
Managerial remuneration	503,220	309,672	454,835	261,287
Allowances:				
House Rent	226,452	139,356	204,677	117,581
Utilities	50,328	30,972	45,488	26,132
	<u>780,000</u>	<u>480,000</u>	<u>705,000</u>	<u>405,000</u>
Number of directors	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

	2012 Rupees	2011 Rupees
30. CAPACITY AND PRODUCTION		
Production in manufacturing units:		
- Rated capacity (M. Tons) on 360 days basis	660	660
- Actual production (M. Tons)	395	415
Percentage of production	60%	63%

30.1 PRODUCTION

Our volume of production is regulated with the demand of our valued customers. The management of the Company keeps strict control over volume of production to avoid blockage of unnecessary finances in the stocks.

31. Basic Earnings per share

Net profit/ (Loss) for the year	5,303,790	1,125,078
Number of ordinary shares issued	6,000,000	6,000,000
Earnings/ (loss) per share	0.88	0.19

There is no dilutive effect on the basic earnings per share of the Company for the year ended June 30, 2012 and June 30, 2011.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. FINANCIAL ASSETS AND LAIBILITIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. NUMBER OF EMPLOYEES

Total number of employees as on June 30, 2012 were 120 (2011:117)

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 8, 2012 by the Board of Directors of the company.

35. SUBSEQUENT EVENT

There are no subsequent events occurring after the balance sheet date.

36. GENERAL

- Figures have been rounded off to the nearest rupee.
- For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year presentation.



SARDAR MAHMOOD SADIQ
Chief Executive



FAYYAZ AHMED KHAN
Director

FORM 34

**THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING**

1. Incorporation
Number

2. Name of the Company

**SARDAR CHEMICAL INDUSTRIES
LIMITED**

3. Pattern of holding of the shares held by the shareholders as at

30-06-2012

-----Shareholding-----

4. No. of Shareholders	From	To	Total Shares Held
71	1	100	6,723
1997	101	500	976,850
67	501	1000	65,199
123	1001	5000	370,428
16	5001	10000	120,100
4	10001	15000	51,900
13	15001	20000	214,000
2	20001	25000	49,000
3	25001	30000	82,800
2	30001	35000	65,500
1	35001	40000	40,000
2	45001	50000	97,000
1	60001	65000	62,000
1	65001	70000	66,200
1	70001	75000	73,900
1	125001	130000	127,600
2	140001	145000	281,250
1	175001	180000	178,000
1	180001	185000	183,500
1	240001	245000	244,300
1	330001	335000	333,300
1	400001	405000	404,200
1	495001	500000	500,000
1	655001	660000	656,250
1	745001	750000	750,000
2315			6,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	2,099,500	34.9917%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	310,500	5.1750%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	67,300	1.1217%
5.5 Insurance Companies	500	0.0083%
5.6 Modarabas and Mutual Funds	28,800	0.4800%
5.7 Share holders holding 10%	1,406,250	23.4375%
5.8 General Public		
a. Local	3,313,400	55.2233%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	180,000	3.0000%

6. Signature of Company Secretary



7. Name of Signatory

NIAZ AHMED CHUGHTAI

8. Designation

Company Secretary

9. NIC Number

3740503929747

10 Date

30

06

2012

SARDAR CHEMICAL INDUSTRIES LIMITED

Categories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2012

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
		-	-
Mutual Funds (Name Wise Detail)			
		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
	SARDAR MAHMOOD SADIQ	500,000	8.3333%
1	SARDAR AYAZ SADIQ	750,000	12.5000%
2	MRS. MONA MAHMOOD	50,000	0.8333%
3	MRS. REEMA AYAZ	62,000	1.0333%
4	MR. FAYYAZ AHMED KHAN	404,200	6.7367%
5	MR. IFTIKHAR AHMED KHAN	333,300	5.5550%
6		NIT	
7	MR. SHAHID AZIZ	NOMINEE	0.0000%
Executives:		10,000	0.1667%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		96,600	1.6100%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL			
		-	0.0000
1	SARDAR AYAZ SADIQ	750,000	12.5000%
2	MR. AITZAZ MUNAWAR SARDAR MAHMOOD SADIQ	656,250	10.9375%
3	MR. FAYYAZ AHMED KHAN	500,000	8.3333%
4	MR. IFTIKHAR AHMED KHAN	404,200	6.7367%
5	MR. ASHRAF	333,300	5.5550%
6		311,100	5.1850%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

Sr. No.	Name	Sale	Purchase
1	MRS. REEMA AYAZ	-	37,000

FORM OF PROXY
SARDAR CHEMICAL INDUSTRIES LIMITED

Register Folio

No. _____

FORM OF PROXY

IMPORTANT

Instrument of proxy will not be considered as valid unless they are deposited or received at the Company's Share Department/ 127/II, Block-C, Model Town Lahore not later than 48 hours before the time of holding.

I/We of

.....

Member(s) of SARDAR CHEMICAL INDUSTRIES LIMITED. Hereby appoint

..... of as a

proxy to vote on my/our behalf at the 23rd Annual General Meeting of the Company to be

held on 31th October, 2012 And at any

adjournment thereof.

Date

Signatures

KEY OPERATING & FINANCE DATA FOR LAST EIGHT YEARS

PARTICULARS	2012	2011	2010	2009	2008	2007	2006	2005
Net Sales	158,707,975	146,759,521	139,730,095	127,708,255	124,676,651	116,995,165	106,365,608	90,923,464
Gross Profit	33,893,740	28,800,522	32,023,717	32,849,009	30,090,465	33,581,440	26,781,662	21,810,647
Operating Profit / (Loss)	9,719,089	4,302,660	2,861,496	2,504,210	2,382,500	4,998,372	949,284	(1,197,860)
Profit / (Loss) before tax	6,379,342	4,001,474	2,854,132	2,567,727	2,316,160	4,957,337	949,048	(1,083,916)
Profit / (Loss) after tax	5,303,790	1,125,078	1,754,886	1,921,483	1,389,396	3,499,656	1,223,323	(1,540,928)
Paid-up Capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Net Worth	99,223,669	94,919,879	93,794,801	92,039,918	90,753,432	90,187,582	88,187,926	86,964,603
<u>FINANCIAL POSITION</u>								
Fixed assets net	25,041,033	24,995,722	28,414,752	31,446,784	33,006,804	37,617,686	35,623,357	39,445,231
Total assets	161,691,123	158,636,610	163,017,947	161,993,345	164,751,244	163,163,074	154,366,300	154,339,473
Long term liabilities	3,247,023	2,565,933	3,118,598	4,189,894	2,380,962	4,333,138	1,649,855	2,561,922
<u>RATIOS</u>								
Gross Profit	21.36%	19.62%	22.92%	25.72%	24.13%	28.70%	25.18%	23.99%
Profit / (loss) before Tax	4.02%	2.73%	2.04%	2.01%	1.86%	4.24%	0.89%	(1.19%)
Profit / (loss) after Tax	3.34%	0.77%	1.26%	1.50%	1.11%	2.99%	1.15%	(1.69%)
<u>RETURN TO SHAREHOLDER</u>								
ROE before Tax	6.43%	4.22%	3.04%	2.79%	2.55%	5.50%	1.06%	(1.25%)
ROE after Tax	5.35%	1.19%	1.87%	2.09%	1.53%	3.88%	1.39%	(1.77%)
Earning per share	0.88	0.19	0.29	0.32	0.23	0.58	0.20	(0.26)
<u>LIQUIDITY/LEVERAGE</u>								
Current Ratio	0.44	2.19	2.00	1.93	1.82	1.80	1.79	1.73
Break up Value Per Share	11.54	10.82	10.63	10.34	10.13	10.03	9.70	9.49
Total Liabilities to Equity (times)	0.63	0.67	0.74	0.76	0.82	0.81	0.75	0.77
<u>ACTIVITY</u>								
Sales to total assets	0.98	0.93	0.86	0.79	0.76	0.72	0.69	0.59
Sales to fixed assets	6.34	5.87	4.93	4.06	3.78	3.11	2.99	2.31

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32 Financial assets and liabilities

	Effective interest rates(%)	INTEREST BEARING					NON INTEREST BEARING					Total	
		Maturity upto one year		Maturity after one year		Sub total	Maturity upto one year		Maturity after one year		Sub total		
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets:													
Long term deposits								1,823,400	2,515,200	1,823,400	2,515,200	1,823,400	2,515,200
Trade debts							73,617,485	65,776,399				73,617,485	65,776,399
Advances,deposits,prepayments & other receivable							905,791	839,794				905,791	839,794
Cash & banks							4,934,451	9,283,533				4,934,451	9,283,533
							79,457,727	75,899,726	1,823,400	2,515,200	81,281,127	78,414,926	81,281,127
Financial liabilities:													
Obligation under finance lease	KIBOR+3%	998,119	552,094	3,247,023	2,565,933	4,245,142	3,118,027					4,245,142	3,118,027
Short term finance	See Note No.7.1 and 7.2	37,326,134	41,570,912			37,326,134	41,570,912					37,326,134	41,570,912
Creditors,accrued & other liabilities		1,008,251	1,487,022			1,008,251	1,487,022	8,291,390	7,114,518			7,114,518	1,008,251
Commitments		7,450,000	4,111,000			7,450,000	4,111,000					7,450,000	4,111,000
		46,782,504	47,721,028	3,247,023	2,565,933	50,029,527	50,286,961	8,291,390	7,114,518	0	0	0	7,114,518
												50,029,527	57,401,479

x-(1) Financial instruments and risk management

Overall, risks arising from the company's financial instruments are limited.

(A) Interest rate risk Management

The company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The company while dealing in the financial instruments negotiates attractive fixed interest rates, which reduces the interest rate price risk.

(B) Concentration of credit risk:-

Credit risk represents the accounting loss/Profit that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 81,281,127/-, the financial assets which are subject to credit risk amounted to Rs. 74,238,192/-. To manage exposure to credit risk, the Company applies credit limits to their customers.

(C) Fair Value of financial assets & liabilities:

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values.